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How Do New Forms of Organizations Manage Institutional Voids? Social Enterprises' Quest for Sociopolitical Legitimacy

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Abstract

This study draws on institutional theory to provide insights into how new forms of organizations gain legitimacy under institutional voids. Based on interviews with leaders of 42 Chinese social enterprises (SEs), we find that dominant stakeholders—the state—are ambivalent about new ventures' agendas and practices, which is displayed in their being sometimes supportive and other times skeptical, even hostile. SEs favor the *contingent engagement* political strategy to develop mutually beneficial relationships with the state while keeping a healthy distance. This enables them to gain sociopolitical legitimacy in a nonthreatening and acceptable way for survival and growth. The findings further highlighted the individual, organizational, and environmental factors that condition SE legitimation approaches, including the form of state control, leaders' political capital, organizational social mission, and regional political environment. This study makes theoretical contributions to the institutional and SE literatures, highlighting stakeholder ambivalence as an essential characteristic of an institutional context fraught with institutional voids.

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The survival and growth of new ventures depend on their ability to manage the institutional environment to gain vital resources and legitimacy (Zimmerman & Zeitz, 2002)—key stakeholders' positive judgment of the appropriateness or acceptance of an organization (Deephouse et al., 2017; Suchman, 1995). Rich scholarship has employed the institutional theory to understand the mechanisms by which new ventures gain legitimacy, focusing primarily on nascent ventures in their early years of existence (see Überbacher, 2014 for a review). Recently, this research has begun to study how new forms of organizations (NFOs)[1] gain legitimacy (e.g., Kim & Schifeling, 2022; King et al., 2011; Lee et al., 2017; Neuberger et al., 2023). NFOs typically embody a novel "archetypal configuration" (Greenwood & Suddaby, 2006, p. 30) of logics, goals, and identity claims that "mark members out as belonging to a particular category of organizations" (Tracey et al., 2018, p. 1627). Studying NFO legitimation is critical to advance institutional theory, as NFOs confront a distinct and complex set of legitimacy pressures (Tracey et al., 2018). At the *organizational level*, like other nascent new ventures with limited resources, NFOs must overcome their "liability of newness" for survival (Singh et al., 1986; Stinchcombe, 1965). At the *category* level, to tap a broader resource base, NFOs must make their new form acceptable to dominant stakeholders, as well as meet key stakeholders' expectations of appropriate organizational behavior (Pache & Santos, 2013; Tracey et al., 2011).

However, many nuances within NFO legitimation remain unexplored. Despite the relevance of the institutional theory to understand new venture legitimation, research tends to neglect salient contextual attributes of the institutional environment (M. T.Dacin et al., 2011; Kerlin, 2017), which "requires more concerted examination" (Littlewood & Holt, 2018, p. 525). Specifically, prior research primarily focuses on how new ventures (see Fisher et al., 2017 for a review) and NFOs (e.g., Kim & Schifeling, 2022; Tracey et al., 2018) gain legitimacy in contexts with mature institutions, which are critical to enable and support new venture creation and legitimacy (Stephan et al., 2015). Yet, it remains unclear how the legitimation of NFOs functions under institutional voids, when existing institutions to support efficient and effective market and nonmarket activities are limited, weak, or absent (Khoury & Prasad, 2016; Mair & Martí, 2009; Webb et al., 2020). The contradiction in such cases offers an opportunity to study how macro-institutions shape the legitimation dynamics of NFOs in unique ways, potentially challenging theories and core assumptions in extant studies. In

particular, it raises at least three theoretically compelling questions: (a) who the most dominant stakeholders are amid competing stakeholder claims, (b) what unique legitimation challenges, and, consequently, (c) distinct legitimation approaches arise based on key stakeholders' expectations (Neuberger et al., 2023).

To advance theory and empirical research in new venture legitimacy, this research examines how a specific type of new ventures—NFOs—gain legitimacy in an institutional context fraught with voids. We ask, "How do NFOs gain legitimacy under institutional voids?" It draws on the institutional void perspective as a significant source of explanation for new venture creation and legitimacy (Stephan et al., 2015; Sydow et al., 2022; Webb et al., 2020). Institutional voids are critical "analytical spaces" to illustrate how the conflict and contradiction among multiple "institutional bits and pieces" in the local political, social, and cultural spheres may enable or constrain (non)market activities (Mair et al., 2012, p. 819).

