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The evaluative legitimacy of social entrepreneurship in capitalist welfare systems

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ABSTRACT

Social entrepreneurs start ventures to tackle social problems, and these ventures have the potential to outperform other social service providers in welfare states. We leverage theories of legitimacy and Varieties of Capitalism to examine national experts' (N = 361) assessments of the efficiency of social enterprises relative to state and civil society. Our multilevel analysis across 11 welfare states shows that social enterprises are perceived as a more efficient solution to social problems when a liberal or socialist logic dominates a given state's market coordination and social welfare provision. However, when institutional logics are in conflict, the assigned legitimacy of social entrepreneurship is diminished.

1. Introduction

Many highly developed countries with traditionally large welfare systems recently engaged in welfare state retrenchment to restructure and reduce welfare state policy provisions (Evers, 1990; Hall & Soskice, 2001; Pierson, 2001; Schröder, 2013; Starke, 2006). Scholars, entrepreneurs, policy makers, and other stakeholders increasingly emphasize social entrepreneurship as an important market-driven initiative in compensating the reductions in public welfare provision and argue that it can outperform and replace inefficient state and civil society organizations in capitalist welfare systems (Austin, Stevenson, & Wei-Skillern, 2006; Choi & Majumdar, 2014; Dacin, Dacin, & Tracey, 2011; Mair, 2010; OECD, 2011; Peredo & McLean, 2006). Social enterprises address pressing needs in disadvantaged communities and economies (Mair & Martí, 2009; Peredo & Chrisman, 2006); however, social enterprises in developed economies often face a serious struggle for legitimacy to gain appreciation from national constituents as social welfare providers that can compete with traditional social welfare systems (Chmelik, Musteen, & Ahsan, 2015; Short, Moss, & Lumpkin, 2009; Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

A growing body of cross-country institutional research demonstrates that the great variety in the prevalence of social entrepreneurship across capitalist welfare states is driven by national government interventions and entrepreneurship-specific cultural values (Estrin, Mickiewicz, & Stephan, 2013; Stephan, Uhlaner, & Stride, 2015; Terjesen, Lepoutre, Justo, & Bosma, 2012; Zhao & Lounsbury, 2016). The success of social enterprises that offer nation-wide (as opposed to 'solely' local community-based) solutions (Zahra et al., 2009) is strongly shaped by whether key national constituents (e.g., educators, policy makers, researchers, investors, and entrepreneurs) signal their approval of social enterprises' ability to create more social benefits than state and civil society organizations (Chmelik et al., 2015; DiDomenico, Haugh, & Tracey, 2010; Katre & Salipante, 2012; Nicholls, 2010a, 2010b). Research across three developed economies (US, South Africa, and South Korea) suggests that social entrepreneurs engage in different sets of practices that help "overcome the lack of legitimacy and acceptance from external constituents" (Sunduramurthy, Zheng, Musteen, Francis, & Rhyne, 2016).

Despite these important contributions to the relative value of social enterprise, there remains a lack of comparative research that goes beyond the entrepreneurs' perspective and considers key national-constituent experts' evaluation of the legitimacy of social enterprises in developed economies. Experts' legitimacy assessments comprise an important field of inquiry because these experts "can speak out on important matters, as well as participate in forums and other events, thereby providing some measure of legitimacy and interest to the efforts of social entrepreneurs" (Korosec & Berman, 2006). Hence, exploring this gap can extend theory on the socio-political acceptance

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(Aldrich & Fiol, 1994) of social entrepreneurship as a means for social welfare provision and, as a consequence, explain how the 'demand' for social entrepreneurship is contingent on the state's current system of political governance.

The present study contributes to closing that gap by addressing the question: how do national experts evaluate the efficiency of social enterprises in solving social problems relative to the ability of state and civil society organizations? In our search for an answer, we build on legitimacy theory (Bitektine & Haack, 2015; Suddaby, Bitektine, & Haack, 2017) to argue that key national experts' normative evaluations influence the perceived legitimacy of social entrepreneurship in a welfare state, and that they are embedded in the existing capitalist welfare system (Bitektine, 2011; Tost, 2011). We complement the legitimacy lens with a national institutional perspective rooted in the Varieties of Capitalism (VoC) framework (Hall & Gingerich, 2004, 2009) to theorize on how experts' legitimacy judgments on social entrepreneurship are affected by the states' degree of coordination of market-based activities (market governance sphere) and the extent of current public welfare provision to address social problems (social governance sphere) (Hall & Gingerich, 2009; Hall & Soskice, 2001; Mair, 2010).

Based on a sample of 361 national experts from 11 capitalist welfare states, our multilevel analysis demonstrates that key experts judge social problems as more efficiently solved by social entrepreneurs than by state and civil society organizations when the state's coordination of both market-based activities and social welfare provision is either dominated by a liberal logic *or* dominated by a socialist logic. A dominant liberal logic reflects a lower degree of coordination across both market and social governance spheres, meaning that the state allows private companies to negotiate commercial and employment agreements freely with little interference; a dominant socialist logic reflects a higher degree of coordination across market and social governance spheres, meaning that the state takes an active role in, for instance, regulating corporate governance and establishing protection against unemployment. However, when national institutional logics across the market and social governance sphere are in conflict— that is, the coordination of market-based activities is driven by a liberal logic and the social welfare provision by a socialist logic (or vice versa)— the evaluative legitimacy assigned to social entrepreneurship diminishes.

Building on our findings, we generate several contributions. First, we complement existing theory on social enterprises' legitimacy-enhancing strategies (*actor perspective*) (Sunduramurthy et al., 2016; Zahra et al., 2009) by focusing on key constituents' legitimacy judgments of social enterprises (*evaluator perspective*) (Bitektine, 2011; Überbacher, 2014). In particular, we enhance an understanding of the evaluative legitimacy of social entrepreneurship by addressing the under-explored role of national experts as key legitimacy-givers (Zahra et al., 2009) (the *who*) and their evaluation of the efficiency of social entrepreneurship in solving social problems (the *what*). Hence, we expand our investigative focus away from legitimacy as a given challenge that must simply be overcome by social enterprises (i.e., *legitimacy as property*; Suddaby et al., 2017) to how the building of legitimacy of social enterprises is construed by key national constituents' judgments (i.e., *legitimacy as perception*; Suddaby et al., 2017). This particular contribution is important, given our aim to better understand how key actors, who are embedded in institutional settings, can influence the promotion of particular solutions to national level social problems and affect the subsequent design of institutional support for social entrepreneurship, both formally and informally (DiDomenico et al., 2010; Katre & Salipante, 2012; Korosec & Berman, 2006; Muñoz & Kibler, 2016; Nicholls, 2010a, 2010b).

Second, we extend the institutional perspectives on social entrepreneurship (Estrin et al., 2013; Stephan et al., 2015; Zahra, Newey, & Li, 2014; Zhao & Lounsbury, 2016) by building on the VoC framework (Hall & Gingerich, 2004, 2009) to offer novel insight into complementary as well as conflicting effects of the interplay of liberal and socialist logics (Aguilera, Judge, & Terjesen, 2018) applied to the governance of market coordination and social welfare provision. Overall, our findings draw attention to institutional complementarity in explaining legitimacy-enhancing and legitimacy-diminishing effects. While Stephan et al. (2015) already emphasizes the complementary role of formal and informal institutions in social entrepreneurial activity, we develop a nuanced understanding of the complementarity of the formal institutional spheres of market coordination and social welfare provision. We demonstrate that under complementary conditions based either on a high *or* low degree of coordination across both market and social governance spheres, national experts evaluate social entrepreneurship as providing social welfare more efficiently than its alternatives. Subsequently, we suggest that the evaluative legitimacy assigned to social entrepreneurship is subject to macro-level formal institutional conditions (Bitektine & Haack, 2015), which influence the evaluators' perceptions on the societal position of social enterprises and shape their assessment on the operational conditions for social entrepreneurship. We encourage future studies to complement the dominant research on social entrepreneurship and its embedded entrepreneur perspective (Dacin et al., 2011; Mair & Marti, 2006; Short et al., 2009) by embracing an embedded evaluator perspective on the efficiency of social entrepreneurship (Choi & Majumdar, 2014).

Finally, our findings can assist in the development of policy initiatives targeted at supporting social enterprises in capitalist welfare states. We suggest that welfare state activities that best elicit the required support from key authorities in building legitimacy for social entrepreneurship vary from country to country, and there is no single best practice or strategy for gaining the support of national experts. Nevertheless, the legitimacy granted by powerful local experts can significantly enhance social enterprises' value creation by giving them legitimacy, while social entrepreneurial operations can be hampered by failing to reach awareness and recognition in public discourse of the causes they can address (Korosec & Berman, 2006; Sharir & Lerner, 2006). We conclude that social entrepreneurship plays a key role in compensating for the state's welfare retrenchment and significant changes in social transfers; and that social enterprises can find a legitimate base to grow, both in liberal states and in capitalist systems where the state maintains a strong yet complementary role in the provision of social welfare. Hence, if the aim is to assist welfare states in supporting social entrepreneurship, we need to firmly assess the interplay of different spheres of governance instead of focusing on any one sphere of policy-making. In conclusion, to advance an international comparative view on social entrepreneurship and develop policy-relevant knowledge in this area, we call for further research to expand our analysis of the influence of the national institutional environment on legitimacy judgments and to critically evaluate the relevance and influence of different logics of political governance and cultural environment on the legitimacy of social entrepreneurship.

