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# Multilevel causal mechanisms in social entrepreneurship: the enabling role of social capital

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## ABSTRACT

We take a new mechanism-based approach to explain how social entrepreneurship emerges from the interaction of multilevel elements, based on case study evidence from China. Informed by Coleman's 'boat model' of social mechanisms, social capital theory and a critical realist ontology, we highlight three mechanisms – the sparking, manifesting and scaling mechanisms – which collectively generate the social entrepreneurship phenomenon. When enabled by social capital, these mechanisms explain the causal relations between the multilevel elements of social entrepreneurship: social needs, social entrepreneurial ideas and practice, market creation and social impact. This framework generates novel insights into the multilevel nature of social entrepreneurship, and the central role of social capital in enabling its underlying mechanisms.

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## 1. Introduction

Social entrepreneurship has emerged as an influential and diverse literature stream exploring how individuals and organizations actualize opportunities derived from social problems while creating both social and economic values (Hu et al. 2020; Kilpatrick et al. 2021). Yet, social entrepreneurship remains a contested phenomenon subject to a multiplicity of conceptualizations (Bacq and Janssen 2011), complexity in contextualization (Chandra and Kerlin 2021; Lang and Fink 2019), and with a hybrid nature of organizing (Battilana and Lee 2014). In practice, different models of social entrepreneurship have also emerged depending on geographic context (Chandra and Kerlin 2021).

Given its complexity, it has been argued that social entrepreneurship can be better understood as a multilevel phenomenon incorporating the diverse social structures within which it is embedded (Hidalgo, Monticelli, and Bortolaso 2021; Hu et al. 2020; Saebi, Foss, and Linder 2019). Accordingly, advances in the field of rural studies have been made to link social enterprises to community development (Steinerowski and Steinerowska-Streb 2012) and the multilevel networks in which social enterprises are embedded (Lang and Fink 2019). However, most research in the mainstream entrepreneurship literature remains limited to one level of analyses, such as: individual motivations (McMullen and Bergman 2017); organizational resources and processes (Desa and Basu 2013) or institutional voids (Zhao and Lounsbury 2016). Consequently, there is a need for more multilevel theorizing in social entrepreneurship analysing causal structures within, and across, levels (Saebi, Foss, and Linder 2019).

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Following Hedström and Ylikoski (2010), we suggest that a key challenge in multilevel theorizing is to account for social entrepreneurship as a collective social phenomenon that cannot be reduced to a single element of the collectivity. We contribute to such debate by developing a mechanism-based explanation and analysing the interactions between multilevel elements that generate social entrepreneurship as a collective phenomenon. We use the boat model of macro-micro-macro level social mechanisms to specify cross-level causal mechanisms that generate social entrepreneurship (Coleman 1994; Hedström and Ylikoski 2010). We combine this model with social capital theory to examine social entrepreneurship as a collective phenomenon, demonstrating the central role of social capital in enabling the macro-micro-macro mechanisms of social entrepreneurship informing explanations of the causal links between these levels. This conceptual framework is informed by a critical realist ontology enabling us to explore lower-level causal structures and the causal powers of agents in order to provide such causal explanations. Here, we refer to causality as the tendencies through which causal structures and powers *can* enable social entrepreneurship to exist, rather than emphasizing the regularity of patterns of observation that predetermine it *will* exist (Hu 2018; Sayer 1992). Below, we evaluate what this approach can contribute to the understanding of social entrepreneurship as a multilevel phenomenon.<sup>1</sup>

Applying this framework, we draw upon empirical evidence from the context of China to demonstrate how the social capital of social entrepreneurs acts as a causal power providing an enabling condition to actualize the causal mechanisms in social entrepreneurship. Our empirical analysis combines a critical realist retroductive methodology (Bhaskar 2010) and a multi-case theory-building approach (Eisenhardt 1989, 2021) to identify and specify the (ontologically unobservable) causal mechanisms for explaining relationships between multilevel constructs. We do this by analysing the observable effects of different forms of social capitals, such as information, influence and solidarity benefits (Kwon and Adler 2014, Nahapiet and Ghoshal 1998) and thereby, capturing the system of interactions between individuals and their environment that underlie the causal mechanisms (Schelling 1978).

Our analysis draws upon 45 semi-structured interviews in 35 organizations, including 29 social enterprise cases and six external stakeholder organizations in three cities in China. China has been increasingly recognized as a relevant context for social entrepreneurship research across various disciplines (Bhatt, Qureshi, and Riaz 2019; Chandra, Teasdale, and Tjiptono 2021). Since 2004, social entrepreneurship has become more of an issue given China's socio-economic transition that created gaps in social welfare provision (X. Yu 2019), while its legal frameworks and institutional support are still emergent (Kerlin, Peng, and Shicun Cui 2021; Ye 2021). This context is also particularly illustrative of the functions of social capital, given the strong relationship-orientation and prominent functions of social networks in Chinese culture (Park and Luo 2001). Therefore, we argue that China provides a rich environment to critically evaluate how social entrepreneurship provision evolves, is enacted and perceived by those who devise interventions and those who experience them.

Based on our evidence, we demonstrate how social capital, by actualizing three consecutive mechanisms, yields links between institutional (macro) level social needs, individual (micro) level processes (generation and implementation of social entrepreneurial ideas) and macro-level outcomes (creation of a social sector market and social impact). Accordingly, our focus upon the role of social capital in social entrepreneurship enables us to go beyond predominant single (individual, organizational, or institutional) level analyses and in so doing, responds to Saebi, Foss, and Linder (2019) call for multilevel research in this field. Consequently, we offer two major contributions to the literature on social entrepreneurship. First, we extend work on multilevel analyses of social entrepreneurship (Lang and Fink 2019; Saebi, Foss, and Linder 2019) by offering a critical realist perspective that explains social entrepreneurship as a complex, multilevel phenomenon generated by three mechanisms. In particular, we identify and specify the mechanisms through which social capital enables the causal relationships between macro- and micro-level elements in social entrepreneurship. Second, by combining a mechanism-based approach, social capital theory and critical realism, we provide a theoretical framework and ontological foundation to explain the essential role of social

capital in enabling social entrepreneurship, particularly in contexts with a lack of national-level institutional support and legal framework for social entrepreneurship. This framework also contributes to the growing body of research on the collective and collaborative dynamics in social entrepreneurship (de Bruin, Shaw, and Lewis 2017) and its legitimacy (Neuberger, Kroezen, and Tracey 2021).

To explore these arguments, the article is organized as follows: first, we establish the need to examine social entrepreneurship as a multilevel phenomenon by employing a mechanism-based approach. We then explain our theoretical framing that combines the boat model and social capital theory within a critical realist ontology. Subsequently, we outline our research methodology and data collection and analysis methods and then present the findings. We illustrate three mechanisms actualized by social capital and elucidate the macro-micro-macro causal relationships in social entrepreneurship. Finally, we discuss the contributions of our approach.

## 2. Theoretical background

### 2.1. *Social entrepreneurship as a multilevel phenomenon*

Social entrepreneurship remains a contested concept without an agreed definition and clear boundaries (Morris, Santos, and Kuratko 2020; Saebi, Foss, and Linder 2019). In this article, we do not intend to resolve these fundamental issues originating from significant contextual differences in social entrepreneurship traditions, cultures and practices upon a global basis (Bacq and Janssen 2011; Defourny and Nyssens 2010). Instead, we follow an entrepreneurship approach (Bacq and Janssen 2011), using 'social entrepreneurship' as a generic term to refer to the collective processes of how individuals and organizations actualize opportunities derived from social problems while creating both social and economic values (Hu et al. 2020; Kilpatrick et al. 2021; Saebi, Foss, and Linder 2019). To inform conceptual clarity, we use 'social entrepreneur' to refer to an individual who leverages resources to actualize these social entrepreneurship opportunities. Social enterprise, therefore, refers to an organization that addresses social problems while pursuing social and economic values. This definition is intentionally broad to incorporate the different forms that social enterprises adopt in different spatial contexts, such as micro-community enterprises in Thailand (Nuchpiam and Punyakumpol 2019), work integration social enterprises in the UK and US (Battilana and Lee 2014) and well-established, large cooperatives particularly in traditionally strong social-oriented economies such as Germany and Italy (Defourny and Nyssens 2010).

