

# To Gain Legitimacy in Validity: The Path Selection of Localization Development of Social Enterprises in China\*

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**Abstract:** Under the analytical framework of new institutionalism, legitimacy has a decisive influence on the survival practice of organizations. However, social enterprises are still a relatively new thing in China, and their legitimacy has a certain ambiguity. Studying the legal acquisition path of social enterprises under the current institutional environment in China can effectively promote the standardized development of social enterprises. Articles equipped with “consciousness - entrepreneurship and mission to build - robustness development” characteristics of the local social enterprises typical case, the classical theory of political organization promotion to social enterprise research category, analysis and organization legitimacy fuzzy system under legitimacy can assign a top-down social legitimacy building enterprise strategy and the theory explanation. The findings: Through the function of organizing flexible and practical effectiveness to win major related group of its organizational behavior identity, generated and accumulated organizational behavior legitimacy, which in the system environment has provided the safeguard for the organization's survival and development, which can be summed up as gain legitimacy and effectiveness in the model for the development of Chinese social enterprises localization is of high reference value. This paper also expands the reunderstanding of the connotation of validity under the model of cumulative validity. This paper is helpful to enhance the understanding of the development path of local social enterprises at the present stage and provide a cutting-edge model for social entrepreneurs.

**Keywords:** Social Enterprise; Effectiveness; Legitimacy; Survival Path

## 1. Introduction

Social enterprises are an emerging type of organization in China<sup>①</sup>. To gain legitimacy can help social enterprises increase their social status and recognition, thus promoting resource sharing between various organizations<sup>②</sup>. However, due to their inherent market-based and social functions, there is an ambiguity in the legitimacy of social enterprises<sup>③</sup>. As a result, concrete legal constraints have yet to come into being

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to regulate and protect the survival and development of organizations. Based on a comprehensive review of legitimacy research in the organizational system theory, this study proposes that “legitimacy” is tantamount to the extent to which organizations can meet the expectations of stakeholders and obtain their material, behavioral and emotional support. The crux of the matter is that organizations, as an open system, must exchange material and non-material resources with others in order to survive, and the rights to dispose of such material and non-material resources belong to different entities. The issue of organizational legitimacy is in essence about which entities hold the resources needed for the survival of the organizations.<sup>①</sup>

In case of extreme ambiguity in their legitimacy, it would be a daunting challenge for social enterprises to survive. Given that it is impossible for any organization to have absolutely no legitimacy, social enterprises in pursuit of both societal benefits and commercial efficiency must overcome the “liability of newness” in the institutional environment by gaining legitimacy and get access to necessary resources through internal and external recognition<sup>②</sup>. Especially in their early stages, social enterprises need to adopt strategies related to main stakeholders to win recognition and adapt themselves to the environment and established rules. This way they can gain legitimacy and competitive edges and take root in the environment<sup>③</sup>. However, existing studies on stakeholder recognition and resource support for social enterprises are mostly fixated on the perspective of management while paying insufficient attention to the general significance of organizational legitimacy for survival.

Overall, existing studies on organizational legitimacy think that organizational legitimacy derives from the comprehensive empowerment of the institutional environment. Based on the analysis of the sources of legitimacy, it can be found that social organization in China have common top-down legitimacy demands and take necessary bottom-up legitimacy acquisition actions in real-life settings<sup>④</sup>. Under the logic of the bottom-up legitimacy acquisition action of organizations, this study tries to extend the theoretical analysis of how political parties proves and accumulate their legitimacy through actions and practices<sup>⑤</sup> and the research on how political organizations gain and accumulate organizational legitimacy through functional validity to the field of organizational sociology<sup>⑥</sup>. The goal is to provide a universal theoretical explanation for the legitimacy acquisition path of the emerging social

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<sup>⑥</sup> Cai, H. (2012). Validity and legitimacy of national governance: a rethink of the articles by Zhou Xueguang and Feng Renzhen. *Open Times*, 2, 135-143.

enterprises. On the basis of a case study, this paper proposes that the functions of subjects are valid for objects, that is, objects can feel the validity because of the existence of subjects. It puts forward the proposition of “gaining organizational legitimacy in validity” in light of the actual situation of social enterprises in China, takes a close look at the phenomena based on the case study and summarizes the practical experiences. This study aims to offer a practical model for the survival and growth of social enterprises in China, shed light on their development path at the present stage and provide cutting-edge insights for social entrepreneurs.