2. Theory and hypotheses

2.1. Evaluative legitimacy judgments on social entrepreneurship

An evaluator's judgment of an organization's legitimacy is based on his/her knowledge and values that reflect the two most general dimensions of organizational legitimacy: cognitive legitimacy and evaluative legitimacy (Aldrich & Fiol, 1994; Bitektine & Haack, 2015; Bitektine, 2011; Suchman, 1995; Überbacher, 2014). Cognitive legitimacy refers to an evaluator's classification of an organizational entity into an approved category of organizations (Bitektine, 2011; Tost, 2011). Evaluative legitimacy addresses whether an evaluator deems the organization to be desirable and valuable (Kibler, Mandl, Kautonen, & Berger, 2017; Überbacher, 2014), "subjected to further scrutiny and questioning in order to establish if it is beneficial to the actor(s), their social group, and/or the whole society" (Bitektine, 2011: 157). In the context of social entrepreneurship, an evaluator who understands the core attributes of social enterprises will form a cognitively legitimate impression of social enterprises; evaluative legitimacy focuses on evaluators' explicit normative assessments of social enterprises' efficiency in creating social value.

The present study focuses on evaluative legitimacy judgments on social entrepreneurship. Our main rationale is that scholarly and policy discourses increasingly refer to social entrepreneurship as a plausible, often taken-for-granted organizational category (i.e., the cognitive legitimacy approach) (Nicholls, 2010b; Short et al., 2009; Zahra et al., 2009). However, recent research also demonstrates that when seeking legitimacy from external constituents (Sunduramurthy et al., 2016), particularly from government, investors, and the media, social enterprises face challenges in presenting themselves as both financially viable and a significant social contributor (Chmelik et al., 2015; Katre & Salipante, 2012). Hence, while social enterprises are now a well-established category of firms, we argue that any assessment of the efficiency of social entrepreneurship should involve evaluative rather than cognitive legitimacy, because social enterprises introduce societal changes which require evaluators to critically assess their impact in the context of each country's prevailing regulations and social norms. For instance, an evaluator can judge social enterprises as beneficial for their own well-being and able to generate a positive impact on society by serving the needs of disadvantaged groups; or he/she may also assess social enterprises more critically in terms of perceiving them to be inefficient economic actors or untrustworthy producers of social welfare.

We build on legitimacy theory (Bitektine & Haack, 2015; Suddaby et al., 2017) to further explicate our study's meaning of evaluative legitimacy judgments of social entrepreneurship by pursuing three fundamental questions: (1) *who is the evaluator?*; (2) *what is assessed?*; and (3) *how does context influence the judgment?* First, we focus on evaluators who are "actors in 'subject positions' with the 'right to speak'" (Bitektine & Haack, 2015), such as *key national experts* including entrepreneurs, interest groups, educators, and policy makers in the domain of social entrepreneurship (Nicholls, 2010a). Expert evaluators' opinions are carefully attended to in institutional contexts (Bitektine, 2011), and can therefore influence prevalent socio-political settings that shape social enterprises' performance (Aldrich & Fiol, 1994; Bitektine & Haack, 2015; Nicholls, 2010b; Überbacher, 2014).

Second, social entrepreneurship differs from the traditional provision of social service undertaken by the state and civil society in terms of its market orientation and implicit focus on efficiency (Austin et al., 2006; Mair & Marti, 2006; Peredo & McLean, 2006; Shaw & de Bruin, 2013). Accordingly, we base our definition of *what national experts* assess on previous legitimacy research, which states that key national experts confer evaluative legitimacy by judging the *efficiency* of organizational activity (Bitektine & Haack, 2015; Überbacher, 2014). Hence, rather than the cognitive legitimacy assessments of the personnel and structural attributes linked to organizations (Suchman, 1995), evaluative legitimacy judgments comprise relative managerial and consequential assessments (Bitektine, 2011; Suddaby et al., 2017) where the evaluator judges social enterprises' efficiency in resolving social problems in relation to the social benefits created by other social welfare providers. Third, following Bitektine and Haack (2015) *embedded legitimacy* argument, we argue that a national expert's evaluative legitimacy judgment is also subject to external national institutional pressures. Government and the judicial system have evolved into institutions that serve as a national reference framework against which experts judge legitimacy (Suddaby et al., 2017). Regulatory institutions arrive at formal rules such as those regulating market-based activities (for example, *firms'* ability to acquire financing or agree on terms of employment) and social welfare provision for the unemployed and those at risk of losing their work (Hall & Gingerich, 2009). Hence, they represent norms and rules at the national governance level (Bitektine, 2011; Tost, 2011) which can shape the way national experts evaluate the efficiency of social entrepreneurship as a market-driven provider of social welfare.

To investigate our theoretical rationale, we expand on the legitimacy lens (Bitektine & Haack, 2015; Suddaby et al., 2017) so as to build a national institutional perspective on social entrepreneurship (Stephan et al., 2015; Zhao & Lounsbury, 2016) rooted in VoC (Hall & Gingerich, 2004, 2009; Hall & Soskice, 2001). We theorize on a state's regulation of market-based activities and social welfare provision as the main political governance spheres (Hall & Gingerich, 2009), and this permits us to examine how liberal (lower degree of coordination) and socialist (higher degree of coordination) logics (Aguilera et al., 2018) applied to those two governance spheres affect the evaluative legitimacy of social entrepreneurship in capitalist welfare systems.

2.2. Market coordination, social welfare provision and the evaluative legitimacy of social entrepreneurship

VoC's main premise is that capitalist states differ from each other based on the degree of market coordination—that is, the extent to which a state regulates private corporate activity and interactions between enterprises, shareholders, and employees (Hall & Gingerich, 2004; Hall & Soskice, 2001). A parsimonious VoC application distinguishes capitalist economies into two main national institutional logics: liberal economies, characterized by a relatively low degree of market coordination, and coordinated economies, characterized by a relatively high degree of market coordination (Hall & Gingerich, 2009; Jackson & Deeg, 2008). A liberal national institutional logic strives to foster an entrepreneurial mindset and radical innovation by allowing market mechanisms to shape business activity with little interference from the state. Enterprises are expected to adapt to competition and manage supply and demand depending on market prices while maximizing value. The United States and the United Kingdom are two countries that typically follow a liberal logic with minimal market coordination. In these states, the dominant organizing principle is market competition, i.e., access to finance depends on the company's market valuation, and salaries are typically negotiated between employers and employees (Hall & Gingerich, 2009; Hall & Soskice, 2001).

In contrast, enterprises in a coordinated market economy operate in relation to each other, and also depend on non-market relationships which require coordination with other actors such as civil society and the state (Hall & Soskice, 2001). Enterprises tend to build stable relationships with financial institutions and offer employees a long-term vision. Rather than imposing radical shifts, this type of economy fosters a socialist logic with incremental innovation and improvements to existing production processes and collaborative practices (Hall & Soskice, 2001; Jackson & Deeg, 2008). VoC research (Hall & Gingerich, 2004) highlights Italy and Norway as countries characterized by significant state coordination of the market. These states impose regulations on employment terms and are actively involved in establishing standards for firms' operations. Private enterprises' reputation and capabilities to strategically cooperate with the state as well as trade and industrial unions are of paramount importance (Hall & Gingerich, 2009).

We suggest that liberal economies with a lower degree of market coordination offer the best national institutional setting for entrepreneurial and innovation activities (Mair, 2010; Shaw & de Bruin, 2013). A core aspect that differentiates social entrepreneurship from traditional not-for-profit social services is the former's focus on market principles (Mair, Battilana, & Cárdenas, 2012). In the VoC framework, social entrepreneurship represents an organizational activity that should find support in countries with lower degrees of market coordination (Hall & Gingerich, 2004). Hence, assuming that legitimacy judgments reflect positive feedback which discursively reinforces a given domain's institutional order (Bitektine & Haack, 2015; Suddaby et al., 2017), national experts in liberal market economies are more likely to judge social entrepreneurship as an efficient provider of social welfare than their counterparts operating in more coordinated markets (Austin et al., 2006; Choi & Majumdar, 2014; Jiao, 2011; Mair, 2010). We expect:

Hypothesis 1. The lower the degree of a state's coordination of market-based activities, the more national experts are inclined to judge social entrepreneurship as an efficient solution to social problems.