For the purpose of this study, we focus upon the multilevel and collective natures of the social entrepreneurship concept (de Bruin, Shaw, and Lewis 2017). As noted, contemporary analyses stress the importance of studying it as a multilevel social phenomenon (Hidalgo, Monticelli, and Bortolaso 2021; Saebi, Foss, and Linder 2019); however, extant work tends to focus on a single level of analysis at the macro- (Hoogendoorn 2016), meso- (Ko and Liu 2015) or micro-level (McMullen and Bergman 2017). In terms of more complex multilevel analyses, the prevailing focus has largely been upon the impact of the macro-level environment on lower-level variables, or the multilevel social contexts in which social enterprises operate. For example, societal institutions, such as social-sector marketization and moral traditions, invoke individual compassion and motivation to engage in social entrepreneurship (Miller et al. 2012) whilst the configurations and compatibility of multiple institutional logics affect organizational hybridity, strategies and practices (Battilana and Lee 2014). Social entrepreneurs also act as intermediaries to interact with actors at the community, individual and regime levels (Kilpatrick et al. 2021; Lang and Fink 2019). These studies have addressed the questions of what levels of analysis exist in social entrepreneurship research and how individuals and organizations respond to institutional multiplicity. However, they offer limited explanatory power as important questions, such as *how* these different levels interact and, importantly, how these interactions are enabled in a collective process where multiple actors collaboratively address social issues, are underexplored. Linking the collectivity of micro-level actions to macro-level social change processes

is central to social entrepreneurship (de Bruin, Shaw, and Lewis 2017). Consequently, multilevel theorization, such as this analysis, is essential to develop a more complete explanation of the complex social entrepreneurship phenomenon (Cowen et al. 2022).

## 2.2. A mechanism-based causal explanation

Following Saebi, Foss, and Linder (2019) and Hedström and Ylikoski (2010), we suggest that multilevel theorization of social entrepreneurship requires opening the ‘black box’ of unobservable causal structures and making visible the mechanisms of how entities within and across different levels generate the phenomenon. To contribute to this work, we need to clarify what causal structures mean and, based on this conceptualization, how to understand the connections within and across different levels. We, therefore, develop our mechanism-based framework from the stance of a critical realist ontology.

Critical realism adopts a stratified ontology positing that social events are collective, relationally constituted social subjects (Donati 2016). A social event consists of internally related entities that can be structured at different levels, and mechanisms are the ways how these entities work through their ‘causal powers’ to cause the social event (Bhaskar 1978; Easton 2010). For example, a social enterprise may consist of an internal structure of a social entrepreneur, their employees and other related stakeholders. These individuals have powers to act or perform in certain ways that collectively cause particular social entrepreneurial behaviour at a micro-level (Montgomery, Dacin, and Dacin 2012). Equally, the focal social enterprise can obtain new causal powers as a market entity that contributes to higher-level entities such as inclusive markets (Mair, Martí, and Ventresca 2012). These higher-level entities contribute to the phenomenon of social entrepreneurship at a macro-level. During this process, the existence of social entrepreneurship depends on whether these individuals exercise their causal powers to act, and under what conditions – circumstances ‘without which something can’t exist’ (Danermark et al. 2002, 96) – they may act.

Whilst critical realism provides an ontological foundation for understanding causal structures underlying social entrepreneurship, we use Hedström and Swedberg’s (1998) boat model of social mechanisms as a guiding framework to capture the causal structure of interrelated entities linking macro-micro-macro levels. Specifically, this model explains how individual-level actions and interactions are determined by, and lead to, macro-level factors and outcomes, and under what conditions these actions and interactions can be actualized, as shown in Figure 1. Building upon Coleman’s (1994) original boat model that bridges macro and micro-level elements, Hedström and Swedberg (1998) specify three types of mechanisms to be considered when explaining social events: the situational mechanism, action-formation mechanism and transformational mechanism. Specifically,

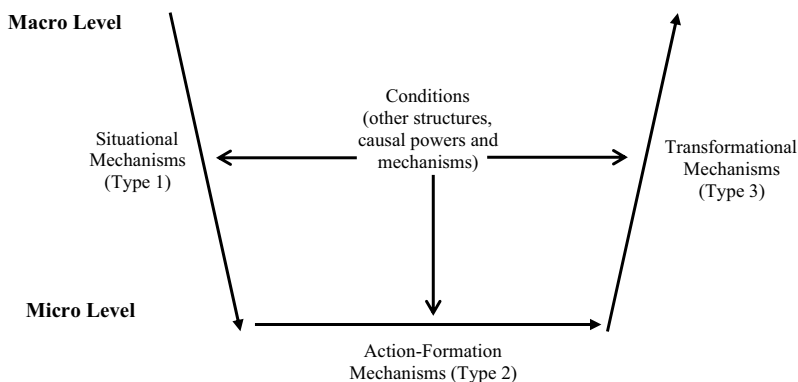


Figure 1. Causal mechanisms and conditions. Source: Revised from Hedström and Swedberg (1998, 22)

a situational mechanism is a macro-to-micro transition where individual beliefs, desires and preferences are affected by the specific social situations to which the individual is exposed. The action-formation mechanism is located at the micro level, where individual beliefs, desires and preferences are combined to generate actions. When individuals interact with each other, these individual actions are then transformed into intended, or unintended, collective macro-level outcomes; this transformational mechanism creates a micro-to-macro transition.

The use of the boat model has been encouraged to address complex cross-level work in management research (Cowen et al. 2022). However, its empirical applications remain limited (Felin, Foss, and Ployhart 2015). One of the most common challenges in applying such a framework is to sufficiently explain 'the theoretical mechanisms that undergird the cross-level dynamics' (Cowen et al. 2022, 3). Addressing this challenge, we argue that a successful application of this framework to specific empirical contexts requires the identification of context-specific mechanisms and the conditions under which the mechanisms can be actualized. In this study, we interpret the boat model from a critical realist perspective. We, thus, propose that a social entrepreneur's social capital acts as a causal power, providing an enabling condition to actualize the causal mechanisms that link micro and macro levels in social entrepreneurship. We elaborate further upon this point below. Notably, critical realism holds that the social phenomena and their generative mechanisms occur in an open system of multiple conditions or other mechanisms occurring simultaneously (Bhaskar 1979; Wynn and Williams 2012). This means that the mechanisms identified in this study are context-specific and should not be considered as the only causal explanation of social entrepreneurship.

### ***2.3. Social capital as a causal power in social entrepreneurship***

Social capital is seen as a driver of social entrepreneurship (Hidalgo, Monticelli, and Bortolaso 2021). To respond to social needs, social entrepreneurs have to develop networks and work together with external stakeholders at both community and regime levels (Kilpatrick et al. 2021; Lang and Fink 2019). Such interaction and collaboration have the scope to provide social entrepreneurs with the collective capacity to address the growing need for social goods and services (de Bruin, Shaw, and Lewis 2017), improve access to resources and funding (Shaw and de Bruin 2013), enhance social value creation (Pret and Carter 2017) and generate greater social impact (Austin, Stevenson, and Weiskillern 2006). However, while social capital theory has proven to be valuable in social entrepreneurship research, the meaning of social capital remains ambiguous. Social capital has been conceptualized as particular types or features of social networks or network building, such as personal contacts, that enable financial and human capital (Burt 1992), networks, norms and trust (Putnam 1993), or as the aggregate of resources mobilized through social networks (Gedajlovic et al. 2013, Nahapiet and Ghoshal 1998). But whether these social networks and resources are the constituents of social capital, or an input to or an output of social capital, remains unclear. In this study, we analyse such perspectives from a critical realist ontology and conceptualize social capital as an individual causal power inherent in one's social networks, separating the concept of social capital from social networks and network analysis.