## 2. Overview of the Case Study

This study uses WT Workshop as a case study. The predecessor of WT Workshop was a non-profit organization dedicated to innovation in rural education and community-supported agriculture. In continuation of its original mission, WT Workshop was established by two founders as a social enterprise. It is a typical social enterprise that was born with a social mission and then consciously operates in a market-based way. As Xiao H, a co-founder, said, “We wanted to be a social enterprise from the very beginning.” WT Workshop encourages farmers and small agricultural businesses to produce and process agricultural products in a traditional and ecological way. It aims to promote the sound development of ecological agriculture by connecting agricultural product consumers and farmers and therefore improve the lives of farmers. After years of exploration, WT Workshop has continued to grow by combining public interest and business. In 2013, the Guangzhou Civil Affairs Bureau and Guangzhou Municipal Finance Bureau jointly released the Management Measures for Charitable Venture Projects of Social Organization, and WT Workshop became one of the first officially recognized social enterprises in South China. In the early stages, WT Workshop, as a local social enterprise with a clear-cut social mission, inevitably needed to address the lack of organizational legitimacy. In the specific institutional environment, WT Workshop has completed its entrepreneurial process as a conscious social enterprise with a well-defined mission and achieved stable development. This study collects sufficient data and information mainly from semistructured formal interviews, informal interviews, field investigations, sources of secondary data (such as websites, promotional materials, WeChat official account, and WeChat chat history), later-stage verified materials, as well as multi-party investigative interviews. Through cross-validation of primary and secondary data from diversified sources, the reliability and validity of the case study is ensured<sup>①</sup>. On the basis of data collection, classification and verification, the data is encoded based on the coding rules commonly used in case studies<sup>②</sup>. First-hand information is coded in uppercase letters, where WT Workshop is denoted by A and its peers B. Second-hand information is coded in lowercase letters, where WT Workshop is denoted by a and its peers b. For first-hand information

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<sup>①</sup> Yin R. K., 2008, *Case Study Research: Design and Methods*, CA: Sage Publications Inc.

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obtained from semistructured interviews, the number 1 is annexed to the letter, and for first-hand information obtained from field investigations and informal interviews, the number 2 is annexed. For second-hand information acquired from the internet, the number 1 is annexed to the letter, and for information from promotional materials and internal documents, the number 2 is annexed (Table 1-1).

Table 1-1. Coding Based on Data Source and Classification

Source	Data Classification	Code	
		WT Workshop	Industry Peer
First-hand information	Information obtained from semistructured interviews	A1	B1
	Information obtained from field investigations and informal interviews	A2	B2
Second-hand information	Information obtained from the internet	a1	b1
	Promotional materials, internal documents and other materials directly obtained from the survey	a2	b2

### 3. Acquisition of Organizational Legitimacy

#### 3.1 Farmer mobilization through technical support and sales on a commission basis

As a social enterprise with dual missions (social and economic), WT Workshop used to help farmers sell products and provide support from them in various areas such as advance payment, technical guidance and disaster assistance. Through the validity of both economic and social functions, the organization successfully promoted organic farming methods, winning high recognition and trust from a large number of farmers. This accumulated legitimacy elements for the long-term development of WT Workshop.