Further, we argue that in addition to the market coordination of a welfare state, the state's social welfare provision (Hall & Gingerich, 2004) influences how national experts evaluate social entrepreneurship. Social enterprises offer services that address those social needs not met by a country's economic and social welfare arrangements (Shaw & de Bruin, 2013). Previous comparative institutional research emphasizes that welfare retrenchment (Pierson, 2001; Starke, 2006) generates opportunities for social innovation and, thus establishes the idea that social entrepreneurship is able to tackle social problems (Austin et al., 2006; Dacin et al., 2011; Estrin et al., 2013). For instance, Mair (2010) suggests that if "many social needs are not taken care of by the state… an entrepreneurial approach represents a 'natural' way to address the problem or need" and points out that entrepreneurial approaches are more prevalent in liberal rather than in coordinated economies. For example, the United States and Switzerland typically employ liberal market logics and are characterized by minimal social welfare provision. In these countries, the state takes little responsibility in mitigating the risks or offering protection for the unemployed, and employees typically prepare for the loss of work by individually negotiating terms and conditions of their work (Hall & Gingerich, 2009).

When social welfare provision is dominated by a liberal logic, a country prioritizes incentives for work rather than for social support. This liberal logic promotes the notion that each individual's welfare should be paid for by returns from his/her own labor or capital assets (Arts & Gelissen, 2002; Goodin & Rein, 2001). Furthermore, the state does not respond to specific social problems through national institutions (Ebbinghaus & Manow, 2001). Consequently, while a liberal logic for market coordination supports social entrepreneurship, we expect that the state's withdrawal from the provision of social service increases the volume of social needs that are not catered for, and that this offers opportunities for market-driven activities with a social mission (Austin et al., 2006; Lepoutre, Justo, Terjesen, & Bosma, 2013; Stephan et al., 2015).

In particular, we assume that lower public expenditure on social welfare provision reinforces a positive view of social entrepreneurship and thereby strengthens the proposed positive effects deriving from less market coordination. For instance, when operating in a state that engages in limited coordination of labor relations, social enterprises have more power to negotiate salaries than they would in coordinated labor markets (Doherty, Haugh, & Lyon, 2014; Jackson & Deeg, 2008). If the state also makes minimal investments in social welfare, the social venture's operational freedom increases, and there is a greater need for market-driven social welfare provision (Mahoney, 2000). Hence, we expect that when public provision of social welfare is low in a liberal economy, national experts may strongly advocate the value of social enterprises as social welfare providers. Thus, we assume that in countries with less market coordination, the dominance of a liberal logic in social welfare provision increases the legitimacy of social entrepreneurship in the eyes of national experts. Accordingly, we propose:

Hypothesis 2. The extent of public social welfare provision moderates the influence of market coordination on legitimacy judgments such that the lower the degree of a state's coordination of social welfare provision, the more national experts are inclined to judge social entrepreneurship as an efficient solution to social problems (Fig. 1).

3. Research Design and method

3.1. Data and sample

The current research builds on the argument that, while many social enterprises are necessity-driven and often naturally emerge from pressing needs in disadvantaged contexts (Mair & Martí, 2009), successful social enterprises operating at a national level in developed welfare states are more likely to require acceptance from national constituents in order to provide efficient service (Short et al., 2009; Zahra et al., 2009). We focus on national experts' evaluations of the efficiency of social entrepreneurship as a market-driven social welfare provider addressing social problems in capitalist welfare systems. Our theoretical point of departure for the country sample is based on three interrelated criteria. First, the countries are so-called innovation-driven economies characterized by the pioneering production of new and unique goods and services, such as experimenting with opportunity-driven forms of social entrepreneurship. The policy focus is on supporting dynamic industries and stimulating new combinations of products and markets, instead of on establishing basic requirements or nurturing economies of scale (GEM, 2009; Porter, Sachs, & McArthur, 2002). Second, the country sample comprises different forms of developed capitalist welfare states which are challenged by periods of welfare retrenchment and changes in social transfers (Allan & Scruggs, 2004; Ebbinghaus & Manow, 2001; Korpi & Palme, 2003). Following the Varieties of Capitalism approach, different forms of welfare systems reflect varying degrees of the states' regulation of market-based activities (see Table 5). Third, the states represent so-called mixed welfare economies, where both the public and private domains organize social welfare production (Evers, 1990; Kamerman & Kahn, 2014). Countries' different forms of mixed welfare systems reflect varying degrees of social expenditure in national welfare services (Hall & Gingerich, 2004, 2009). Following these three criteria, we select 11 of the 48 countries available in our individual-level dataset (GEM, 2009). The final country sample consists of Belgium, Finland, Greece, Italy, the Netherlands, Norway, South Korea, Spain, Switzerland, the United Kingdom, and the United States.

To test our hypotheses we combine multiple datasets. First, as social entrepreneurship experts include policy makers, educators, investors, entrepreneurs, and other interest groups (Bitektine, 2011; Nicholls, 2010a, 2010b), we capture legitimacy judgments from such experts. We draw related individual-level data from the National Expert Survey (NES) in the 2009 Global Entrepreneurship Monitor (GEM) research dedicated to social entrepreneurship (Estrin et al., 2013; Lepoutre et al., 2013; Stephan et al., 2015). The original dataset covers 426 national experts from five different professional fields (i.e., entrepreneur, investor, policy maker, service provider, and educator and researcher) in the 11 selected countries. The identification of national experts is largely based on a non-probability sampling technique: GEM research teams choose national experts from the five respective fields, based on their social status and expert reputation as well as on their accessibility (Reynolds et al., 2005). Each national GEM team conducts at least 36 interviews with experts focusing on different areas of specialization, and the questionnaire is translated into the local language(s) and the responses subsequently retranslated into English. GEM's data team approves the translation and interview process. Furthermore, annually each country sample uses at least four experts (two new experts and two who participated in a prior interview) in each of the eleven areas of specialization captured by GEM concerning the country's entrepreneurial framework conditions[1]. Due to missing data on experts' age, gender, and field of profession, we exclude 65 observations, resulting in a final sample of 361 key national experts. On average 79% of respondents are male, and in the Netherlands and Greece over 90% are male. Approximately 28% of the experts are entrepreneurs, although

[1] The areas of specialization captured by the 2009 National Expert Survey (NES) are: finance; government policies on the support of entrepreneurship, entry regulation, and entrepreneurship programs; education at primary and post-school stages; R&D transfer; commercial and legal infrastructure; internal market dynamics and burdens of entry; physical infrastructure; and cultural and social norms.

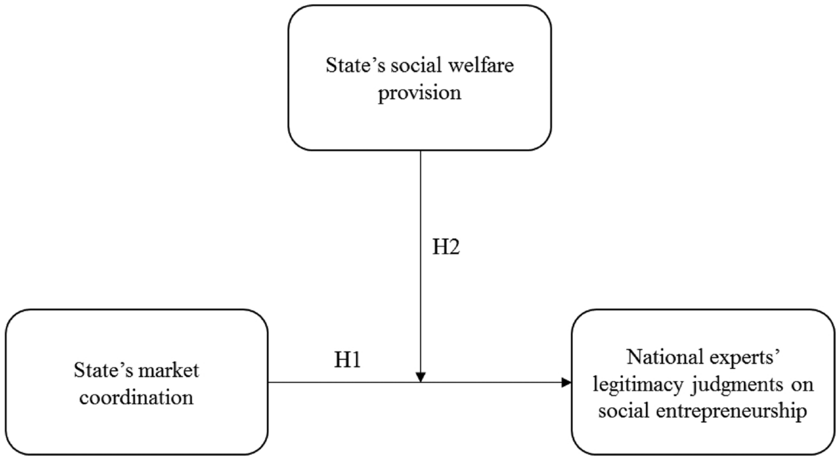

Fig. 1. Research model.

this varies from a low of 6% in the USA to a high of 42% in Belgium. The experts' age varies from 42 years (South Korea) to 59 years (USA), with an average age of 48. Given the limited availability of cross-sectional data for social entrepreneurship studies (Shaw & de Bruin, 2013; Short et al., 2009), we believe the 2009 NES is the most suitable data source with which to examine national experts' legitimacy judgments on social entrepreneurship.

Second, we complement the individual-level dataset with several country-level data sources: market coordination indices published by Hall and Gingerich (2004); Hall & Gingerich, 2009, social welfare provision based on OECD data (2016), and GDP from the World Bank database. Our robustness checks employ data from Solt (2009) database, the Heritage Foundation's Index of Economic Freedom, Freedom House, and the Global Leadership & Organizational Behavior Effectiveness (GLOBE, 2018) databases as well as GEM data on early-stage entrepreneurial activity.

3.2. Measures

3.2.1. Dependent variable

3.2.1.1. Evaluative legitimacy of social entrepreneurship. Consistent with our legitimacy approach (Bitektine & Haack, 2015; Überbacher, 2014), we capture the relative *evaluative legitimacy of social entrepreneurship* with national experts' responses to two Likert-scale statements anchored with *full disagreement* (1) and *full agreement* (5) in the GEM 2009 NES dataset (Terjesen et al., 2012): (a) "*In my country, social, environmental and community problems are generally solved more effectively by entrepreneurs than by the government*"; and (b) "*In my country, social, environmental and community problems can be solved more effectively by entrepreneurs than by civil society organizations.*" The item scores are summed and then divided by two to generate a composite variable indicating how experts evaluate social enterprises against government and civil society organizations. The Cronbach's alpha of 0.75 surpasses the acceptability threshold of 0.70 (Hair, Black, Babin, & Andersson, 2010), thereby indicating strong internal consistency. The reliability values range from Greece's 0.46 to Finland's 0.87. Greece and the United Kingdom (0.62) are the only countries with reliability values below the 0.70 value.