As such, we argued that any conscious agent 'operates in relation to itself through the external world that it perceives' (Donati 2016, 353), and this relational good is the cause of collective practices – for example, social entrepreneurship – in social groups – for example, social networks. Accordingly, we analyse how social entrepreneurship is enacted by the inherent causal power of social capital in social networks. Being a causal power means that social capital derives from, and is determined by, the social network structure in which an actor is embedded (Light and Dana 2013). Thus, social capital derives from the patterns and configurations of connections between actors in a network structure and how these connections can be reached (Nahapiet and Ghoshal 1998, Burt 1992). Most notably, such patterns and configurations include size, network diversity, stability, openness/closure and internal clusters (Nahapiet and Ghoshal 1998, Lee et al. 2019). Individuals gain social capital through their positioning within their social networks, when for instance, they are

individuals who act as intermediaries bridging external networks (Lang and Fink 2019), and through the homogeneity of bonding networks (Putnam 2000), strength or intensity of social connections (Granovetter 1973), or even the absence of network ties in terms of structural holes (Burt 1992).

Social capital also 'represents an ability and means to engage with others' (McKeever, Anderson, and Jack 2014, 471). Such ability and means often manifest themselves as the norm of reciprocity (Putnam 1993), with trust defined as individuals' confident beliefs about others' beneficial behaviour (De Carolis and Saporito 2006), and that these norms and beliefs, or other systems of meaning, are shared among actors in a network (Nahapiet and Ghoshal 1998). Because of the ability or means to engage with others, these forms of social capital may or may not be actualized – they can exist either as potential (having social capital – unactualised causal power) or mobilized (using social capital – actualized causal power) as individuals may not always take advantage of their social networks (Kwon and Adler 2014).

As a causal power, social capital can be studied as an enabler of entrepreneurial actions and resources at different levels of analysis (Gedajlovic et al. 2013; Kwon and Adler 2014). The extant entrepreneurship literature highlights the increasingly prominent role in legitimacy building, opportunity recognition, entrepreneurial action and improving firm performance (Shepherd 2015; Stam, Arzlanian, and Elfring 2014). Accordingly, social capital generates outcomes at the individual (De Carolis and Saporito 2006), organizational (De Clercq, Dimov, and Tek Thongpapanl 2013) and community levels (Kwon, Heflin, and Ruef 2013). Within the social entrepreneurship context, the collective and collaborative nature of social entrepreneurship implies a fundamental role of social capital in bridging the gap between micro and macro-level antecedents and outcomes. For example, social entrepreneurs must actively engage in their social environment and work with stakeholders to turn opportunities into social impact and institutional changes (Saravathy and Ramesh 2019). Intermediary organizations such as accelerators or incubators also help social entrepreneurs develop networks and create higher-level social business ecosystems (Ho and Yoon 2022). Consequently, we argue that social capital theory offers an appropriate theoretical perspective to investigate the causal mechanisms of social entrepreneurship, helping to analyse the system of interactions between individuals and between individual agencies and higher level social structures, within the collective and collaborative processes of social entrepreneurship.

In summary, by interpreting the boat model from a critical realist perspective of mechanisms and conceptualizing social capital as the causal power, we create a framework that not only explains *what* types of mechanisms need to be investigated, but also *how* these mechanisms can be *actualized*. This framework helps guide our empirical analysis of context-specific cross-level mechanisms in social entrepreneurship, to which we now turn.

### 3. Methodology

To provide a mechanism-based explanation of social entrepreneurship, we employ a critical realist retroductive methodology centred upon the identification of unobservable causal mechanisms that explain how and why a social event occurs (Mingers and Standing 2017; Wynn and Williams 2012). Retroduction requires an analysis of the tendency, rather than regularity, of what mechanisms can exist and how they affect outcomes in a particular context (Bhaskar 1978; Mingers and Standing 2017). It holds methodological features that are distinct from those in inductive and deductive research (Blundel 2007). Specifically, retroduction departs from the deductive approach to causality where constant conjunctions of observations lead to generalizable laws and theories. It also differs from the inductive approach where general conclusions are drawn from a few observable patterns and thus, subject to uncertainty when studying a complex and changeable reality (Danermark et al. 2002). From a critical realist stance, it is deemed that moving from the particular to the general, or vice versa, sheds little light on the real underlying causes of a social event (Easton 2010). Instead, our knowledge of the social event can be acquired if we transcend what is empirically observable to a deeper

level of reality. In this process, data from empirical observations should be used to ensure the postulated mechanisms have sufficient explanatory power to represent reality (Wynn and Williams 2012).

We applied an iterative retroductive research process comprising three key methodological steps suggested by Wynn and Williams (2012) and Hu (2018): explication of events, retroduction and empirical corroboration. This requires constantly moving between the literature and empirical data. First, we explicate events by identifying and abstracting key multilevel theoretical components of social entrepreneurship from the relevant literature and empirical data. Second, retroduction involves identifying and refining the possible mechanisms linking the multilevel theoretical components and elaborating on the causal powers that may have interacted to generate the social phenomenon of social entrepreneurship. Finally, empirical corroboration requires iterative correction of the possibly causal mechanisms which have the most explanatory power to explain the emergence of social entrepreneurship. In particular, we combine empirical corroboration with a multi-case theory-building approach proposed by Eisenhardt (1989, 2021) which enables insights into how theoretical arguments support stable relationships between constructs. Such an approach also acknowledges both an objective reality and a social construction of reality which, therefore, accords with our research objectives and the critical realist ontology adopted.

### **3.1. Research context**

China acts as our spatial context for empirical study and theory building (Welter 2011). With the Western concept social enterprise formally introduced to China only two decades ago (X. Yu 2019), China presents a relatively new setting to understand social entrepreneurship as the emerging outcome of the interaction between micro and macro-level forces (Chandra, Teasdale, and Tjiptono 2021). On the one hand, the economic transition in China since the 1970s has nurtured both a market logic of entrepreneurial activities and a social welfare logic of social needs; these elements combine to create a fertile environment for entrepreneurial engagement in social issues while also fuelling a rich source of data (Hu et al. 2020). In addition, China's civil society and market development are supportive of social entrepreneurship, with the government allowing more autonomy at local levels and mobilizing resources to empower the private sector to address social problems (Kerlin 2010; X. Yu 2019).

On the other hand, support by the state in terms of legal frameworks is not well established in China (Ye 2021). As a result, intermediary organizations such as social enterprise incubators and network building are essential in the legitimation process (Kerlin et al. 2021; Lang and Fink 2019). This indicates the central role of social capital in social entrepreneurship in China. Often referred to as 'guanxi', social capital has a long tradition in China and is culturally embedded in ancient Chinese philosophy of Confucianism where human beings are relation-oriented (Park and Luo 2001). Social capital influences people's social attitudes and business practice (Zhang and Zhang 2006), facilitates partnership building and cooperation between companies and improves firm performances (Park and Luo 2001). As such, China as a distinctive context enables us to explore the role of social capital in the absence of supporting institutional factors found in countries with a longer tradition of social enterprise. For example, the political and social welfare reforms in the UK, the cooperative movement in the Nordic countries and community or religious traditions in the US have had important roles in the rise of social enterprises in these economies (Defourny and Nyssens 2010).

### **3.2. Sampling and data collection methods**

For data collection, we combined theoretical sampling and maximum variation sampling strategies following a multi-case theory-building approach. Thus, we identified a number of cases where the social event and mechanisms were likely to occur, while allowing for case variation to reveal the fundamental causal mechanisms and conditions and mitigating alternative explanations to improve



theory building (Eisenhardt 2021; Patton 1990). Our sample included 29 social enterprise cases (C1–29) and six stakeholder organizations (S1–S6) in China (Appendix).