This research empirically examines social enterprises (SEs), mission-driven organizations that combine aspects of business and charity into their core operations that have emerged since the 1990s as an NFO across the globe (Battilana & Lee, 2014). SEs "provide an ideal context and a ready source of case studies that deal with institutional voids common to emerging or failed economies" (P. A.Dacin et al., 2010, p. 46). This research therefore focuses on China, a country marked as having weak or deficient institutions (Ge et al., 2019; Puffer et al., 2010; Zhou et al., 2022). China is in many ways ideal to study the issues of interest, as the development of SEs are "heavily intertwined with changes in government regulations and politics" (M.Zhao, 2012, p. 35). China is a politically repressive context and an emerging economy where severe institutional voids persist (Puffer et al., 2010), and it suffers from "inadequate informational flows, and fragile legal and financial frameworks" (Ge et al., 2019, p. 1126) and "problematic formulation and enforcement of the formal rules of the game and weak grassroots stakeholder supervision" (M.Zhao et al., 2014, p. 656). The Global Democracy Index ranks China 156 out of 167 countries and territories, and its score has been decreasing in recent years (*The Economist*, 2023). The Corruption Index places China 76 out of 180 countries and territories (Transparency International, 2024), indicating weak institutions to regulate both market and nonmarket transactions (Sydow et al., 2022; Zhou et al., 2022). The country's social problems are also mounting, and social entrepreneurship is booming as China ranks 13 among 58 economies studied in nascent SE activity (Bosma et al., 2016).

Findings based on semi-structured interviews with leaders of 42 Chinese SEs yield three contributions to the institutional literature. First, this research sheds light on how institutional voids may complicate NFO legitimation

dynamics, raising important questions of *how* to gain *what* type of legitimacy from *which key stakeholders*. Our findings highlight that institutional voids produce an ambivalent stakeholder environment, manifested in both support and suspicion and hostility toward NFOs from the most dominant stakeholder—the state. Consequently, NFOs must gain *sociopolitical* legitimacy[2] (see Deephouse et al., 2017) for survival and growth based on laws, rules, signals, legal mandates, and political orders and norms from the dominant state actor.

Relatedly and second, this research provides insight on *contingent engagement* as a type of political strategy to develop mutually beneficial relationships with state actors while keeping a healthy distance. Extending prior institutional research (e.g., Doh et al., 2012; Marquis & Raynard, 2015), our findings provide insights on how formal and informal channels can help NFOs navigate and even bypass institutional voids in an ambivalent stakeholder context. These findings also enrich recent works on how new ventures gain legitimacy under institutional voids through political strategies (e.g., Ge et al., 2019; Neuberger et al., 2023; Puffer et al., 2010).

Third, we contribute to the institutional theory by unpacking the individual, organizational, and environmental factors (Smith et al., 2013) that condition SEs' use of specific legitimation strategies. This research thus answers scholarly calls to gain a deeper understanding of the "filters" (Greenwood et al., 2011, p. 322) and how contingent factors at multiple levels of analysis (Besharov & Smith, 2014) affect organizational responses to institutional pressures.

Our empirical focus on SEs as an NFO also contributes to the SE literature. Although empirical studies have examined SEs in a variety of institutional contexts with varying degrees of mature institutions (e.g., Battilana & Dorado, 2010; Littlewood & Holt, 2018; Ometto et al., 2019; Pache & Santos, 2013; Ramus et al., 2021; Smith & Besharov, 2019), most have focused on how SEs manage the dominant stakeholders based on social and market forces (e.g., donors, investors, customers, employees). Joining emerging research in SEs and social ventures (e.g., McMullin & Skelcher, 2018; Neuberger et al., 2023), our findings call attention to the impact of state institutions on SE organizing dynamics, thus enriching and contextualizing the SE scholarship.