3.2.2. Independent variables

3.2.2.1. Market coordination. We use Hall and Gingerichös (2004) market coordination index, which is comprised of six indicators: (a) *level of wage coordination,* reflecting the level at which wage bargaining is implemented between trade unions and employers (i.e., national, intermediate, or firm); (b) *degree of wage coordination* based on OECD measures that quantify the intensity of coordination between unions and employers; (c) *labor turnover* reflecting the fluidity of the national labor market based on the share of employees with a work contract of less than a year; (d) *level of shareholder power* captured by legal regulations and the influence of ordinary shareholders relative to dominant shareholders or managers; (e) *dispersion of control* measured by the number of widely held firms in relation to the number of firms controlled by major shareholders; and (f) *size of stock market* reflecting the ratio of the market valuation of equities on the stock exchange of a country to its GDP. The first three components relate to the labor markets, and the latter three to corporate governance practices. The index measure ranges from 0 to 1, with a lower value denoting less market coordination.

3.2.2.2. Social welfare provision. In line with Hall and Gingerich (2009), *social welfare provision* is captured by a state's public social expenditures in the period of 2005–2008, which is calculated as the average score of the sum of cash benefits, direct in-kind provision of goods and services, and tax breaks with a social purpose (OECD, 2016).

3.2.3. Individual-level controls

To control for national experts' characteristics, we include experts' field of profession, age, and gender. Professional field is a categorical variable, and we select 'entrepreneur' as normative reference category because the subject of experts' evaluation is that of the group of entrepreneurs. Age is measured in years, and 'male' is the reference category for gender.

3.2.4. Country-level controls

To investigate the hypothesized relationships, we include only selected country-level controls. A large literature supports this decision – see e.g., Spector and Brannick (2011) concerns that too many control variables generate noise. Following Stephan et al. (2015), we use the logarithmic scale of GDP (per PPP) in 2008 (World Bank, 2016) to control for potential country-level effects in our main model. For a series of robustness checks, we select five country-level measures based on previous cross-country comparative international research on social entrepreneurship (Estrin et al., 2013; Mitchell, Smith, Seawright, & Morse, 2000; Stephan et al., 2015): *social problems*, *government activism*, *rule of law*, *power distance*, and *prevalence of social entrepreneurship*.

3.2.4.1. Social problems. We also investigate the role of social problems on the evaluative legitimacy of social entrepreneurship. Following Solt (2009), income inequality is a robust, parsimonious indicator of the capability of national economic and social institutions to address social problems over time. Accordingly, we define social problems based on historical social inequality captured by the net Gini index comprising income inequality after taxes and fiscal transfers (Solt, 2009). The measure ranges from 0 to 100; the higher a country's Gini value, the greater the social inequality. To measure the relative change in the level of social problems, we calculate ratios that compare Gini index values from 1990 and 2008 (Solt, 2009).

3.2.4.2. Government activism. We incorporate a government activism index as a function of taxation and overall government spending in the year 2008 (Heritage Foundation, 2016), following Stephan et al. (2015) finding of a positive relationship between government activism and the prevalence of social entrepreneurship across different countries. The Cronbach's alpha of 0.79 is above the 0.70 acceptability threshold (Hair et al., 2010).

3.2.4.3. Rule of law. The rule of law captures the protection of national property rights, which entails a lower risk of expropriation and greater security of contracts for enterprises (Aidis, Estrin, & Mickiewicz, 2012; Estrin et al., 2013). A strong rule of law is associated with the emergence of social enterprises (Estrin et al., 2013). We employ Freedom House's indicator of the rule of law assessment in 2008, which ranges from 0 (low) to 16 (high level of the rule of law).

3.2.4.4. Power distance. We apply the GLOBE project's (Grove, 2005; House et al., 2004) cultural measure of *power distance*, which measures the extent to which a society accepts and endorses authority, power differences, and status privileges. High power distance indicates a higher differentiation into classes, limited upward social mobility, and the use of power in shaping social order (Grove, 2005; House et al., 2004). The power distance scale ranges from 1 to 7, with lower numbers indicating less tolerance of inequality (House et al., 2004).

3.2.4.5. Prevalence of social entrepreneurship. In addition to the evaluative legitimacy of social entrepreneurship, we analyze the associations between the independent variables and the country-level prevalence of social entrepreneurship (Stephan et al., 2015). The prevalence of social entrepreneurship refers to entrepreneurial activity (both early-stage and established) engaged in social goals, covering innovative and social-value creating activities, community-based enterprises, and for-profit organizations seeking to solve social problems (see Lepoutre et al., 2013; Terjesen et al., 2012). We employ GEM's measure of social entrepreneurial activity among the adult population in a country in 2009 (Lepoutre et al., 2013; Terjesen et al., 2012), where a higher percentage indicates a higher prevalence of social entrepreneurship in a country.

Table 1 presents all variables' description, operationalization, and sources.

3.2.5. Method

We test our hypotheses with a series of random-effects linear regression models with data using country as a grouping variable. To ensure that multicollinearity is not an issue, we run pooled OLS tests for multicollinearity. For our models, all variance inflation factor (VIF) values (max. 2.9) are below the critical threshold (Hair et al., 2010). To validate our empirical approach, we run the Hausman test, which indicates that a random-effect specification produces a more efficient estimation ($\chi 2$ (6) = 4.90, p = 0.577). The main models use random effects specification and adjust standard errors for 11 country clusters. In multilevel analyses the effect size of the country-level variance needs to be addressed. As debated recently, in country-level comparisons most variance takes place at lower levels of analyses, such as between teams and individuals, rather than at the country level (Meyer, van Witteloostuijn, & Beugelsdijk, 2017). To study country-level variation in the evaluative legitimacy of social entrepreneurship, we computed the null model and calculated the intra-class correlation coefficient (ICC), which in the present case is 0.062. This suggests that 6% of the overall variance stems from the influence of macro-level variables, which is close to previous results suggesting that country-level variation typically remains at about 10% (Fisher & Schwartz, 2011). When we add institutional variables to the model, R2 increases from zero to 5.4%. Table 2 presents the variables' descriptive statistics and correlations.

4. Results

Table 3 provides our regression results separately for control variables only, main effects, and interaction effect models. Our results find initial support for Hypothesis 1 by showing that market coordination is significantly and negatively associated with evaluative legitimacy of social entrepreneurship assigned by national experts ($ß$ = –0.84, $p < 0.01$). The interaction model further reveals that social welfare provision positively moderates the effect of market coordination on the evaluative legitimacy of social entrepreneurship ($ß = 1.13$, $p < 0.01$). Therefore, we find substantive support for Hypothesis 2 and we can only partially confirm Hypothesis 1, considering that the effect of market coordination fully depends on the level of social welfare provision. We also run a model excluding Greece, given that country's relatively low reliability value (0.46) of the dependent variable, indicating that the interaction effect also holds true in this unique country case.

Fig. 2 plots the interactions effect (Aiken & West, 1991), revealing that in countries with a lower degree of market coordination accompanied by a low degree of social welfare provision, national experts assign a high level of evaluative legitimacy to social entrepreneurship. In addition, in countries with a higher degree of market coordination accompanied with a high degree of social welfare provision, the evaluative legitimacy of social enterprises is also high.

We conduct robustness checks (Table 4), first by alternating the country-level control variables by excluding GDP and including measures of government activism, rule of law, power distance, and social problems (Model a), and find support for our original results. Second, we compare the country's aggregate of national experts' judgments with the country's aggregate of the actual prevalence of social entrepreneurship (GEM, 2009) by using the latter as a dependent variable (Model b). This analysis shows that the association of market coordination and social welfare provision with social entrepreneurship prevalence are similar to our main result. There is a positive and significant effect ($p < 0.01$) of the country's evaluative legitimacy on a country's social enterprising activity. While we demonstrate a positive and significant effect of institutional complementarity on evaluative legitimacy (Model a), the interaction effect disappears when including evaluative legitimacy as control variable in Model b with social entrepreneurship activity as dependent measure. This suggests that a state's institutional complementarity influences national experts' legitimacy judgments, and that, in turn, each country's evaluative legitimacy influences the actual prevalence of social entrepreneurship. This relationship signals the important role of key constituents' legitimacy judgments in understanding the emergence of social entrepreneurship (Zahra et al., 2009). Table 5 provides a descriptive overview of all measures.