The social enterprise cases were identified from two online databases for Chinese social enterprises by the British Council Beijing branch (139 organizations) and the Social Enterprise Research Centre in Shanghai (73 organizations with some overlaps) to allow variation in terms of managerial roles, industry and social service provisions. With the absence of a consensus on the definition of social enterprise in China (X. Yu 2019), we selected cases based on three generic criteria of social enterprises proposed by Bacq and Janssen (2011), in which the different geographical perspectives in both North American and European literatures on social entrepreneurship are taken into consideration in order to offer a more balanced conceptualization. The three criteria are as follows: (a) an explicit and central social mission or missions, (b) consistent market orientation and continuous income-generation activities and (c) not being limited to any legal forms. An initial sample of 57 social enterprises and eight stakeholder organizations were identified after applying the criteria, from these, 34 gave access.

The first author (a native Chinese speaker) collected data through 45 semi-structured interviews with social entrepreneurs, employees and other key stakeholders such as managers in incubators, foundations, and training institutions that provided essential support to the cases. Participants were asked open questions on their understanding of social entrepreneurship, their past engagement in social and commercial activities and their experiences in finding and managing the organizations the interview guide was modified continuously to account for emergent themes. Each participant was allocated a code to respect their anonymity (Appendix). To improve the validity of our findings, a pilot study of three cases was conducted 6 months prior to the main data collection to allow sufficient time to further develop the interview questions and codes. We also compared our interview data with other forms of data collected, including field notes that captured the implicit meaning of words in the interviews, 15-hour on-site observation at four professional conferences and workshops that participants attended and documentations such as online case studies, media reports, newsletters and flyers.

### 3.3. Data analysis

Following the iterative retroductive research process, our data analysis began with ‘explication of events’, resolving social entrepreneurship into theoretical components situated at both macro- and micro-levels based on participant descriptions of their experiences. Due to our focus on early-stage social enterprises, we concentrate only on interactions between the individual (micro) and macro level. A meso-level analysis is redundant in emerging organizations where organizational forms, activities and prospects are largely dependent on the entrepreneur’s personal decisions and activities (Felin and Knudsen 2012; Renko 2013).

Template analysis techniques were used to organize data within each case (King 2012). We used Figure 1 to form an initial template to guide our analysis in each case. The data were initially read and categorized into conjunctive codes at different levels captured from the everyday knowledge and concepts used by the participants such as macro-level ‘government support’, ‘policy’, ‘public awareness’ and ‘social goals’ and micro-level ‘intentions’, ‘commercial skills’, ‘business model’ and ‘new services’. The purpose being to provide a detailed description of the observable experiences of social entrepreneurship in each case; this is essential for identifying mechanisms and causal powers (Wynn and Williams 2012). This analysis was followed by a cross-case analysis where we identified four theoretical components by linking the concrete everyday concepts to the relevant academic literature: macro-level ‘social needs’ (Zahra et al. 2008), micro-level ‘social entrepreneurial ideas’ (Hu et al. 2020), micro-level ‘social entrepreneurial practice’ (Kibler and Muñoz 2020) and macro-level ‘market creation and social impact’ (Dees 2003). This is deemed to be conceptual abstraction in critical realist methodology (Danermark et al. 2002). As such, conceptual abstraction involves identifying theoretical components causally

relevant for the existence of social entrepreneurship while isolating unnecessary mechanisms, such as the educational background of the entrepreneurs. Being causally relevant means that these theoretical components were not only useful in explaining the existence of social entrepreneurship, but also noncontingent and durable, i.e. they appeared in all cases and did not change unilaterally (Sayer 1992).

The second step of our analysis is retrodution through which we developed an explanatory framework that captured the four theoretical components (social needs, social entrepreneurial ideas, social entrepreneurial practice and market creation and social impact), and three types of causal mechanisms causally linking these components (situational-, action-formation- and transformational mechanism). This step of analysis was intertwined with empirical corroboration that involved correction of the explanatory framework in order to validate the causal mechanisms that had the strongest explanatory power to explain the emergence of social entrepreneurship. It was during this iterative analysis process that we identified social capital as the causal power inherent in social networks; thus, it served as a suitable theoretical perspective to investigate the system of interactions between individuals within the collective process of social entrepreneurship. During this process, new theoretical constructs also emerged as part of the causal explanation linking empirical data to the literature. For example, legitimacy, broadly defined as a generalized perception of appropriate actions within a socially constructed system of norms and values (Suchman 1995), was found to be an essential part of the transformational mechanism.

Here, our aims were to specify the situational, action-formation and transformational mechanisms through cross-case analysis and to analyse if social capital plays an enabling role to make social entrepreneurship possible. We had to empirically enact the critical constructs regarding how social needs, social entrepreneurial ideas, practices and market creation are created and how social capital actualizes such causal mechanisms. This was achieved through a process of thought trials (Weick 1989) where we iteratively proposed, identified and corrected possible causal mechanisms through a consistent comparison between the relevant literature and empirical data. To identify the role of social capital in enabling the three types of mechanisms, we looked at how various forms of social capital work in each case. Finally, after iterative scrutiny, elimination and correction, we retroduded the 'sparking', 'manifesting' and 'scaling' mechanisms with the greatest explanatory power to structure our final theoretical framework (Figure 2).

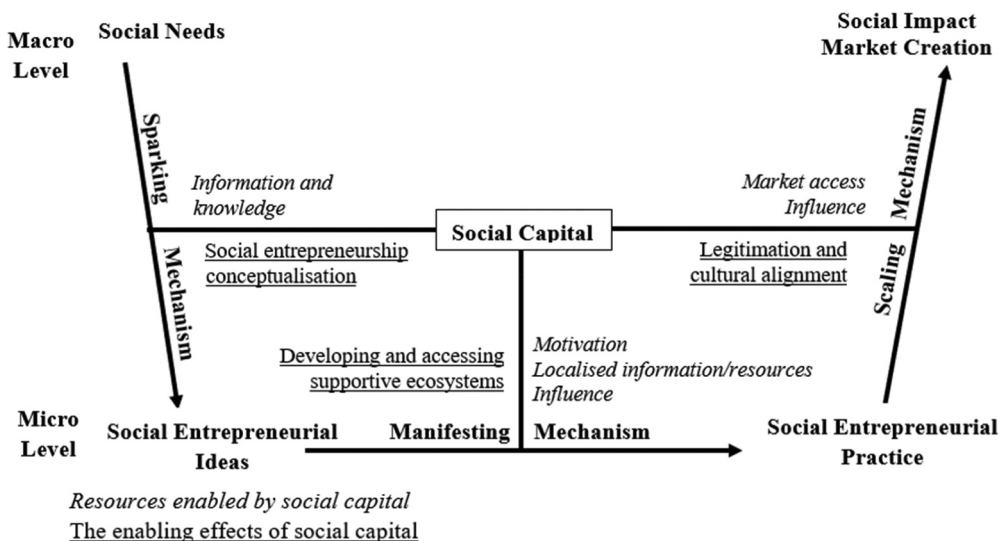


Figure 2. The underlying causal mechanisms in social entrepreneurship.

## 4. Findings

Our evidence suggests that social entrepreneurship was generated by three conjunctive mechanisms; we labelled these as follows: sparking, manifesting and scaling mechanisms. These serve to link macro-level conditions, micro-level social entrepreneurial ideas, social entrepreneurial practices and macro-level outcomes. The mechanisms did not always occur in a linear process, but often emerge in a recursive manner. The findings reveal the central role of social capital in enabling the macro-micro-macro mechanisms. We capture this argument as a theoretical framework (Figure 2) illustrating the causal relationships between macro- and micro-level elements of the social entrepreneurship process and the central, enabling role of social capital.

### 4.1. The sparking mechanism

The sparking mechanism refers to a situational mechanism (Hedström and Swedberg 1998) represented as the first arrow (left) in Figure 2 which explains how social entrepreneurs identify macro-level social needs as ‘perceived necessity’ – a lack of something important (Gawell 2013, 1077) – that spark their individual-level seed venture ideas to respond. This sparking mechanism generates a causal link between social needs that form part of the macro-level institutional context and individual-level seed venture ideas. This mechanism was evident in observable actions such as identifying autistic children’s special needs and capabilities in drawing (social needs) through a meeting with clients (Case 6) and perceiving the need for rural education (social needs) by chance through a friend’s report (Case 5). Our findings suggest that social capital provided the information and knowledge that made the link between social needs and seed venture ideas possible.

