



Moral Legitimacy and the Social Entrepreneur



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Introduction

- Legitimacy
- The Social Entrepreneur
- The Importance of Framing
- Legitimacy, Norms, and ISCT
- Moral Legitimacy and the Entrepreneur
- Conclusion and Further Research

Legitimacy

- Defined by Suchman (AMR 1995)
 - “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”
 - “Legitimacy is a perception or assumption in that it represents a reaction of observers to the organization as they see it...”.

Legitimacy

- 3 broad types of legitimacy (Suchman)
 - Pragmatic
 - ‘Exchange Legitimacy’—how can the organization benefit me or my organization?
 - Cognitive
 - Comprehensibility & ‘Taken-for-Grantedness’
 - Moral
 - Normative Evaluation of the Business
 - Is the activity the ‘right thing to do’
 - Based on societal norms and value systems
 - Consequential, Personal, Procedural, **Structural**

The Need for Legitimacy

- Overcoming the liability of Newness
- Legitimacy is Essential to the Survival of New Firms (Zimmerman & Zeitz, 2002)
 - Gain resources
 - Sell products
 - Engage in political action
 - Better relate to communities and employees
- Nature of Social Capitalism
 - New firms, new 'markets'

Choices to Gain Legitimacy

- Conform to pre-existing conditions
- Select the environment in which to operate
- *Change* the environment

Social Entrepreneurship



- Many Definitions
 - Of Entrepreneur
 - Of Social
- When is an entrepreneur not social?
- Used here as creating a venture primarily for social reasons, but also to make money
- Fast Company's – "Social Capitalists" (Dahle, 2006)

First Book



DO YOU
REMEMBER
THE MAGIC
OF YOUR
FIRST BOOK?

- “Giving children from low-income families the opportunity to read and own their first new books.”
- Distributes books to low income pre-schools
- Matches publishers’ excess books to the schools that need them
 - 50-80% below retail

**“Business is the biggest jet engine out there. I knew
That I was to gain any significant ground, I had to
Harness the power of that engine”
Kyle Zimmerman – Founder First Book**

Dissolving Distinctions

- For Profit / Non-Profit
- Business / Ethics (Freeman)
- Ecologizing / Economizing Values (Frederick, 1995)
 - Economizing – prudent and efficient use of resources
 - Ecologizing – perpetuating community and social causes
 - Technology (broadly defined)

“The Marketization of the Non-Profit Sector” – Eikenberry & Kluver 2004

- “The public sector has increasingly adopted methods and values of the market to guide policy creation and management”
- “... nonprofit organizations are adapting the approaches and values of the private market, which may harm democracy and citizenship...”
 - Commercial revenue generation
 - Contract competition
 - Social Entrepreneurship

Framing a Venture

- Successful framing can shape how stakeholders perceive a venture
 - Current as well as trajectory (Dunegan, 1993)
- Can accentuate positive or negative aspects of a situation
- Can be used to emphasize ethical aspects
- Can help to orient on the 'proper' level of ethical issues

Legitimacy, Norms, and ISCT

- ISCT (Donaldson & Dunfee, 1999) can be a useful lens through which to view legitimacy concerns
- Legitimacy appeals to perceived norms
 - Businesses are typically judged as to how well they fit into established micro-norms
- ISCT allows us to think about differing levels of norms
- Entrepreneurs can frame their venture to appeal to different sets of norms
- Introduces the hyper-norm

ISCT

- ISCT – Allows micro-norms to be assessed based on Hyper-norms
 - Compared lower levels to higher levels
- Applicable across cultures and borders
- Managers could frame around hyper-norms
 - Efficiency
 - Doing the right thing?

Moral Legitimacy

- Neglected
- Exactly what social entrepreneurs need
 - Doing the 'right' thing may or may not be 'business as usual'
- Appeals to higher level norms
- Judicious framing can accentuate certain norms over others
 - Business trajectory in both financial and social contexts

Future Research

- To what extent do stakeholders view Social Capitalist ventures as Illegitimate?
- Does moral framing affect an organization's legitimacy?
- How does moral legitimacy vary in differing cultural contexts?

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Questions??