To testify to the validity of economic functions, the first thing was to pinpoint the target group of farmers and help them address the difficulties in sales. In 2008, WT Workshop began to provide an organic agricultural product sales platform to help farmers sell such products. It connected the farmers and consumers by organizing group buying and regular purchases and made sure that the prices were reasonable, so as to benefit both sides and support smallholders engaged in organic farming. In its early

stages, WT Workshop spent a lot of effort looking for the target group of farmers engaged in organic farming. In this process, it further explored the conceptual and economic value of organic farming. The technical support provided by WT Workshop for free constituted a sunk cost of organic agricultural product sales for farmers. This way the organization forged friendships with the farmers based on shared value, established close relationships with them by providing sales channels. The validity of its economic functions is also a testament to the value and prospect of organic farming, gaining the farmers' recognition of the bilateral cooperation models and related organizational behaviors. According to the video data and notes, staff of WT Workshop visited the "Qiu Ge" organic cane farm in June 2009, the "Wu Bo" kumquat farmer in December 2011 and "Li Niang" organic vegetable farm in 2011. Its organic agricultural product sales platform served as a key link between the farmers and urban consumers.

When dealing with farmers, WT Workshop also demonstrated great value that set it apart from other commercial enterprises in the dimension of social functions. Specifically, WT Workshop was aware that the shift of farming methods would pose a great challenge to farmers, which would involve various difficulties in product selection, technology, capital and other aspects. In view of this, it took the initiative to provide advance payments, technical guidance and other social services for smallholders. Moreover, organic farming is subject to the influence of weather, diseases and pests, which could cause huge losses if not handled properly. Changing farming methods may make it difficult for smallholders to cope with emergencies. Therefore, WT Workshop raised funds from its employees, consumers and the public to help forestall disasters and support organic farming.

"In the early stages, we offered advance payments to smallholders to support the preparatory work for farming such as seeding. This model has continued unto this day (A1)," said Xiao Z, product manager of WT Workshop.

This is echoed by Brother. Z, a farmer in Xianyang of Shaanxi province. "WT Workshop has helped us tremendously in composting, variety improvement and other aspects. Organic farming is no easy task. I used to grow Chinese cabbage and couldn't sell them at all. I now grow tomatoes and yellow peaches. It took three years to master the techniques of tomato planting and five years to succeed in growing yellow peaches. A large quantity of our agricultural products are sold through WT Workshop. They also provide a lot of technical guidance for us. The WT Sustainable Agriculture Development Center later established a field school here. In addition to us, they also help farmers who have not yet cooperated with them. If we sell through WT Workshop, they will ask us whether we need an advance payment. As we are no longer cash-strapped in recent years, we don't need that any more, but they still ask every year." (A1)

When farmers are frustrated about losses due to bad weather conditions, WT Workshop would organize consumers to donate, which brings great warmth and courage to the farmers. This is also an important reason why WT Workshop has gained high trust and recognition from the farmers.

"For instance, Guangzhou was hit with a heavy rain on May 23, 2009. The two vegetable bases of WT Fresh – Yinlin Ecological Farm and Funxiang Tianle Farm – suffered their worst ever

rainstorm. Almost all vegetables on the farm got soaked in water. In response, WT raised RMB1,800 from consumers and took out the same amount of money from its special farmer support fund. Later, it donated all the money to the farmers.” (a1)

In sum, the strong connection with farmers holds great significance for the legitimacy of WT Workshop as a social enterprise and the necessary social identity. As a result, the model of gaining legitimacy in validity has been continuously optimized. On the basis of promoting organic farming, WT Workshop provides technical support for the farmers. If the farmers meet its sales requirements and agree to continue to cooperate, WT Workshop will provide advance payments to ensure sufficient funding in the early stage of organic farming. They also provide sales channels for young people returning to their hometown to engage in organic farming. This way it has gained wider recognition of its own as well as the value of organic agriculture and organic farming.