Generating social entrepreneurial ideas from the macro-level institutional context was not straightforward. As S3–1 reported, ‘*social enterprise is still open to a range of interpretations and actors in China have yet to agree on a cohesive definition*’. Whilst there is generally no agreed definition of social enterprise, the Chinese context adds complexity to this debate. P27–1 reported that in the late 1970s, when the economy was dominated by state-owned enterprises, the term became closely related to the ‘up to the hill, down to the village’ social movement. This encouraged young people from urban areas to migrate to rural areas to work with and learn from poor farmers; when however, they returned home after this initiative ceased, they experienced high levels of unemployment. The government responded by implementing a policy to support the returnees in setting up their own businesses, but these were collectively owned and had limitations in profit distribution; as such, the ventures were neither state- nor privately-owned, hence - *social enterprises*. This historical context, combined with the more recent diffusion of western social entrepreneurship notions and weak institutional/legal framing (L. Yu 2020), meant that the construct of social entrepreneurship was fuzzy and uncertain. Hence, it was unsurprising that many participants developed seed venture ideas without having a clear social business model in mind, or familiarity with the option that they could be termed social entrepreneurs.

We found that given the lack of universal supportive institutions, social capital played a key differentiating role in these perceptions. Social entrepreneurs relied on key individuals – who act as intermediaries or gatekeepers – to provide important information and knowledge about social entrepreneurship to develop their perceptions of what constitutes a social enterprise. These key individuals included contacts from institutions promoting social entrepreneurship in China and strong ties within social entrepreneur networks. For example, institutions like the British Council China and the Non-Profit Incubator (NPI) provided early education opportunities for Chinese social entrepreneurs through social entrepreneur training programmes, workshops, seed funding and incubation. As S1–1 reported, the British Council adopted a UK definition of social enterprise which emphasized the need to ‘*employ business strategies to meet social and environmental needs and make a positive impact in their communities*’. During their training programmes for Chinese not-for-profit organizations (NPOs), this definition was passed on to the trainees and changed the

manner in which many of them perceived social problems and developed social enterprise business models in existing NPOs.

Strong ties also played an informative role in influencing individual perceptions of social problems. For example, P7–1 talked about how she came up with the idea of setting up a social enterprise promoting fair trade in the handicraft retail industry:

Many people asked me why I am doing this . . . for me many things just happen naturally. I was working in a PR department of a company, organising events and activities. Then Hua [a friend] came to me as he needed someone help with his Creative Market programme, a part-time job. Then because of this programme I got a chance to meet Zhao [founder of the NPI] . . . he told me that my idea was very close to the idea “Fair Trade”. I thought it was really a good idea, much better than donations. (P7–1, founder, Fair Trade)

In this case, the essential information about developing fair trade in the handicraft retail industry came from the social entrepreneur’s connections with a commercial marketing company offering the Creative Market programme for handicrafts, plus a foundation that introduced her to the idea of fair trade.

The participants had established a wide range of network clusters in different areas; the most popular were the government (C1, 4, 6, 13, 16, 18, 27), NPOs and foundations (C1, 3, 4, 5, 13, 18, 22, 24, 26, 27), commercial businesses (C1, 2, 3, 5, 6, 7, 8, 9, 13, 16, 20, 22, 24, 28, 29) and educational institutions such as schools and universities (C2, 3, 8, 13, 15, 22, 26). It was notable that participants who developed ideas for social enterprises tended to be situated in structural holes (Burt 1992) between often disconnected network clusters and economic sectors to which they had access. Disconnected, in this context, meant that those in different sectors tended to focus exclusively upon their own interests rather than with those of other groups (Burt, 2000). For social entrepreneurs, their positions in structural holes could give them access to various sources of relevant information and knowledge not shared between disconnected economic sectors. In Case 2, one of China’s largest peer-to-peer (P2P) microcredit platforms for rural development, the founder’s initial inspiration came from his professional networks with financial institutions and venture capitalists developed during time spent in the US. He also had personal connections with a renowned social entrepreneur working in microfinance, networked with local grass root microfinance institutions, and government officials:

Xiaoshan and his colleagues were involved in and supported the early development of microfinance in China, so they knew which institutions were doing well and which ones were not so good. . . . Because of this, we started to cooperate with some microcredit institutions (with his help) . . . when we selected our partners, (we knew) how reliable those institutions were, what kind of employee they had, their types of organisations, their customer conditions, how they managed credit, how they controlled risks and their thoughts about further development. (P2–1, senior manager, microfinance)

With the specific knowledge and information obtained from these networks, he was able to develop a seed venture idea combining the strengths of the microfinance social enterprise model with his own financial expertise.

Overall, through the acquisition and mobilization of information and knowledge obtained from social capital, participants were able to develop greater insights into the notion of social enterprise when identifying social needs that formed the basis of their initial ideas. In this sense, the sparking mechanism, when enabled by social capital, created a link between social needs that existed at the macro level and the seed venture idea at the micro level.

#### **4.2. The manifesting mechanism**

The manifesting mechanism is an action-formation mechanism whereby participants implemented their seed venture ideas as actual social entrepreneurial practices, such as product development, establishing a supply chain and collaboration. The label ‘manifesting’ is used to emphasize that social entrepreneurship evolves from the hidden seed venture ideas and perceptions to more visible social

entrepreneurial practices to address social needs. Our findings suggest that social capital provides the motivation, localized information and resources that enable the social entrepreneurial idea-practice link.

We found that social capital provided essential information and resources to help social entrepreneurs develop, or access, a supportive social entrepreneurial ecosystem that enabled social entrepreneurial practice. Due to the lack of institutional support and legal frameworks for social entrepreneurship in China, social entrepreneurs had to develop a supportive ecosystem by taking advantage of network closure. Closed networks are those created for one purpose but can be used in a different context, while individual ties within the networks are themselves closely connected (Nahapiet and Ghoshal 1998). Examples of these networks were trade associations (Case 2, 8, 9, 27), conferences and training events (Case 2, 6, 13, 15, 16, 28), social enterprise incubators (Case 21, 22, 24, 25, 26, 27, 29) and informal industrial networks such as the non-profit circle (Case 3, 4, 13, 15). Although these networks may not be created specifically for social enterprises, social entrepreneurs benefitted from member-only access gaining access to shared information, knowledge and experiences that motivated and facilitated actions to implement social entrepreneurial ideas. For example, although P13-1 was a university economics lecturer and had extensive knowledge of social enterprises, he still chose to attend the training courses organized by the British Council China as it provided opportunities *'to support each other, to see how other people are doing their businesses, see what we can learn from others' successful stories, get motivated and do my job better'*.