5. Discussion

Our study offers the first insight into the relationship between capitalist welfare systems and national experts' evaluation of the efficiency of social entrepreneurship in creating social welfare as compared to governmental and civic society organizations. Specifically, we build on the legitimacy judgment approach (Bitektine & Haack, 2015; Bitektine, 2011) and the Varieties of Capitalism framework (Hall & Gingerich, 2004, 2009) to explain the influence of national-level formal institutional conditions on individual-level legitimacy judgments. Following the VoC framework, we focus on liberal versus socialist institutional logics as the foundation of two dominant spheres of governance: the degree of a state's coordination of market-based activities (market sphere) and social welfare provision (social sphere) (Hall &

Table 1
Description of model variables.

Measure	Definition	Year of data reference	Source
Dependent variable			
Evaluative legitimacy of social entrepreneurship	National experts' evaluation of the efficiency of social entrepreneurship in solving social problems as compared to state and civil society organizations. The measure is based on two Likert-scale items anchored with full disagreement (1) and full agreement (5) (Terjesen et al., 2012): *(a) "In my country, social, environmental and community problems are generally solved more effectively by entrepreneurs than by the government"* and *(b) "In my country, social, environmental and community problems can be solved more effectively by entrepreneurs than by civil society organizations."*	2009	Global Entrepreneurship Monitor (GEM (2009)): National Expert Survey (NES)
Independent variables			
Market coordination[a]	Market coordination is measured by Hall and Gingerich's (2004) coordination index comprising six indicators covering the coordination of labor markets and corporate governance practices. The index ranges from 0 to 1, with lower values indicating less market coordination.	1990–2004	Hall and Gingerich (2004), 2009)
Social welfare provision	Social welfare provision is measured by the extent of a state's public social expenditures in 2005–2008, which is calculated as the average score of the sum of cash benefits, direct in-kind provision of goods and services, and tax breaks with a social purpose. Higher values indicates higher expenditures.	2005–2008	OECD (2016); Hall and Gingerich (2009)
Individual-level controls			
Age	Age (years)	2009	GEM (2009): NES
Gender (dummy)	Gender (0 = female and 1 = male)	2009	GEM (2009): NES
Expert's field (categorized)	Expert's professional field: entrepreneur, investor, policy maker, service provider, or educator and researcher	2009	GEM (2009): NES
Country-level controls			
GDP per PPP	GDP per capita is gross domestic product divided by mid-year population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. Data are in current U.S. dollars in 2008. Logarithmic scale.	2008	World Bank
Variables used in robustness checks			
Social problems	A measure of social problems is based on the historical development of social inequality captured by the net Gini index comprising income inequality after taxes and fiscal transfers between 1990 and 2008. The measure ranges from 0 to 100, in which higher values denote greater social inequality.	1990–2008	Solt (2009)
Government activism	A function of taxation and overall government spending: (Fiscal freedom + Government size)/2 for 2008. Higher values indicate higher government activism.	2008	Index of Economic Freedom (2016)
Rule of law	The quality and fairness of a country's legal system, including an independent judiciary, contract enforcement, property rights, and police and courts in 2008. The value ranges from 0 (low level of rule of law) to 16 (high level of rule of law) points.	2008	Freedom House (2017)
Power distance	Power distance is measured based on GLOBE's cultural practices, which indicate how issues are instead of how they should be. Power distance shows the extent to which the community accepts and endorses authority, power differences, and status privileges. The scale ranges from 1 (very low) to 7 (very high).	2004	House et al. (2004) http://globeproject.com/results/
Prevalence of social entrepreneurship	Prevalence of established social entrepreneurship is defined as entrepreneurial activity (both early-stage and established) which is engaged in social goals covering innovative and social value-creating activities, community-based enterprises, and for-profit organizations seeking to solve social problems. A higher rate indicates a higher prevalence of social entrepreneurship in a country.	2009	Lepoutre et al. (2013); Terjesen et al. (2012)

[a] Professor Peter A. Hall granted access to the original data and code book used in Hall and Gingerich (2004); Hall & Gingerich, 2009 research on varieties of capitalism (VoC). This enabled us to revisit our available country-level data, and to replicate the procedures used to calculate the VoC measures. Following this, we were able to include two more countries—Greece and South Korea—from our applied individual-level dataset that were not available in Hall and Gingerich (2004); Hall & Gingerich, 2009 original work.

Gingerich, 2004, 2009). Our analysis across 11 capitalist welfare states finds support for the proposition that an entrepreneurial approach to addressing social problems is particularly relevant in economies with little coordination over market-based activities (Jiao, 2011; Mair, 2010; Shaw & de Bruin, 2013); however, including the coordination of social welfare in our analysis reveals a more nuanced picture: if both market and social governance spheres are driven by a liberal logic (i.e., low degree of coordination) *or* by a socialist logic (i.e., high degree of coordination), the legitimacy of social entrepreneurship is higher and national experts judge social entrepreneurs to offer a more efficient solution to social problems than state and civil society organizations providers. In contrast, when the market sphere is driven by a socialist logic and the social sphere by a liberal logic, or vice versa, the national institutions of political governance are in conflict in terms of generating a negative influence on experts' assigned legitimacy of social entrepreneurship (Fig. 3).

Following the legitimacy judgment approach (Bitektine & Haack, 2015), individuals' judgments are strongly formed by their personal knowledge and experiences of the phenomenon that is being assessed; however, the macro-level institutional context also influences and can guide individual-level judgments as it contains informational cues to the perceived collective legitimacy of the phenomenon under scrutiny (Bitektine, 2011; Tost, 2011). Hence, our results imply that formal institutional conditions across the market and social governance sphere

Table 2
Descriptive statistics and correlations.

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Legitimacy of social entrepreneurship	3.08	0.93														
2. Market coordination	−0.01	0.25	−0.22**													
3. Social welfare provision	−0.09	1.13	0.05	0.18**												
4. Age	48.2	11.23	0.04	−0.14**	0.17**											
5. Gender (1 = male)	0.79	0.41	−0.06	0.06	−0.02	0.31**										
6. Expert's field: Investor	0.11	0.31	−0.05	−0.00	−0.10	0.02	0.02									
7. Expert's field: Policy maker	0.15	0.36	−0.05	0.04	−0.02	−0.00	0.03	−0.15*								
8. Expert's field: Service provider	0.26	0.44	−0.01	0.03	−0.01	−0.06	−0.15**	−0.21**	−0.25**							
9. Expert's field: Education and research	0.19	0.40	−0.07	−0.10	0.05	0.08	0.04	−0.17**	−0.21**	−0.29**						
10. GDP per PPP 2008 (log)	4.56	0.16	0.16**	−0.26**	0.35**	0.24**	0.08	0.04	−0.14**	−0.07	0.16**					
Variables used in robustness checks																
11. Government activism	55.31	12.36	−0.03	−0.20**	−0.83**	−0.08	−0.01	0.05	0.09	0.03	−0.10	−0.41**				
12. Rule of law	14.13	1.33	0.11*	−0.15**	0.15**	0.10*	0.03	0.07	−0.05	−0.13*	0.09	0.77**	−0.35**			
13. Power distance	5.20	0.42	−0.20*	0.29**	−0.24**	−0.22**	−0.12*	0.09	0.07	0.10	−0.28**	0.81**	0.42**	−0.67**		
14. Social problems	−0.01	0.07	0.10	−0.13**	0.52**	0.07	−0.13*	−0.08	0.10	0.01	−0.04	0.01	−0.50**	0.21**	−0.26*	
15. Prevalence of social entrepreneurship	2.22	1.32	0.19**	−0.47**	0.40**	0.43**	0.03	−0.05	0.06	−0.07	0.07	0.42**	−0.24**	0.30**	−0.49**	0.58**

n = 361, *p < .05, **p < .01.

Table 3
Regression results: Market coordination, social welfare provision and the evaluative legitimacy of social entrepreneurship.

	Main effects	Interaction effect	Full model
Market coordination	−0.84**	−0.76***	−0.59***
Social welfare provision	0.07*	−0.01	−0.10*
Market coordination * Social welfare provision		0.71*	1.13**
Expert's gender			−0.15
Expert's age			−0.00
Expert's field [a]			
Investor			−0.38**
Policy maker			−0.26
Service provider			−0.24*
Education and research			−0.47**
Log of GDP 2008			0.76*
Constant	3.09***	3.04***	−0.03
Number of observations	361		
Number of groups	11		
Obs. per group: Min	20		
Avg.	32.8		
Max	58		
R^2	0.05	0.06	0.10
Wald χ^2	10.08***	105.64***	792.80***
Max. VIF	1.0	1.0	2.9
ICC[b]	0.014	0.005	0.000

Dependent variable = Evaluative legitimacy of social entrepreneurship. Random-effects regression, †p < .10, *p < .05, **p < 0.01, ***p < 0.001.
[a] Reference category: entrepreneur.
[b] Intra-class correlation. ICC for null model is 0.062.