New Venture Creation and Legitimacy of NFOs Under Institutional Voids

Organizational legitimacy describes the degree to which an organization's activities and goals are congruent with broader societal norms, beliefs, and

values (Deephouse et al., 2017; Suchman, 1995). Through legitimacy, new ventures can obtain critical resources for survival and growth (Zimmerman & Zeitz, 2002). Legitimacy is particularly crucial for NFOs, who often deviate from the current preferred rules, scripts of key audiences, and "ready-to-wear" models and established forms (Battilana & Dorado, 2010, p. 1419) and hence are constrained by limited legitimacy (Pache & Santos, 2013; Tracey et al., 2011). Recent examples of NFOs include U.S. charter schools, which are publicly funded schools with novel approaches (King et al., 2011), and benefit corporations, which are legally required to provide social, environmental, and community benefits (Rawhouser et al., 2015). SEs face significant legitimacy challenges "due to their violation of the boundaries of the established social categories of business and charity" (Battilana & Lee, 2014, p. 410). Studying NFOs may challenge widely held assumptions about organizational dynamics and stakeholder engagement, thereby contributing to significant theory refinement and development (Battilana & Dorado, 2010; Radoynovska, 2024; Tracey et al., 2018).

In a systematic review of 60 articles, Überbacher (2014) called for more research to further explore macro-level "contextual attributes" in new venture legitimation (p. 683). While burgeoning research in new venture legitimacy has focused on NFOs, it has neglected the influence of the institutional environment. To nuance and make sense of the variation in new venture legitimation by NFOs, we draw on the institutional void perspective situated at the intersection of institutional and entrepreneurship literatures. A broad spectrum of institutional research uses institutional voids as "contextual variables" (Estrin et al., 2013, p. 500) that shape organizational action (North, 1990). Moreover, the entrepreneurship literature shows institutional voids shape the overall level, productivity, unique forms, and objectives of entrepreneurial activity (Stephan et al., 2015; Webb et al., 2020). Thus, institutional voids serve as an important concept in understanding how the broader institutional context shapes the organizing dynamics of new ventures.

Institutional voids are absent or weak institutions that lead to a failure to support stable, efficient, and effective (non)market activities (Palepu & Khanna, 1998; Webb et al., 2020). Institutional voids provide ideal "analytical spaces" and anchors to illustrate how the conflict and contradiction among multiple institutional spheres and logics enable or constrain the activities and legitimation strategies among new ventures (Mair et al., 2012, p. 819). Well-established institutional arrangements include various legal and monetary incentives, market mechanisms, the availability of sound legal frameworks, government support programs, or subsidies that support new ventures (Estrin et al., 2013). Institutional voids, however, may lead to corruption and the use of bribery and informal networks (e.g., political and family ties) to acquire

resources and gain opportunities (Ge et al., 2019; Puffer et al., 2010; Sydow et al., 2022; Zhou et al., 2022), and unproductive and even destructive outcomes such as social exclusion and inequities (Hall et al., 2012). In the social impact space, formal institutions include government regulations, grants, and subsidies; favorable tax policies for charitable donations; and welfare payments and provision. Informal institutions include philanthropic traditions and community spirit; gender and social equities; a culture of trust, social inclusion, public service, and volunteering in society, all of which foster individual willingness to take risks for prosocial behavior (Bhatt et al., 2019; Salamon & Anheier, 1998) or enable NFOs to flourish (Wry & Zhao, 2018).

In summary, we contend that the legitimation dynamics of NFOs under institutional voids merits deeper theorizing and closer examination to shed light on "the situated and intermediated features of voids as a way of better understanding why and how (non)market exclusion occurs" for new ventures (Mair et al., 2012, p. 832). By contrast, prior research has predominantly focused on the legitimation of new ventures in contexts with mature institutions, where key stakeholders (e.g., investors, customers) typically understand well the agendas and practices of NFOs based on existing governance mechanisms, market systems, social norms, and cultural beliefs (e.g., Kim & Schifeling, 2022; Tracey et al., 2018). In the next section, we unpack how institutional voids may elicit a distinct, complex set of legitimacy challenges for NFOs based on who the key stakeholders are and their differential expectations of appropriate organizational behavior. We also theorize the significance of gaining sociopolitical legitimacy from the dominant, ambivalent state stakeholders.