In these localized ecosystems, supportive infrastructures for social enterprises were geographically specific, which meant that social entrepreneurial practices were more likely to be successful or sustained when social entrepreneurs had access to local closed networks. Case 24 was a case in point. It was part of an international franchising social enterprise which trained and employed visually impaired people to provide services such as exhibitions and business workshops for large companies. Since its entry into the Chinese market in 2007, its early attempts to localize its operations in cities such as Shenzhen and Beijing were unsuccessful due to several setbacks such as registration, intellectual property theft and marketing. P24-1 explained the institutional complexity behind these early failures:

We have a very good business model, and excellent revenue model, but only a few of our international franchisees can be self-sustained. . . . We have been operating, in the last 24 years, in many countries in the world, and I have managed many of them. But I found that China has the most complicated business environment. . . . Because you are not dealing with a single government but many departments and regulatory bodies, and with all the sensitive stuff, so sometimes good intentions can lead to negative outcomes. (Participant 24-1, founder, disability)

The situation improved in 2010 when the Shanghai government (Shanghai Civil Affairs Bureau), through the invitation of the NPI as an intermediary, invited the social enterprise to locate at its newly established Social Innovation Park. When established, the government provided vital support for the social enterprise to obtain NPO legal status generally considered as very difficult in China. Such success would not have been achieved without the social entrepreneur's key network with the NPI and government influence. Cases 21, 22, 24, 25, 26, 27 and 29 also reported that such networks provided access to a wide community of supporters and partners. Using the term *'collective strength'*, P26-1 summarized the key benefits offered by such access to a supportive ecosystem such as the NPI, including facilities, knowledge sharing, government support and more:

They provide facilities at below market value, especially in Shanghai that would make it very difficult. They provide the collective strength, if we went to another building, everything we did we will be doing it alone, and we will be making mistakes that other people have made, we'd have to make them all for ourselves. . . . You have the collective experience in this building, and the NEST, NPI, administrative people who you can go to ask for "what did you do". You have the Director of the Civil Affairs Bureau, (who would provide support because) this is her project. So you have somebody looking after for her children. So there are many intangible benefits, it is not

something pick-up and go. All these benefits are back to the organic, the guanxi networks. (Participant 26–1, founder, disability)

Effective management and control of collaborative networks was important for maintaining access to a supportive ecosystem and sustaining social entrepreneurship practice. Without it, social entrepreneurial ideas would not be converted into social entrepreneurial practices. Overall, through the acquisition of localized information and resources made possible through social capital, the participants converted seed venture ideas into social entrepreneurial practices. This manifesting mechanism, when enabled by social capital, created a link between social entrepreneurial ideas and practice at the micro level (see [Figure 2](#)).

### **4.3. The scaling mechanism**

The scaling mechanism is a transformational mechanism by which micro-level social entrepreneurial practices are transformed into a macro-level social-sector market and so, yield social impact. This mechanism enables social entrepreneurs to create, sustain and expand market exchange relationships with other actors in the ecosystem and thereby, collectively contributing to macro-level market creation and impact. Social capital has a central enabling role in this process by providing market access to social entrepreneurs and so, helping to create a new market through legitimating social entrepreneurial practices in the absence of a supportive legal framework. As a consequence, the ideology and social mission underpinning social entrepreneurship can be widely diffused whilst collective actions create impact on a broader audience, even if this is not pre-planned. We use the term ‘scaling’ as the mechanism is accompanied by scaling up the social impact of social entrepreneurial practices as social entrepreneurs create and develop a legitimate social-sector market through collective actions. In this sense, the scaling mechanism is transformational, serving to transform micro-level actions into macro-level outcomes.

Our analysis suggests that for these social entrepreneurs, strong ties acted as trust brokers and gatekeepers to external networks offering early market access. In our cases, strong ties were normally with close friends, family, former employees and educational relations such as classmates, characterized by frequent communications. For example, strong ties with local government helped social entrepreneurs in Cases 1 and 24 to overcome early market failure by providing access to government procurement. However, given the lack of national-level institutions and legal frameworks for social entrepreneurship and limited social recognition, legitimating and thereby, sustaining early market exchange relationships and practices to generate a greater social impact was more complicated and challenging when compared to commercial enterprises. In a document provided, S3–1 wrote:

While there are a variety of legal forms in the current legislative framework in China that social enterprises can adopt, no specific legal form for social enterprises such as B-Corp in the United States or Community Investment Company in the UK has emerged, and registration and legal uncertainty remain one of the biggest challenges for social enterprises. . . . contracts are not yet widely available across the country . . . and social enterprises often have to overcome a sceptical public attitude that the business sector and the philanthropy sector should be kept separate. (S3–1, key stakeholder)

Within such a context, we found that social capital played a central role in legitimating social entrepreneurial practices and scaling up their social impact. While generalized perceptions of social entrepreneurship were not yet formed, legitimacy building in our case examples came from cultural alignment. This notion has emerged as aligning or reconciling diverse, and sometimes conflicting, norms and logics with regard to social entrepreneurial practices enabled by social capital ([Ruebottom 2013](#)). Case 4 is a good illustration – a social enterprise providing community and home-based residential care services for the elderly. Founded in 2007, the social entrepreneur experienced extreme difficulties to survive as a professional residential care firm. Traditionally, care for Chinese elders is undertaken by their children or by the State. Consequently, older people were not sympathetic to the idea of paying for professional care services. The social entrepreneur realized

the only way to survive was to develop relationships and change the norms of the target beneficiaries:

*'You really have to gain their trust, you really have to change their minds, and you have to immerse yourself in the communities, become part of them and establish very good personal relations'. (P4-1, founder, residential care)*

To build trust, the social entrepreneur established long-term partnerships with around 300 elder volunteers in 26 teams in seven target communities. Together they organized various community activities and events to offer help and support to the elderly; in so doing, they created a market wherein the social enterprise rapidly scaled up to provide residential services to 143 elderly people in 2019.

In this case, trust was key in aligning conflicting norms between the social entrepreneur and potential beneficiaries or customers. In cases where multiple stakeholders were involved in creating market exchange relationships, cultural alignment was also built upon reciprocity. This is illustrated in Case 6 where the social entrepreneur had a clear understanding of what benefits she could provide to different stakeholders upon whom she depended, including the government, media, business partners, university volunteers and beneficiaries:

*For the government, first your [social missions] have to match the bigger political environment and trends . . . For the media, they wish to report something new and interesting . . . [or] there are some celebrities [involved in the social enterprise]. For our business partners . . . you have to provide the right products to match the specific needs of their [CSR] programmes . . . Then there are [autistic] children and their parents. Our target is to help these parents to secure a brighter future for their kids. (P6-1, founder, autism)*

These reciprocal relations enabled the social entrepreneurs to develop mutual understandings and align their goals with different stakeholders to sustain access to the target market/beneficiaries as well as a stable source of income for rapid growth.

Overall, by drawing on market access and influence derived from social capital, the participants were able to legitimate their social entrepreneurial practices and align different norms and expectations in their networks. This led to the creation and expansion of market exchange relationships. Accordingly, they diffused their social missions and values to a wider audience which ultimately contributed to the generation of social impact at the macro level. This analysis highlights how the scaling mechanism, when enabled by social capital, creates a link between micro-level social entrepreneurial practice and macro-level outcomes (Figure 2).

## 5. Discussion: developing a theory of multilevel causal mechanisms in social entrepreneurship

In this article, we contribute to social entrepreneurship research by developing a mechanism-based explanation to provide a novel approach to analysing social entrepreneurship as a multilevel phenomenon. In doing so, we respond to Saebi, Foss, and Linder (2019) calls to identify and analyse causal structures within and across different levels in social entrepreneurship. We extend their work on multilevel analysis of social entrepreneurship by proposing a mechanism-based approach that combines the boat model of macro-micro-macro-level interaction and social capital theory following a critical realist ontology. This combination enabled us to create a framework not only to specify what cross-level causal mechanisms are, but also how they are enacted through social capital to make social entrepreneurship possible. Our analysis has highlighted three conjunctive mechanisms, namely, the sparking-, manifesting- and scaling mechanisms. When enabled by various forms of social capital, these mechanisms explain how macro-level social needs influence micro-level social entrepreneurial ideas, how these ideas lead to social entrepreneurial practice and, in turn, how the micro-level social entrepreneurial practices generate a macro-level social-sector market and social impact. Working collectively and recursively, these three mechanisms generate the social phenomenon of social entrepreneurship.

Our mechanism-based approach underpinned by a critical realist ontology allows us to contribute to the understanding of the social entrepreneurship phenomenon and research in the field. Integrating theoretical conceptualization and empirical evidence, our framework extends social entrepreneurship research, helping to develop a comprehensive understanding of it as a multilevel social phenomenon. This integration also enables us to offer new insights and evidence into the role of social capital in linking multilevel elements of social entrepreneurship. We have specified how it actualizes the causal mechanisms, particularly by helping social entrepreneurs conceptualize the idea of social entrepreneurship (as part of the sparking mechanism), develop and access supportive ecosystems (as part of the manifesting mechanism) and legitimate their practices (as part of the scaling mechanism) within a context where there is a lack of national-level institutional support and legal frameworks for social entrepreneurship. We now elaborate upon the contributions of our theoretical framework and highlight its broader implications to social entrepreneurship theory.