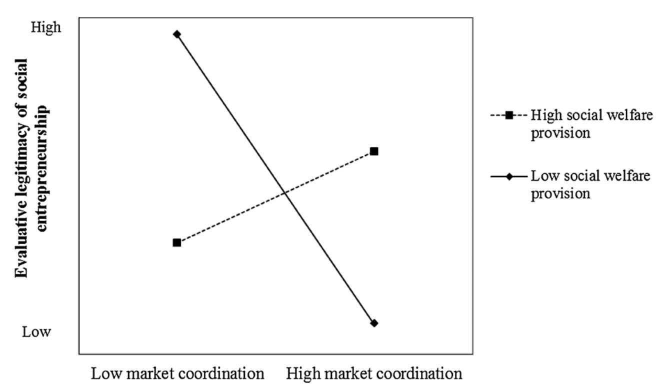

Fig. 2. Effect of the interaction between market coordination and social welfare provision on the evaluative legitimacy of social entrepreneurship.

influence experts' legitimacy judgments on social entrepreneurship by guiding their perceptions on the societal position of, and operational conditions for, social enterprises. In particular we suggest that, in cases where the institutional environment over market and social sphere is complementary, social entrepreneurship is judged as an efficient welfare provider due to the alignment with the dominant institutional logics – either highlighting "the business soundness of the initiative or its social value" (Vurro, Dacin, & Perrini, 2010). At the same time, when the market and social sphere of political governance are in conflict with each other, the evaluators are subjected to opposing informational cues on the significance of social enterprises; this, in turn, can impose conflicting pressures on social enterprises and limits their operational capabilities – which we find negatively influences the assigned legitimacy of social entrepreneurship. Thus, instead of highlighting the absolute level of a state's market and social welfare coordination, our study draws attention to the influence of complementarity and conflict between the two spheres of political governance. In the following, we discuss our findings in more detail by elaborating on the different

Table 4
Robustness checks of results.

Dependent variable	Model a: Evaluative legitimacy of social entrepreneurship			Model b: Social entrepreneurial activity		
	Main effects	Interaction effect	Full model	Main effects	Interaction effect	Full model
Market coordination	–0.84**	–0.76***	–0.49*	–2.96***	–2.69***	–0.80†
Social welfare provision	0.07*	–0.01	–0.15	0.58***	0.35***	0.37***
Market coordination * Social welfare provision		0.71*	1.63*		2.12***	0.02
Expert's gender			–0.13			–0.10
Expert's age			–0.00			0.03***
Expert's field [a]						
Investor			–0.38†			–0.08
Policy maker			–0.32*			0.26†
Service provider			–0.21			–0.10
Education and research			–0.54**			–0.20
Government activism			0.00			
Rule of law			0.09			
Power distance			–0.21			
Social problems			0.34			
Log of GDP 2008						–0.255
Eval.legit. of social entr. (aggregate measure)						2.33***
Constant	3.09***	3.04***	3.34	2.27***	2.13***	–5.11**
Number of observations	361	361	292	361		
Number of groups	11	11	11			
Obs. per group: Min	20	20	20			
Avg	32.8	32.8	32.4			
Max	58	58	58			
R^2 // Log likelihood	0.05	0.06	0.13	–499.03	–448.97	–444.19
Wald χ^2 // χbar^2	30.99**	30.99**	43.00***	1471.23***	5878.10***	2526.99***

Random-effects regression, †p < .10, *p < .05, **p < 0.01, ***p < 0.001.
[a] Reference category: entrepreneur.

national-level institutional logics and their influence on the assigned legitimacy of social entrepreneurship in capitalist welfare states.

5.1. Legitimacy-enhancing coupling of market and social welfare coordination

Our findings demonstrate that complementary institutional logics guiding the political governance of the market and social spheres in a country enhance the legitimacy of social entrepreneurship as a market-driven initiative in addressing social problems (Jiao, 2011; Mair, 2010). In other words, the legitimacy of social entrepreneurship is enhanced when either the *liberal logic* or the *socialist logic* dominates across spheres of political governance.

In particular, we find that a state's limited social welfare provision strengthens the positive effect of liberal market conditions on national experts' approval of the efficiency of social enterprises in creating social welfare. Among the countries included in our study, the evaluative legitimacy of social entrepreneurship is highest in the United States and Switzerland. In these countries, the liberal setting provides a fertile opportunity context for social enterprises (Dacin et al., 2011; DiDomenico et al., 2010; Katre & Salipante, 2012), and assigns enterprises with more control over wage-setting and human resources (Hall & Gingerich, 2004) as well as greater flexibility in using tools such as short-term employment contracts (Choi & Majumdar, 2014; Shaw & de Bruin, 2013). This is important because social enterprises typically cannot compete in salary and rely on a significant volunteer membership to complement their salaried work force (Austin et al., 2006; Doherty et al., 2014). The application of liberal logic in the social sphere results in the state's withdrawal from welfare provision, which increases the demand for market-driven activities and allows social enterprises to act and react to social issues with less state interference (Shaw & de Bruin, 2013; Austin et al., 2006). Importantly, in these

Table 5
Country-level descriptive statistics: number of respondents and mean of model and control variables.

	Number of respondents	Legitimacy of SE	Reliability of SE legitimacy [a]	Market coordination	Welfare provision	GDP/capita (USD)	Government activism	Rule of law	Power distance	Social problems	SE Prevalence
Belgium	34	2.99	0.71	0.74	0.98	38,619	34.9	15	*na.*	1.06	2.6
Finland	32	3.23	0.87	0.72	0.71	42,415	46.5	16	2.19	1.21	4.5
Greece	29	2.79	0.46	0.89	0.16	24,088	61.7	12	2.39	1.00	2.7
Italy	29	3.00	0.72	0.87	0.84	32,272	40.3	12	2.47	1.08	1.7
Netherlands	20	3.23	0.80	0.66	0.13	45,043	43.5	15	2.45	1.04	1.3
Norway	35	2.97	0.86	0.76	–0.12	68,501	50.5	16	*na.*	0.96	1.4
South Korea	58	2.79	0.78	0.71	–2.54	20,298	74.2	13	2.55	0.99	0.8
Spain	46	3.04	0.83	0.57	0.15	27,527	57.0	14	2.26	1.06	0.8
Switzerland	32	3.33	0.86	0.51	–0.44	59,037	66.4	15	2.80	0.98	2.8
United Kingdom	21	3.19	0.62	0.07	–0.04	41,025	50.7	14	2.80	1.09	3.9
United States	25	3.80	0.76	0.00	–0.93	44,861	63.6	14	2.85	1.06	4.5
Average	*361*	*3.08*	*0.75[b)]*	*0.60*	*–0.06*	*39,052*	*53.6*	*14*	*1.05*	*1.05*	*2.45*

[a] The reliability of the evaluative legitimacy of SE was analyzed by Cronbach's alpha. A value of 0.70 is considered as acceptable (Hair et al., 2010).

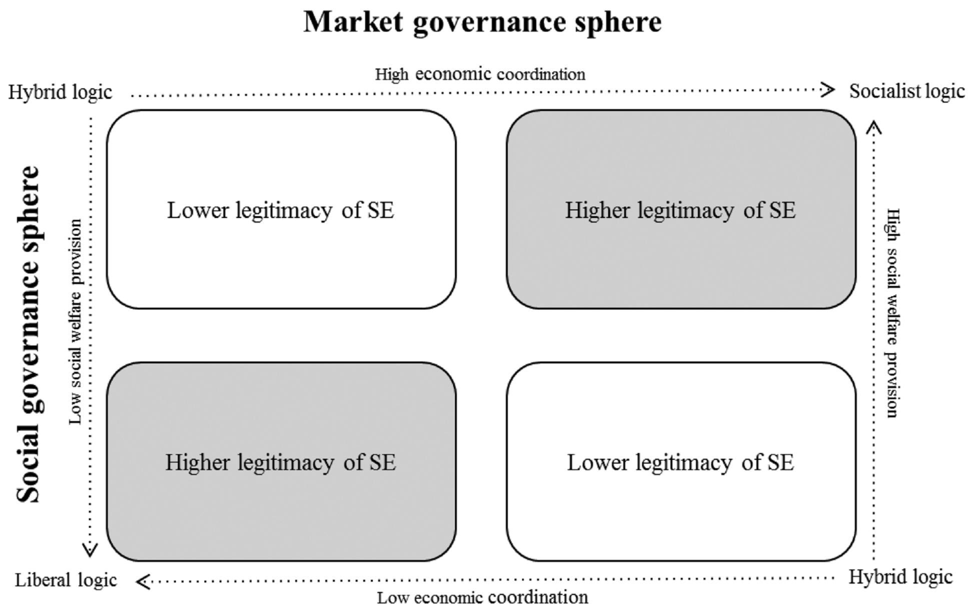

Fig. 3. Visual summary of findings: National institutional logics across market and social sphere and the legitimacy of social entrepreneurship (SE).

countries the governance of both markets and social welfare provision are dominated by liberal institutional logics, and thus sets out a clear frame of reference against which the appropriateness of social entrepreneurial solutions is assessed. Following this, we suggest that a dominant liberal logic across the market and social governance sphere in a country leads national experts to judge social enterprises to be efficient social welfare providers.

