

# **Facing Competing Institutional Logics: Governance and Management Solutions — Comparative Case Study on Social Enterprise Initiatives in Hong Kong**

## **Abstract**

Social enterprise has been promoted across the world as an innovative institutional solution to social issues. Nevertheless, social enterprise faces challenges arising from conflicting institutional logics, particularly in relation to its governance and management. This research proposal is an attempt to provide information about social enterprise in Hong Kong through two case studies. Challenges for social enterprise and its governance and management solutions will be contextualized and discussed through comparing two social enterprise initiatives by a large NGO and a small NGO in Hong Kong. The study will advance knowledge on social enterprise landscape and innovative solutions to competing logics.

## **Proposal**

In their review of social enterprises as hybrid organizations, Doherty, Haugh and Lyon (2014, p13) maintained that, “The persistent global problems of poverty, inequality and development suggest that demand for hybrid organizations that successfully pursue the dual mission of achieving financial sustainability and social value creation are likely to increase.” Discussion on challenges facing the governance and management of social enterprise largely focuses on its hybridity (Austin, Stevenson and Wei-Skillern 2006). Specifically, social enterprise is a hybrid organization form in which both market/commercial logic and social welfare logic can be used to guide organizational behaviors (Pache and Santos 2010). The competing logics often result in governance issues such as mission drift and management difficulties such as financial sustainability, cost containment and volunteer management (Doherty, Haugh and Lyon, 2014).

In spite of these challenges, social enterprises are sprouting up across the world. The rate of emergence of social enterprise is moderated by country-level institutional factors such as national and transnational policies to promote social enterprise and social enterprise discourse. On the one hand, the development of social enterprises is facilitated by policies aiming to provide an enabling legal environment conducive to financial resource mobilization. On the other hand, the discourse of social enterprise has been resisted by many nonprofit organizations which are concerned about the possibility that social enterprise might undermine the achievement of social mission and the development of civil society (Parkinson and Howorth 2008; Eikenberry and Kluver 2004). It is not an invalid point when we look at the paths of emergence of social enterprise. The emergence of social enterprise has taken two paths. Some social businesses are established, from inception, as social enterprises, whereas some social businesses are a kind of response to the marketization of the nonprofit sector. More and more nonprofit organizations survive not only on donations and government contracts but also earned income from fee-charging services and social businesses. This might lead to more competition within in the nonprofit sector, neglect of people who are really in need but unable to pay for the service, increasing emphasis on professional service and discouraging civic participation and the like (Eikenberry and Kluver 2004)

To move forward, it is important to advance knowledge on social enterprise with more empirical evidence on its governance and management practices and impact on social value creation.

Moreover, in their review of social enterprise studies, Doherty, Haugh and Lyon (2014) only found few studies done outside Australasia, North America, Northern and Western Europe and South America. Therefore, this research proposal is an attempt to provide information about social enterprise in Hong Kong through two case studies. Due to a lack of comparative data on social enterprise, case study is a more appropriate method to contextualize governance and management practices of social enterprises in Hong Kong.

The Hong Kong Special Administrative Region (HKSAR) government has been quite proactive in advocating, training and funding social enterprise projects since the concept of social enterprise was broached in a meeting of the Commission on Poverty (CoP) in 2005. Poverty has been a long-standing problem for the HKSAR government. While the per-capita GDP has increased from HK\$ 179,772 in 1996 to HK\$ 253, 151 in 2006, the escalating Gini coefficients (from 0.518 in 1996 to 0.533 in 2006) reveal that such economic prosperity has been shared unevenly. Social enterprises were firstly described as an entity conducting 'activities, in whole or in part, with both a commercial and a social purpose' (Commission of Poverty, 2005). The objectives of social enterprises have broadened. They are no longer seen as new initiatives to combat poverty and now widely accepted as entities serving a wide spectrum of social goals. In Hong Kong, there are still no official statistics on social enterprises. As of early June 2006, 187 social enterprise projects (ranging from community economic development projects, to social cooperatives initiated by NGOs and to social firms initiated and operated by NGOs) were participating in various types of businesses and were assisted or operated by 48 NGOs. Despite the promotion of social enterprise discourse by the HKSAR government, the public still has a poor understanding of social enterprise (Tang et al., 2008). This might pose challenges for social enterprise in Hong Kong to forge partnerships and mobilize financial resources and human resources.

In the proposed study, we will select and compare two cases of social enterprise in Hong Kong. In view of the majority of social enterprises in Hong Kong consisting of social business projects initiated by NGOs, we will select and compare two social businesses initiated by a large NGO and a small NGO. The comparison will focus on the context of establishment, the governance arrangements in relation to the mother NGO, and the management practices in regard to resource mobilization, value creation and value sharing. The study will advance knowledge on social enterprise landscape and innovative solutions to competing logics.

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