### **5.1. Social entrepreneurship as a multilevel social phenomenon**

We are able to advance contemporary debate by developing a novel mechanism-based approach to study social entrepreneurship as a multilevel social phenomenon. The identification and analysis of causal mechanisms is crucial for social science theory building seeking to inform middle-range explanations rather than establishing universal laws (Hedström and Swedberg 1998). In this study, we contribute to such multilevel theorization in social entrepreneurship research by specifying four necessary theoretical elements (see below) situated at macro and micro levels, as well as their causal links and enabling conditions, which make social entrepreneurship possible. Based on our findings, we argue that the multilevel nature of social entrepreneurship can be elaborated from the macro and micro level *defining elements*, the cross-level *structure/agency relationships* and the macro and micro-level *contexts*.

First, our findings extend the current conceptualization of social entrepreneurship by identifying social needs, social entrepreneurial ideas, social entrepreneurial practices and social impact and market creation are four necessary theoretical elements of social entrepreneurship. The social entrepreneurship process begins with macro-level social needs, upon which social entrepreneurs can, but do not always act, to form seed venture ideas. Social entrepreneurs can then reflect on these ideas and intentionally act to form social entrepreneurial practices such as business plans and product development. When social entrepreneurs choose to engage in developing market exchange relationships with other actors, such collective practices can then be transformed into a macro-level social-sector market and yield social impact. From this process, the phenomenon of social entrepreneurship emerges. From a critical realist perspective, this emergent entity possesses new properties and cannot be reduced to, or solely explained by, the components (Hu 2018; Wynn and Williams 2012). Accordingly, it is insufficient to reduce such a multilevel social phenomenon solely to a single-level entity or entities, such as what social entrepreneurs do (Dees 2001; Peredo and McLean 2006), the individual or organizational characteristics (Bacq and Janssen 2011; Dacin, Dacin, and Tracey 2011), the dual missions (Stevens, Moray, and Bruneel 2015), or simply determining what social entrepreneurship is not (Morris, Santos, and Kuratko 2020). This analysis helps explain the conceptual inconclusiveness in the social entrepreneurship literature. Accordingly, we suggest that a mechanism approach that acknowledges the existence of causally related, multiple entities can help overcome the conceptual inconclusiveness and contribute to a more complete and comprehensive understanding of social entrepreneurship.

Second, we have also offered a mechanism-based explanation informed by critical realism to suggest the causes and consequences underlying social entrepreneurship, which elaborate upon the cross-level relationships between structure and agency in social entrepreneurship. A mechanism-based explanation is not built upon regularities of associations between quantifiable variables – which register repeated observations but do not offer causal explanations – but always refers to real



causes and consequences of the intentional actions of capable individuals, i.e. causal agents (Hedström and Swedberg 1998; Bhaskar 1978). Our findings suggest that the macro-level social transformation from a particular social need to a social sector market that addresses the need should be linked to social entrepreneurs – causal agents who have their own causal powers to impinge upon macro-level social structures and generate social impact. The elaboration of the three mechanisms provides a detailed explanation of how macro- and micro-level factors and outcomes are causally linked and how the interaction of individuals leads to emergent macro-level outcomes. Our framework incorporates processes that have previously been touched upon in the social entrepreneurship literature, such as opportunity development (Hu et al. 2020), legitimation (Kerlin et al. 2021; Neuberger, Kroezen, and Tracey 2021), managing hybrid tensions (Agarwal et al. 2020) and theories of the growth of social enterprises (Andrew, Helen, and Liudmila 2019). However, our framework moves beyond such theorization by presenting these processes as part of the linking mechanisms that explain interactions between macro and micro levels. Overall, our mechanism approach not only addresses important questions of *what* necessary entities must be taken into consideration, but also *how* they are causally linked and *why* social entrepreneurship emerges. These ‘what, how, and why’ questions are essential elements of theory building (Welter and Baker 2021).

Third, the multiple relationships between structure and agency at different levels imply that social entrepreneurs operate in multiple contexts. Critical realism suggests that how a mechanism acts depends on, and so cannot be separated from, its context (Bhaskar 2010). Entrepreneurship research has highlighted that multiple contexts provide situational constraints and opportunities for entrepreneurial activities across levels of analysis, whilst also being influenced by entrepreneurial activities (Johns 2017; Welter 2011). As such, we contribute to an understanding of the multiplicity of context in social entrepreneurship by offering new insights into the two important questions of *where* social entrepreneurship happens and *who* are involved. Our findings suggest that social entrepreneurship occurs in a system of three mechanisms situated in at least three distinct contexts at both macro and micro levels. These consist of the macro-level context that gives rise to social needs and influences the perception of such needs (Lumpkin et al. 2013); the micro-level context of a social entrepreneurial belief system which guides individual actions (Hu et al. 2020); and the context of social networks which provides various resources that enable the three mechanisms identified in this study. These contexts provide social entrepreneurs with possibilities, intentions and means to act, setting boundaries for their actions while also being affected by the actions.

We argue that the categorization of these three multilevel contexts offers a generic understanding of context in social entrepreneurship that can be applied to different geographic settings. However, it is also important to note that the three contexts may manifest themselves in different ways in different geographic settings. For example, globally, social entrepreneurs can form very different belief systems of what actions can be recognized as social entrepreneurial based on the entrepreneurship traditions, legal frameworks, cultures and practices (Bacq and Janssen 2011; Defourny and Nyssens 2010). In our study, the Chinese context manifests some features that are particularly important for the emergence of social entrepreneurship, namely the social needs and voids of social welfare emerged from China’s economic transformation, the lack of indigenous conceptualization and legal frameworks of social enterprises, and the dominance of social capital in business practices, in accordance with the importance of guanxi.

Our evidence also offers a useful extension to recent studies in Chinese social enterprises (Kerlin, Peng, and Shicun Cui 2021; Kerlin et al. 2021; X. Yu 2019), by suggesting that contextual features such as government support, when enabled by social capital, play a positive role in the legitimation and emergence of social entrepreneurship rather than creating a hindrance. In addition, the central role of social capital in actualizing the three mechanisms suggests that social entrepreneurship is not just about individual social entrepreneurs. Although their actions are important for the emergence of social entrepreneurship, they depend on others in their social networks to acquire resources, and other market actors to collectively shape the macro-level social-sector market. As such, our study highlights the need to address some of the greatest challenges in contextualizing the theory

identified by Welter (2011), i.e. integrating the context lens with an individual(s) lens from a multi-context perspective.

## ***5.2. Social capital as an enabler of cross-level mechanisms of social entrepreneurship***

We contribute to social capital research in the context of social entrepreneurship by specifying its fundamental role in actualizing causal mechanisms that link macro- and micro-level elements. The empirical evidence presented the fundamental role of social capital in shaping social entrepreneurship, particularly in contexts characterized by a lack of national-level institutional support and legal frameworks. Indeed, our findings suggest that social capital acts as the causal power that provides distinctive enabling conditions for social entrepreneurship; it shapes how social entrepreneurs understand the appropriateness and possibilities captured in the notion of social entrepreneurship. This, in turn, fuels the development of seed venture ideas, the use of local ecosystems as a platform to enact social entrepreneurial ideas, and legitimate social entrepreneurship practices by aligning multiple norms and logics and so, making social entrepreneurship possible. Without these conditions, social entrepreneurship cannot exist.