### **3.2 Consumer appeal based on product quality and consumer experiences**

In 2006, the rapid increase in the organic rice growing area in Hengxian County of Guangxi marked the success of WT Workshop's earliest exploration in organizing group buying and expanding into the market. Thanks to multiple positive factors such as the promotion of technology and concepts, good farming practice and favorable weather conditions, Hengxian County reaped a more-than-expected bumper harvest of organic rice. However, due to the limited local consumption, a large amount of organic rice remained unsold. WT Workshop then organized consumers in Guangzhou to order organic rice from farmers in Heng County. At this point, WT Workshop did not actually have a reliable sales channel, and its legitimacy under the ambiguous identity posed great obstacles to consignment sales. WT Workshop was not in a position to engage in consignment sales as an enterprise, so it had to promote the organic rice on the marketplace of non-governmental organizations in the name of a volunteer organization. As is found in our survey, a large number of community-supported agricultural social enterprises in Guangzhou get stuck in this stage. They are unable to conduct consignment sales as enterprises under the market-based institutional constraints. Meanwhile, they are also subject to the influence of the marketplace of non-governmental organizations. In the sales dilemma, the validity of their economic functions hits a snag.

“From 2006 to 2008, we participated in several sales events organized by the government, but to little avail,” said Xiao T, a co-founder and major shareholder of WT Workshop.

During this period, WT Workshop went to all lengths to help sell the rice. It started with a Waldorf kindergarten simply because an employee used to work there. And its strategy was quite simple and special. The staff went to the kindergarten to cook the rice and let the children, their parents and teachers have a taste, who then became the first batch of stable consumers. Until August 2008, the kindergarten remained a priority for WT Workshop to promote organic agricultural products and facilitate the final link of the community-supported agriculture model. The cofounders and employees of WT

Workshop went to the kindergarten to cook the organic rice and vegetables for the children and teachers, who found the food was genuinely tasty. This is how WT Workshop opened up the sales channel and acquired the first batch of consumers.

“It was the first time to cook in the kindergarten’s kitchen, for 30 persons at a time. Brother B and I were both nervous. We had little idea about how many vegetables would be used. We bought so many that only half of them were used, and the rest filled the refrigerator. We also put too much rice into the rice cooker, and it turned out that the rice on the top was not well cooked yet. We had our hands full for three hours from 9:30 and finally got the meals ready. Fortunately, they were satisfied about the dinner. Many people came to tell us that the food was delicious. We were truly delighted at this. We also received feedback from previous consumers, and some asked if we could bring the products and sell to them. I then told them that the products would be available tomorrow.”  
(a1)

For the food industry, especially higher-priced organic agricultural products, the first and foremost is to gain consumer trust. This entails delivering a great consumer experience to give them a sense of fulfillment from consumption. The products, services and the brand of WT Workshop itself need to gain recognition from consumers. To this end, WT Workshop went down into the lives of consumer groups and adopted an emotional marketing strategy. By cooking for the Waldorf kindergarten, it left a deep impression on consumers with high product quality, established emotional connections and consensus on product value, and finally converted them into the earliest and most loyal customers. In fact, the survival logic of WT Workshop exactly lies in deepening consumers’ recognition of itself and even path dependence on organic agricultural products.

### **3.3 Organizational construction based on a culture of happiness and a healthy lifestyle**

In the early stages when the wages were lower and even could not be paid on time, WT Workshop was still appealing to its staff because of its own unique mission and philosophy. This is a core manifestation of its validity in organizational governance. WT Workshop specializes in the organic food business and is committed to changing the diet types and lifestyle of modern people, improving their health and bringing them warmth. To this end, it regards employees as the first target group. Xiao H, an authoritative leader at WT Workshop, puts great emphasis on promoting healthy and organic lifestyles among the employees and improving their work and lives in an all-round manner, even including their outlook on life and values. Meanwhile, WT Workshop attaches great importance to the value and experience of individuals in terms of internal work arrangements, institutional design and organizational culture, as well as the care from the leadership. All in all, it works to build a family-like and harmonious “happy enterprise” for its employees.