Institutional Voids, Sociopolitical Legitimacy, and Stakeholder Ambivalence

While some scholars have argued the "institutional voids" term oversimplifies the nuance across non-Western contexts (e.g., Bothello et al., 2019), others demonstrate the concept is helpful to understanding transitional economies and politically restrictive contexts, where governments are the most powerful actors (Ge et al., 2019; Zhou et al., 2022). In these contexts with a "politicized organizational landscape" (Neuberger et al., 2023, p. 95), "rule of law is absent, regulations can change quickly, and the risk of expropriation and government intervention is relatively high" (Marquis & Raynard, 2015, p. 306). Organizational survival and growth thus "depend on political rather than economic considerations" (Nee, 1992, p. 14) and "responding appropriately to government signals becomes a critical way to build legitimacy with government actors" (Marquis & Qian, 2014, p. 129). Under institutional

voids, new ventures must gain *sociopolitical* legitimacy based on laws, rules, signals, legal mandates, and political orders and norms from the dominant state actors (Neuberger et al., 2023; Puffer et al., 2010).

Drawing on the institutional and entrepreneurship literatures, we theorize that stakeholder ambivalence toward NFOs is an essential characteristic of the institutional context fraught with institutional voids and gaps. On one hand, dominant stakeholders (i.e., the state) in these contexts may welcome and support new ventures, who are often most needed to address social inequities, provide public services, and strengthen the economy (Littlewood & Holt, 2018; Smith & Besharov, 2019). The government failure theory suggests government support for and action in social issues are limited or ineffective under severe institutional voids, which motivate new ventures to fill societal gaps that state actors are otherwise unable to fulfill (Salamon & Anheier, 1998). Persistent social and community needs thus trigger greater demand and state approvals for new ventures to address social challenges (Stephan et al., 2015).

On the other hand, new ventures often confront extensive legitimation challenges as the dominant state stakeholders may be wary of NFOs, whose goals may be incompatible with the current institutional norms of public order. Under institutional voids, the state is often skeptical, and even hostile, to NFOs that may challenge sociopolitical orders and locus of control in social spheres (Mair et al., 2012; Neuberger et al., 2023). Prioritizing public order, political control, and social stability, the state often has preexisting negative views about the goals and practices of new ventures, which can render them precarious (Tauber, 2021). The constant threat of state repression, restrictive government regulations, political uncertainty and ambiguity (Kenyon & Naoi, 2010), and unfavorable political treatment result in limited space for new venture participation in social issues (Marquis & Bird, 2018). It is thus not surprising that most extant studies have shown how institutional voids may hinder the participation, functioning, and development of new ventures (Chakrabarty & Bass, 2014; Ge et al., 2019; Mair & Martí, 2009).

In sum, although governments may open up more opportunities for NFOs to address needs unmet by the state, the facilitating regulatory, political, and legal arrangements are largely deficient to foster new ventures under institutional voids (Mair et al., 2012; Stephan et al., 2015). As legitimation is context-dependent (Oliver, 1991), the legitimation mechanisms and strategies of NFOs under institutional voids may be distinct and are largely unclear. Instead of achieving optimal distinctiveness (E. Y.Zhao et al., 2017) and signaling their long-term viability under mature institutions (see Fisher et al., 2017), new ventures "require a different approach" for legitimation under institutional voids (Neuberger et al., 2023, p. 70; see also Marquis & Raynard,

2015). New ventures may need to avoid negative attention, to ensure that state actors understand their activities well and do not perceive them as threatening or offensive, thereby achieving "optimal assimilation" (p. 94). Therefore, we explore the following research question (RQ):

> **RQ:** How do NFOs gain sociopolitical legitimacy under institutional voids?