The fundamental role of social capital in our analysis suggests that social entrepreneurship is a socially situated, cross-level process. This extends our understanding of the collaborative dynamics in social entrepreneurship primarily focused on formal collaboration that occurs within the organizational boundaries of social enterprises (de Bruin, Shaw, and Lewis 2017). In particular, our analysis indicates that, through social capital, informal interpersonal collaborations may serve as a key strategy for social entrepreneurs to manage multiple norms and logics. Battilana (2018) suggests that managing tensions between conflicting logics presents particular challenges for social enterprises; our findings suggest that this challenge can be managed through social capitals, such as changing the traditional mindset of elderly care through trust building and aligning multiple goals of stakeholders through reciprocal relations. Social entrepreneurs can, therefore, play a more proactive role to manage these tensions and legitimation, rather than passively responding to institutional complexity. Accordingly, we suggest that research on collective and collaborative dynamics should afford more attention to the broader collaborations between social entrepreneurs and other actors who may not be directly involved in the social enterprises.

By applying a critical realist ontology, our findings help enrich the explanatory power of social capital theory in social entrepreneurship. To date, our understanding of the role of social capital in social entrepreneurship is somewhat limited: social capital was thought to serve either as a means to access information, resources support and motivation (Mair and Martí 2006), or to facilitate social interactions through bonding and bridging ties to enhance internal trust and solidarity within social networks and to expand the effects to external networks (Bacq and Lumpkin 2020; Putnam 2000). Our analysis suggests that social capital has played a more fundamental role in early-stage social entrepreneurship, namely as a potential and as an ability.

As a potential, social capital provides possibilities for individuals to act upon, while also being constrained by, multilevel social structures in social entrepreneurship. These social structures can be institutional structures that generate social needs, cognitive structures that help individuals perceive social needs and the value of ties and locally embedded structures that form the basis of supportive ecosystems and market exchanges (Hu et al. 2020; Kwon and Adler 2014). Being a potential means that, given the same set of social structures (such as urban poverty), individuals may choose to act, or not, following the three mechanisms.

As an ability social capital opens up opportunities for alternative choices and actions when individuals act upon multilevel social structures. Kwon and Adler (2014, 414) point out that 'the same set of nodes and relationships can be perceived differently by different individuals', acknowledging individual differences in their capability in perceiving and using social capital. Such differences, we argue, can lead to diverse courses of action and, as a result, influence whether the effects of social capital are productive or counterproductive for social entrepreneurship. For example,

information about macro-level social needs derived from social networks may be interpreted by individuals as opportunities for either social enterprises, non-profit organizations or even profit-driven enterprises, depending on individual capabilities of perceiving and processing information and knowledge gained from their social networks. Such differences between individuals, in turn, condition the emergence of social entrepreneurship.

### 5.3. Limitations and future research

Whilst this study serves as a possible explanation of social entrepreneurship following a mechanism approach, there will always be alternative approaches and explanations, as social events occur in a complex open system of contingent and ever-changing structures and causal powers (Bhaskar 2010). We concentrate on the mechanisms linking the macro and micro-level entities, leaving the meso (i.e. organizational) level entities unexplored. While we do not consider this as a disadvantage within the context of early-stage social entrepreneurship, where the activities of individual social entrepreneurs largely determine organizational-level activities (Felin and Knudsen 2012; Renko 2013), meso-level entities may need to be investigated when researching other contexts and more mature organizations (Saebi, Foss, and Linder 2019). The meso-context will be more distinguishable in the later-stage social enterprises in Western countries where the social entrepreneur is no longer dominant in these organizations.

Whilst we endeavoured to develop a general framework of mechanisms for social entrepreneurship that applies across contexts, we have also identified certain characteristics of the Chinese context such as the prevalence of *guanxi*, lack of legal frameworks and institutional support that affect the three mechanisms of social entrepreneurship emergence. Different context factors are likely to be influential in other spatial contexts. We did not draw an empirical comparison to such other country contexts or the spatial distribution within a country. Future research could, however, scrutinize and adjust our framework by investigating whether or to what extent it holds in such other contexts, taking into account their spatial, business, social and institutional parameters (Welter 2011). We believe that a comparison between more and less developed countries with more or less developed legal frameworks and institutional support for social entrepreneurship would be promising in this respect.

Moreover, we have focused on what mechanisms are and how they are *enabled* to generate real effects, but have not investigated the underlying structure and causal powers that may *constrain* social entrepreneurship agencies and generate negative effects on social entrepreneurship. We encourage future studies to consider the dark side of social capital (Gedajlovic et al. 2013; Kwon and Adler 2014), which may enrich our understanding of social entrepreneurship by providing additional insights into the conditions under which social entrepreneurship may not emerge. We argue that studies on the causal mechanisms leading to an explanation of the non-emergence of social entrepreneurship are equally important to those explaining the emergence.

## 6. Conclusion

In this article, we develop a novel mechanism-based explanation of social entrepreneurship, through a comprehensive analysis of three macro-micro-macro-level mechanisms and the enabling role of social capital. As such, we address the ambiguity in explaining and analysing social entrepreneurship as a multilevel social phenomenon, contributing to a more complete and comprehensive understanding of social entrepreneurship that goes beyond a single level of analysis. We contribute to social capital research in the context of social entrepreneurship, by specifying its fundamental role in actualizing causal mechanisms that link macro- and micro-level elements. Through this study, we hope to address some important questions in multilevel theorization in social entrepreneurship research, by clarifying *what* theoretical components are necessary for social entrepreneurship, *how* they are causally linked, *where* social entrepreneurship happens, and *who* are involved. We have also

demonstrated the explanatory power of critical realism in empirical research, noting its scope to address some of the contemporary definitional and empirical challenges within social entrepreneurship research, such as integrating multiple levels of analysis and identifying unobservable causal mechanisms. Finally, we hope this study provides a useful example of applied critical realist research that may inspire further studies in exploring complex social events in entrepreneurship and general management research.

## Note

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## Disclosure statement

No potential conflict of interest was reported by the author(s).

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## Appendix. Informants

Sectors	Location	Cases	Interviews/Informants
Fair trade	Beijing	Case 1	P1-1 (female founder manager)
		Case 3	P3-1 (female founder manager)
		Case 7	P7-1 (female founder manager)
Autism	Beijing	Case 6	P6-1 (female founder manager) P6-2 (female employee)
		Case 11	P11-1 (male founder) P11-2 (male operations manager) P11-3 (female manager, UK nationality)
		Case 12	P12-1 (male founder manager)
		Case 25	P25-1 (male founder manager)
		Case 27	P27-1 (male founder manager)
Disability	Beijing	Case 9	P9-1 (female founder manager)
		Case 14	P14-1 (male founder manager)
		Case 21	P21-1 (female founder manager)
	Shanghai	Case 22	P22-1 (male founder manager)
		Case 24	P24-1 (female founder manager) P24-2 (female line manager)
		Case 26	P26-1 (male founder manager, US nationality)
Education (including dyslexia)	Beijing	Case 28	P28-1 (male founder manager)
		Case 5	P5-1 (male founder manager) P5-2 (female employee, Canadian returnee)
		Case 8	P8-1 (female founder) P8-2 (female line manager)
		Case 16	P16-1 (male founder manager)
		Case 20	P20-1 (male founder manager)
Women empowerment	Hunan	Case 15	P15-1 (female manager)
	Beijing	Case 18	P18-1 (female manager)
CSR and volunteering	Beijing	Case 10	P10-1 (female founder manager)
		Case 13	P13-1 (male founder manager)
		Case 17	P17-1 (female founder manager)
		Case 2	P2-1 (male senior manager)
Others (microfinance, elderly care, food safety, poverty alleviation)		Case 4	P4-1 (female founder manager) P4-2 (female employee)
		Case 19	P19-1 (male founder manager)
		Case 23	P23-1 (female founder manager)
		Case 29	P29-1 (male founder manager, Singapore nationality)
		Case 2	P2-1 (male senior manager)
Key stakeholders: 1 international organizations, 1 foundation, 3 incubators, 1 research centre	Beijing	S1	S1-1 (female project director) S1-2 (male director for SE training programme)
		S2	S2-1 (female senior officer)
		S3	S3-1 (female founder)
	Hunan	S4	S4-1 (male manager)
	Shanghai	S5	S5-1 (male general secretary)
		S6	S6-1 (female vice-president) S6-2 (female project manager) S6-3 (female project manager, UK nationality)