Specifically, WT Workshop adopts a governance model characterized by employee self-management and never requires its employees to clock in and clock out.

The employees gain a sense of happiness through self-management and become part of the organization through employee shareholdings, so that they share weal and woe with the organization. Through WT College, morning reading, meditation and other activities, the culture of happiness is conveyed to every participant, fostering employee consensus on working together based on shared values. In addition, WT Workshop advocates healthy diet and organic living and helps employees adjust their mindset when necessary so that they can better take a hold on their work and life. This is another important reason why the employees have a strong sense of identity belonging to the organization.

Xiao Z, an off-site manager, said, “What I value most is the culture of WT... I was amazed at the company under the leadership of cofounder Xiao H. Back then, many non-native single colleagues lived in the No. 3 courtyard. We rented apartments together on the third floor of a three-storey building in Jiangnan Village. We shared apartments at a lower price and cooked and ate together. Such a living experience was something that even my family could not bring to me. I actually learned so much from the ground up at WT.”

In general, the validity of WT Workshop's organizational governance has significant effects on the work and life of its employees, ranging from its youth youthful organization initiative and institutional design that advocates employee self-management to employees' affection about a culture of happiness to the impact of a job on employees' attitudes toward life and their lifestyle. WT Workshop has fulfilled functional validity at the level of organizational governance and built an internal legitimacy identification mechanism typical of Chinese social enterprises that features identification of the organizational culture and leadership philosophy.

#### **4. Analysis of the Path Toward Organizational Legitimacy**

The case study of WT Workshop is a case, the case of WT Workshop offers a glimpse of the process of how social enterprises in China gain legitimacy through social recognition in the absence of legal and administrative norms. Studies on the source of legitimacy of social organizations in China show that they generally lack legal, political, and administrative legitimacy and thus are highly dependent on social recognition. Such social legitimacy obtained from the level of social recognition is a main source of legitimacy for many social organizations in China<sup>①</sup>. A lot of studies examine the acquisition of organizational legitimacy through the lens of social identification, with a focus on role recognition from customers, employees, business partners, media, suppliers and the government. As a social enterprise dedicated to community-supported agriculture, WT Workshop was mainly concerned about how to gain organizational recognition from farmers, consumers and employees in the early stages. This is because in the start-up period, organizations should care most about the groups that immediately concern its survival. For WT Workshop, they included the farmers engaging in organic farming, consumers of organic agricultural products and employees who help connect

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<sup>①</sup> Gao, B.Z. (2000). On the legitimacy of social groups. *Social Sciences in China*, 2, 100-109 & 207.



the two sides.

When the public has little, if any, knowledge about social enterprises, farmers, consumers and future employees will not know better either. A survey of farmers who cooperated with WT Workshop at the beginning shows that what they expected of WT Workshop was simply to help them sell goods.

This is what Brother G, a farmer in Guangdong who worked with WT Workshop early, clearly stated. “I now (in 2020) have diverse sales channels. Back then, I decided to take on organic farming because Teacher H said that he wanted to start fresh food business and could help sell organic vegetables. Since I wouldn’t have to worry about the sales channels, I decided to engage in organic farming. We raised pigs at that time, and Teacher H and his colleagues tried to use lard to make soap. This is how we met. The scale of organic farming has expanded significantly here. Organic farming involves various problems, which didn’t go well at first because organic farming is greatly different from conventional farming. At the beginning, we tried to seek alternatives, that is, to use organic fertilizers. For example, we bought chicken manure or used our own pig manure as the main fertilizer, and we bought biological pesticides to prevent and control plant diseases and insect pests. However, diseases and pests were serious, leading to a less-than-expected output. It was much harder than I thought. Technically, there arose various problems such as the difficulty in soil improvement, herbicides, composting, extreme weather, and prevention of diseases and pests, and Teacher H provided great help for us. Especially in 2014, we learned a lot from the soil improvement session of a youth exchange program. With regard to sales, WT’s fresh food delivery service came to a halt for a period of time, so our products were instead distributed by FC, which provided a terrible experience. We set up our own online store at that time and now have some regular customers. Then, many farmers asked WT Workshop to resume the delivery service. Currently, one-half to two-thirds of our products are sold through WT Workshop’s fresh food delivery service. In short, WT Workshop has created an enabling community for organic farmers like us. That atmosphere is particularly important and remains appealing to me today.” (A1)