Our results further indicate that a high degree of coordination in both the market and social sphere enhances the evaluative legitimacy of social enterprises as judged by national experts. Although this socialist logic signals strategic coordination of market activities and strong state involvement in social welfare provision, this socialist context nevertheless offers an unambiguous institutional setting for social entrepreneurial operations as well as for the formulation of individual-level legitimacy judgments. Following the VoC approach, we suggest that, under conditions dominated by a socialist logic, social enterprises can engage in strategic interactions with important stakeholders, and they "develop dense networks for exchanges of private information, allowing [them] to develop reputations that permit some access to capital on terms that depend more heavily on reputation than share value" (Hall & Gingerich, 2009). Social enterprises tend to emphasize their social objectives over profit-oriented goals, and they rely strongly on reputation-building within the capitalist welfare system to garner support for developing their business (DiDomenico et al., 2010; Shaw & de Bruin, 2013).

For instance, national experts in Finland provide our sample's third-highest evaluation of the legitimacy of social entrepreneurship. In Finland, both the degree of market coordination and the state's social welfare provision are clearly higher than in the United States and in Switzerland. Furthermore, consistent with a dominant socialist logic, the Finnish state actively intervenes in wage bargaining and guides market operations together with networks of major business owners (Hall & Gingerich, 2009). Thus, enterprises are likely to be aware of the rules of building stable relationships with financial institutions, and the relative rigidity of the market may protect social enterprises, e.g., from sudden changes in the competition for human resources (Doherty et al., 2014). Since the Finnish state also strongly emphasizes social welfare provision, the state and social enterprises may develop fruitful synergies to create social welfare (Stephan et al., 2015). In other words, a higher level of public expenditure on social welfare implies that social welfare production is an institutionalized goal at the national level, and national experts are likely to consider social enterprises to serve the state's interests. In this environment, social enterprises can establish beneficial partnerships with national institutions committed to the same goals (Doherty et al., 2014; Nicholls, 2010b).

5.2. *Legitimacy-diminishing coupling of market and social welfare coordination*

Our findings show that compared to countries characterized by complementary institutional logics, the legitimacy of social entrepreneurship is lower in countries that are characterized by dissimilar logics of political governance over market activities and social welfare provision. As explained above, our study also shows that experts in socialist logic-driven economies may view social enterprises as efficient operators of welfare provision, despite the fact that the state's coordination of the market sphere may restrict these enterprises' operational freedom. Our results on the importance of institutional complementarity suggest that economies following a socialist logic over the governance of the market sphere require a similar emphasis of state involvement in the social sphere in order to grant social entrepreneurs high evaluative legitimacy. Absent this complementarity, the legitimacy of social entrepreneurship suffers.

To elaborate on the scenario where differing logics are applied across market and social spheres, we look at the three countries (South Korea, Greece, and Norway) with the lowest evaluative legitimacy of social entrepreneurship in our sample. Comparing the governance of market and social spheres in these countries, we find that all three countries have relatively more coordination over the market sphere than over the social sphere. Following the VoC approach, we argue that social enterprises find it challenging to take advantage of an institutional setting that reflects a coordinated market system but is more liberal in the social welfare sphere (Hall & Gingerich, 2009). Specifically, the higher market coordination prevalent in these types of welfare states narrows the operational freedom needed by enterprises, and at the same time, these states offer little direction and support to enterprises to solve social problems. Furthermore, we propose that the conflicting national logics of political governance result in lower evaluations of the efficiency of social enterprises due to the ambiguity inherent in a conflicting context. While the state adopts an active role in guiding (social) enterprises' activities in the market, the state leaves more space for them in terms of social welfare provision. These conflicting notions on the independence and societal role of social enterprises make it difficult for national experts to view them as more efficient producers of social welfare than the state and civil society organizations.

Furthermore, although we find evidence that an entrepreneurial approach to addressing social problems is particularly relevant in liberal economies with little coordination of market-based activities (Jiao, 2011; Mair, 2010; Shaw & de Bruin, 2013), our study also draws attention to how the legitimacy of social entrepreneurship may be undermined in states with liberal market governance, if the social welfare provision is dominated by a socialist logic. Following the general argument outlined in the VoC approach, conflicting logics across governance spheres make it difficult for enterprises to benefit from the national institutional setting, suggesting that social enterprises may be promoted in the market sphere, even while the established norm is that the state (alone) caters for social welfare without cooperating with the private sector or bringing it into this sphere. These conflicting logics, in turn, undermine the perceived efficiency of social entrepreneurship as a market-driven welfare provider.

For instance, in our sample, the perceived legitimacy of social entrepreneurship is the fourth-lowest in Belgium. Similar to South Korea, Greece, and Norway (all of which have a low evaluative legitimacy), Belgium is characterized by visible conflict in the spheres of political governance. Belgium differs from South Korea, Greece, and Norway in that the latter follow a more socialist logic for the market sphere and a liberal logic for the social sphere. In Belgium, the market sphere is relatively more liberal, and the social sphere is clearly dominated by a socialist logic, as demonstrated by our sample's highest degree of coordination over social welfare provision. As a consequence, the Belgian state's governance logic depicts a clear division of labor between private actors and the state. Private actors enjoy a relatively large amount of freedom in the market (Hall & Gingerich, 2004). At the same time, the state assumes a strong role in the provision of social welfare. Hence, although private enterprises may have a basis for efficient operation in the markets, the role of private enterprises is not perceived as legitimate in the social sphere. We note that market governance is very similar in Finland and Belgium (see Table 5). The Finnish state has an equal emphasis across the market and social spheres – therefore supporting the legitimacy of social entrepreneurship through institutional complementarity. However, the Belgian state illustrates a larger contrast across these spheres, and this leads to a lower assigned legitimacy of social entrepreneurship.

6. CONCLUSION AND IMPLICATIONS

Our study generates significant contributions to the evolving theoretical and practical knowledge in two areas of social entrepreneurship research. *First*, we complement social entrepreneurship theory on social entrepreneurs' practices in gaining legitimacy from external constituents (*actor perspective*) (Vestrum, Rasmussen, & Carter, 2016; O'Neil & Ucbasaran, 2016; Ruebottom, 2013; Sunduramurthy et al., 2016; Vestrum et al., 2016; Zahra et al., 2009) with the analysis of key constituents' legitimacy judgments on social enterprises (*evaluator perspective*) (Bitektine, 2011; Überbacher, 2014). In particular, our findings develop an understanding of the evaluative legitimacy of social entrepreneurship by addressing the under-explored role of national experts as key legitimacy-givers (Zahra et al., 2009) (the *who*) and their evaluation of the efficiency of social entrepreneurship in solving social problems (the *what*). By doing so, we move away from understanding legitimacy as a given challenge that social enterprises must simply overcome (i.e., *legitimacy as property*, Suddaby et al., 2017) to the legitimacy of social enterprises construed by key national constituents' judgments (i.e., *legitimacy as perception*, Suddaby et al., 2017). In this way our study offers new insights for developing an embedded evaluator perspective on the efficiency of social entrepreneurship (Choi & Majumdar, 2014; Short et al., 2009).

From the embedded evaluator perspective, we draw attention to the pervasiveness of the formal, macro-level institutional conditions for individuals' legitimacy judgments, and identify the interplay of political governance over market and social welfare production as an important antecedent that influences judgments of the efficiency of social entrepreneurship in solving social problems. This finding complements prior research on the legitimacy of social entrepreneurship, arguing that perceptions of social entrepreneurship are shaped by the dominating discourses and narrative logics on national level (Hervieux, Gedajlovic, & Turcotte, 2010; Nicholls, 2010a), or focusing on the operational-level tensions faced by social enterprises positioned both on the market and as a social welfare producer (O'Neil & Ucbasaran, 2016; Ruebottom, 2013). Our study accentuates that the high legitimacy of social entrepreneurship in the eyes of national experts necessitates both a uniform market/socialist logic of political governance at the macro-level as well as institutional conditions that offer a fruitful operational environment for social enterprises.

In terms of practical implications, we suggest that social enterprises that aim to replace existing social welfare organizations (government, civic society)— when these are ill-suited to address significant social needs— require support from the national institutional context and rely on the legitimacy they receive from national, well-positioned constituents. For instance, we know from prior research that national experts are able to raise support and legitimacy for local initiatives (such as a foster home located in a particular community), or to increase the political and public awareness of the issues addressed by social entrepreneurs (Korosec & Berman, 2006). At the same time, social enterprise activities can be impaired due to limited recognition by local experts for their cause in public discourse, e.g., supporting blind children or the unemployed, or providing environmental education, as shown by Sharir and Lerner (2006). Hence, developing knowledge of national experts' legitimacy judgments informs how key actors, who carefully attend to institutional settings, can influence particular solutions for social problems and the design of local institutional support for social entrepreneurship (DiDomenico et al., 2010; Katre & Salipante, 2012; Muñoz & Kibler, 2016). From this viewpoint, we conclude that the development of social entrepreneurship in different national contexts depends on 'demand-side factors' of public acceptance of social enterprises, 'supply-side factors' reflecting entrepreneurs' active efforts, and institutional factors framing the interactions among enterprises and the wider audience (Spear, 2006).