Sister N, a long-time employee, said, “I joined WT Workshop long time ago. I started working part-time here because my family lived in the urban village nearby. I sold beer at night and came to help clean and pack vegetables during the day. I definitely wanted to make more money in the first place. Some of my coworkers left for other jobs. I sold beer at night and had no work during the day, so I came to do odd jobs. WT Workshop paid well, and unlike selling beer, I felt respected at work, so I decided to work full time here. We all benefit from WT Workshop’s development. Besides, WT Workshop has a great culture, which makes me feel respected, valued and inspired. Through morning reading and other activities, I further realize that our work is indeed meaningful; we can live a healthy lifestyle and stay fit. If I still sold and drink beer every night, I definitely would not be so healthy as I am.” (A1)

At first, consumers actually did not expect much from WT Workshop. In the early stages, what WT Workshop did was mainly to look for consumers and help farmers sell organic agricultural products. Consumers’ expectations, or feelings, come from their consumption experiences at WT Workshop. Gradually they come to realize that WT Workshop is an organization with a social mission and humane values.

Several early consumers said, “We always buy food materials from WT Workshop.

Especially since its fresh food delivery service was launched, WT Workshop has become a main channel for purchasing foods for our children. On one hand, it is very convenient to purchase online, especially amid the COVID-19 pandemic. Its organic agricultural products are all locally grown and always delivered on time. Compared with the supermarkets with imported goods, local foods offer some peace of mind. We even order the foods for the whole family two or three days in advance. On the other hand, we have participated in the activities organized by WT Workshop and know of its public nature and commitment to bringing fresh organic foods to the table of urban residents. Although only a few people donated, we can feel the close ties between the farmers and WT Workshop as well as the public nature of their products during our visits.” (A1)

Generally, farmers, employees and consumers constitute the basis for the survival and development of WT Workshop and the most basic form of its social capital. To gain recognition from the three groups is essential to WT Workshop’s survival and development. This is actually the social legitimacy that derives from social identity, as Gao (2000)<sup>①</sup> states in his study. In fact, it is also the source of legitimacy for most social organizations in China. What the three groups expect of WT Workshop is the strong validity of economic functions and relative ambiguity of social functions. Given the institutional environment at that time, it was impossible for WT Workshop to transform public cognition of the legal, political system and administrative systems as a new business pattern and type of organization. Instead, WT Workshop could only establish the connections with the three groups through micro-level actions and gain organizational recognition, organizational legitimacy as well as the social identity essential to its survival. In the general institutional environment, institutional factors at the macro and meso levels constitute the bottom-up institutional motivation for the micro-level actions of WT Workshop. This is also why WT Workshop chooses to gain social recognition from key groups in the meso field through micro-level organizational actions, thereby laying the fundamental groundwork for organizational legitimacy.

In some sense, this was not the organization’s voluntary choice. Bottom-up acquisition of organizational legitimacy was the only viable path at the time. Theoretically, there may be countless options, among which bottom-up acquisition of organizational legitimacy could even be the last choice. However, in practice, it is a necessary and probably the only feasible option. Subsequent practice proves that focusing on organizational actions can better meet the actual needs of startup organizations compared with propagandizing, participating in relevant activities and seeking government recognition. Through bottom-up organizational actions that reflect the validity of its economic functions, WT Workshop actually demonstrates the advantage of the development model of organizations with a social mission. In fact, the social functions and organizational mission of WT Workshop, which farmers, consumers and employees are concerned with, are at the core of social enterprises. The centerpiece. Through the validity of the economic functions, the social functions and organizational mission make it possible to mobilize the relationships and gain social recognition, thus laying the legitimate basis for the survival and development of WT

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<sup>①</sup> Gao, B.Z. (2000). On the legitimacy of social groups. *Social Sciences in China*, 2, 100-109 & 207.

Workshop.

Social enterprises are an emerging type of organization in China. Due to the ambiguity of their identity and the absence of external institutional support, it is difficult for them to directly gain social recognition through standardized operations within the legal and administrative frameworks. Instead, they have to resort to flexible and practical actions and carry out a variety of unconventional activities to demonstrate their functional validity and advantage as a new type of organization and quickly gain acceptance from stakeholders, get growth opportunities and win recognition from internal and external entities in the “accumulation of facts.” This is exactly the logic of how social enterprise acquire organizational legitimacy in the development process, which is actually a bottom-up legitimacy acquisition path through organizational actions. In this process, organizational actions exert effects on the institutional environment. Although such effects have distinctive local characteristics, the local institutional environment and its legitimacy logic for social enterprises provide the necessary institutional guarantees for the survival and growth of WT Workshop. This was vital to its success in the early stages. In other words, in the process when organizational legitimacy is accumulated through functional validity, the key stakeholders not only acknowledge WT Workshop’s identity as a social enterprise committed to fulfilling its social mission through market-based operations but also jointly foster the institutional environment that is essential to WT Workshop as a social enterprise.

While a majority of social enterprises are still in a survival predicament, some social enterprises have realized the significance and fundamental role of legitimacy in resource acquisition. However, most of them adopt a top-down propaganda approach in an effort to gain legitimacy, such as participating in industry activities, forums organized by the government and media interviews. These methods, though feasible theoretically, may fall short of expectations in practice. Workshop’s success is attributed to its resolution in exploring a bottom-up legitimacy acquisition path. This is also how WT Workshop can thrive in the specific institutional environment of China.

## **5. Conclusion and Contribution**

Currently, social enterprises in China are generally beset by poor management, while very few ones enjoy a competitive edge in the market. After two to three years of surveys, we identify a typical social enterprise that has completed its entrepreneurial process as a conscious social enterprise with a well-defined mission and achieved stable development.

The case study indicates that in the absence of legal legitimacy and administrative legitimacy and with extremely weak political legitimacy, it is difficult for social enterprises to obtain resources and support from the government system. On the basis of building relationships, social enterprises need to flexibly leverage the validity of their economic functions to gain recognition from stakeholders and generate and accumulate

organizational legitimacy, which lays the groundwork for their survival and development in the institutional environment. On the basis of the case study, this paper extends the theory of how political parties prove and accumulate their legitimacy through actions and practices (Lin, 2009) and the research on how political organizations gain and accumulate organizational legitimacy through functional validity (2012) to the field of organizational sociology. The goal is to provide a universal theoretical explanation for the legitimacy acquisition path of the emerging social enterprises.

On the basis of the case study, this paper argues that under the model of “gaining organizational legitimacy in validity,” the functions of subjects are valid for objects, that is, objects can feel the validity because of the existence of subjects. The utility of social enterprises on key stakeholders is an important guarantee for the organizations’ survival and resource interactions and also imposes the necessary external constraints on the realization of the organizations’ dual missions. The local web of relationships fosters the local institutional environment necessary for the effective operation of the legitimacy mechanism through the model of “gaining organizational legitimacy in validity,” which further ensures the economic and social mission robustness of social enterprises. This model can provide valuable pointers to the development of social enterprises in China. In summary, this paper hopes to shed light on the development path of social enterprises in China at the present stage and provide cutting-edge insights for social entrepreneurs.

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