Second, we extend the institutional perspectives on social entrepreneurship (Estrin et al., 2013; Stephan et al., 2015; Zahra et al., 2014; Zhao & Lounsbury, 2016) by emphasizing the institutional complementarity in explaining legitimacy-enhancing and legitimacy-diminishing effects. By building on the VoC framework (Hall & Gingerich, 2004, 2009), we present the first international study to demonstrate that evaluations of the efficiency of social entrepreneurship are subject to macro-level, formal institutional conditions (Bitektine & Haack, 2015). The main debate on the institutional antecedents of social entrepreneurship has evolved either around the proposition that an entrepreneurial approach can tackle the deficiencies of the state in addressing social problems (Mair, Marti, & Ganly, 2007; Mair, 2010; Zahra et al., 2014), or around the suggestion that government activism may provide important institutional support for the development of social entrepreneurship activity (Stephan et al., 2015). Extending this debate, our results draw attention to both complementary and conflicting effects of the interplay between liberal and socialist logics (Aguilera et al., 2018) applied to the governance of market coordination and social welfare provision. The interaction effects identified therefore emphasize the importance of addressing the mix of national institutional logics across different governance spheres (Witt & Jackson, 2016; Zhao & Lounsbury, 2016) in order to expand knowledge of the evaluative legitimacy of social entrepreneurship in different institutional settings.

Building on the VoC approach, our findings help to advance the theoretical basis for social entrepreneurship research on institutional complementarity, suggesting that the evaluative legitimacy assigned to social entrepreneurship is high when the coordination of both market-based activities and the provision of social welfare are driven by a dominant liberal *or* socialist logic. In particular, Stephan et al.'s (2015) work emphasizes the complementary role of formal and informal institutional contexts for social entrepreneurship, and we expand on this by developing a more nuanced understanding of the complementarity of the formal institutional spheres of market coordination and social welfare provision. By doing so, our study also introduces a new exploratory subject within the established VoC framework in political-institutional theory (Hall & Thelen, 2009). To date, the VoC approach is largely applied in international research to explain commercial firm activity and related national competitive (dis)advantages (Hall & Gingerich, 2009; Witt & Jackson, 2016). We find support for the VoC assumption that high levels of institutional complementarity offer favorable conditions in a country for private enterprises (Hall & Gingerich, 2004); however, rather than demonstrating the effect of these conditions' support for higher economic growth in a country, we provide evidence that complementary and conflicting institutional logics have an indirect effect on social entrepreneurial activity by impairing their legitimacy and sociocultural environment. Within this context, we find that the VoC framework can explain the legitimacy of social entrepreneurship across different capitalist welfare systems.

A further practical implication of our study lies in suggesting that we need to assess the different spheres of governance instead of focusing on just one sphere of policy-making, if the aim is to assist entrepreneurship. Following Hall and Gingerich (2009), we argue that welfare states need to build awareness that policy reforms of national market systems or social welfare provision for supporting social entrepreneurship "should pay careful attention to the potential for institutional complementarities across spheres of the political economy" because "[m]ost proposals […] are based on estimates of the effects of such reforms that consider data only for the sphere being reformed." In conclusion, our study emphasizes an embedded evaluator perspective in assisting policy makers to understand better and incorporate institutional complementarity when designing national support structures that can increase the legitimacy of social entrepreneurship as a means for improving societal well-being.

7. Limitations and Future Research

The current study focuses on enhancing our understanding on the evaluative legitimacy of social entrepreneurship by analyzing the macro-institutional antecedents of evaluators' judgments. Our results explain how the legitimacy of social entrepreneurship is influenced by the state's logic of governing market activities and the provision of social welfare. Despite our promising findings, our research choices lead to some obvious limitations and offer fruitful opportunities for future work.

First, we focus on the evaluative rather than cognitive legitimacy of social entrepreneurship in order to examine how social entrepreneurship compares to the efficiency of state and civil society organizations in producing social welfare. This perspective draws from the notion that social enterprises are increasingly accepted (among policy makers and scholars) as an organizational category, but that we still know little about the appreciation of social enterprises' performance. Furthermore, we acknowledge that social enterprises' origins and missions vary significantly across countries (Dacin et al., 2011; Doherty et al., 2014) and more comparative research is needed to explain how national experts make sense of "what" social enterprises are, and what they do in their welfare states. For instance, social enterprises can emerge from third-sector activities or the cooperative tradition – a pattern common in Europe – from market-based initiatives, which are more common in the United States (Defourny & Nyssens, 2010). Some for-profit social enterprises may aim to radically change the economy and society, while other organizations are not necessarily entrepreneurial in nature and do not even depend on earned income (Lepoutre et al., 2013). Arguably, those differences also reflect national experts' varying understanding of the characteristics of social enterprises and, thus, may shape the way they form their evaluative legitimacy judgment, which is a subject our study and underlying data were unable to address.

Second, our study develops an understanding of the national experts' legitimacy judgments on social entrepreneurship and approaches national experts as 'embedded evaluators,' whose assessments reflect the way in which social entrepreneurship fits within their state's institutional environment. In this way, we complement prior comparative research on social entrepreneurship, which examines the influence of national institutional conditions on the prevalence of social entrepreneurial activity (Amin, Cameron, & Hudson, 2002; Borzaga & Defourny, 2001; Estrin et al., 2013; Stephan et al., 2015). Our robustness analysis provides some preliminary evidence that national experts' evaluative legitimacy judgments have an impact on that country's level of social entrepreneurship activity; and that a welfare state's institutional complementarity may affect evaluative legitimacy judgments, but not the actual prevalence of social entrepreneurship. Nevertheless, we note that gaining a more holistic picture of the power of social entrepreneurship's legitimacy necessitates further research that assesses how collective expert evaluations shape the ways in which new social enterprises emerge and become successful. For instance, prior studies suggest that dominant (supra-)national policy discourses influence how businesses evaluate the priorities and means of a more socially sustainable economy (Lefsrud & Meyer, 2012; Paschen & Ison, 2014; Quental, Lourenço, & Da Silva, 2011) and that policy discourse shapes the meaning of entrepreneurship in society at large as well as among (potential) entrepreneurs and venture stakeholders (Ahl & Nelson, 2015; Perren & Dannreuther, 2013). Hence, experts' arguments in specific policy discourses can reflect an important rhetorical means to convince audiences of the value of social entrepreneurship. Also, comparative research endeavors are needed to investigate the ways in which social entrepreneurs influence the evaluations of social entrepreneurship held by others in society in order to better comprehend the interplay between micro- and macro-level legitimacy judgments (Bitektine & Haack, 2015) on social entrepreneurship.

Third, we realize that the formation of legitimacy judgments is a multifaceted cognitive process at the individual level (Bitektine & Haack, 2015; Bitektine, 2011; Tost, 2011) and that most of the variance in country-level studies is found at lower levels of analyses, such as between teams and individuals, rather than at the country level (Fisher & Schwartz, 2011; Meyer et al., 2017). Nevertheless, we acknowledge that the nature of our data may also limit our model's capacity to explain the extent to which experts' legitimacy judgments can be attributed to country-level variables. For instance, our sample covers a limited number of capitalist welfare states; it is slightly unbalanced in terms of significant variations in experts' fields of profession; and our data do not reflect the potential differences in the ways in which the experts understand social entrepreneurship (i.e., cognitive legitimacy). Furthermore, our data only enables us to assess legitimacy judgments in capitalist welfare states at one specific point in time, and we therefore consider the logic of market governance and social welfare provision as key macro-level conditions driving the evaluative legitimacy of social entrepreneurship. To address these limitations, we encourage further research to engage in longitudinal approaches which are not tied to the prevalent economic situation (e.g., the financial crises that hit Europe at the time of data collection), or to conduct regional and national studies that expand on the macro-level indicators of our study and which would, in particular, depict the influence of current socio-economic conditions on the legitimacy of social entrepreneurship in addition to the more stable institutional characteristics of the various countries. Future research on the evaluative legitimacy of social entrepreneurship should investigate the legitimacy judgments across regions to address

within-nation differences (Kibler, Kautonen, & Fink, 2014), a larger sample of countries, possibly including capitalist states, developing countries, and emerging economies, as well as a more balanced sample of experts' professional fields. This broader set of data could provide a more holistic understanding of which local institutional conditions are relevant for enhancing and limiting the legitimacy of social entrepreneurship in certain settings. A country's institutional profile includes characteristics of political, cognitive, and normative dimensions of institutional arrangements, and it affects the type of entrepreneurship, thereby leading countries to provide more or less favorable institutional settings for new start-ups, small-scale, or high-impact enterprises (Busenitz, Gomez, & Spencer, 2000; Stenholm, Acs, & Wuebker, 2013). Thus, while our study emphasizes the role of political-economic institutions for the legitimacy of social entrepreneurship, a more comprehensive account of a country's institutional profile will expand our knowledge of how institutions relate to the relevance of market-based alternatives targeted at solving social problems.

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