Chinese SEs' Quest for Sociopolitical Legitimacy Under Institutional Voids

SEs emerged in public discourse and academic literature about three decades ago in the United States and parts of Europe in response to the many challenges traditional nonprofits face, including environmental turbulence and resource constraints (Dart, 2004; Defourny & Nyssens, 2008). SEs operate within multiple spheres where conflicting institutional rules operate (Smith et al., 2013), putting them at high risk of legitimacy deficit among divergent stakeholders (Pache & Santos, 2013; Ramus et al., 2021). Thus, the SE field provides an ideal context to study new venture legitimacy under institutional voids (see P. A.Dacin et al., 2010).

Tightening state policies on nonprofit registration and annual review were among the key factors that prompted the introduction of SEs as an NFO in China around 2004 (M.Zhao, 2016). However, like their nonprofit counterparts, state–SE relations in China have been in a fragile "contingent-symbiosis" springing from mutual need and mutual suspicion (Spires, 2011, p. 2). As social problems (e.g., environmental pollution, social disparities) are mounting in China (M.Zhao, 2012), the government recognizes the critical role SEs play in social service delivery and their potential to support the state in ensuring social welfare. It has, therefore, actively supported and incubated them. For instance, central government officials have been pushing forward the "open up" policy to relax restrictions (e.g., registration) on the social sector; incumbent, senior government officials have publicly applauded new social innovation models SEs developed to address social problems (M.Zhao, 2016), and some local governments foster SEs, playing the roles of referees, funders, resource providers, and coaches (Hua, 2021).

However, Chinese SEs have confronted complex legitimacy challenges, as the formal institutions that enable SEs to thrive in contexts with mature institutions are largely deficient or "non-supportive" (Bhatt et al., 2019, p. 618). These include official certification, legal recognition, preferential policy formulations, and a qualification authentication system (Ye, 2021; Yin &

Chen, 2019). For instance, China lacks clear legal distinctions and nondistribution constraints, and mission-driven SEs do not benefit from a favorable tax status, which means they cannot compensate for their lower emphasis on market competition (Yu, 2011). Weak formal institutions may further undermine the public's and government's trust in SEs as an NFO (Yu, 2011; M.Zhao, 2016). Research has documented the suspicion, negative assessments, and excessive interference Chinese SEs received from the state (Chandra & Wong, 2016; Kerlin et al., 2021; M.Zhao, 2012).

In the absence of formal institutions, the general political and regulatory environment remains opaque and uncertain (Spires, 2020). The lack of state support and trust of SEs, as well as ambiguous rules, muddy regulations, and nonexistent legal recognition and incentives for SEs cause SEs to anticipate political risks (Bhatt et al., 2019). State agents only support new ventures if they perceive them as contributing to political stability and order by providing complementary public services or only exposing social problems in ways the state deems nonthreatening (Spires, 2011). Consequently, most Chinese SEs focus on nonsensitive social issues, such as education, arts and culture, environment, and poverty alleviation (Bhatt et al., 2019; Yin & Chen, 2019).

The fragmented governance and policy enforcement between the central and *local* governments in China (Hsu & Hasmath, 2014) further complicates SE legitimation. Research has shown the regional variation of institutional quality, government regulatory capacities, market infrastructures, resource endowment, and policy experiments and trial reforms in China (Ge et al., 2019; Marquis & Qian, 2014). In politically restrictive areas, the government typically assumes primary responsibility for social problem-solving, barring or discouraging new ventures (Bhatt et al., 2019). Moreover, political sensitivity is not clearly defined; it is often elusive and locale- *and* issue-specific (Spires, 2011). In summary, the state as the dominant stakeholder is a singular characteristic of China's institutional environment. The combination of this characteristic with weak formal institutions creates distinct and complex legitimation dynamics. We thus focused our empirical examination of how SEs as an NFO gain sociopolitical legitimacy in China.

Method

Scholars have yet to reach consensus on how to define SEs (see Battilana & Lee, 2014), which are often context-specific (Kerlin, 2010, 2017). The ambiguity in definition and operationalization is particularly salient in China, which lacks legal recognition and official certification for SEs. To guide us in theoretical sampling (Strauss & Corbin, 1998), and following the SE studies, we define SEs as organizations that "pursue a social mission while engaging

in commercial activities to sustain their operations" (Battilana & Lee, 2014, p. 399). Although this definition suggests SEs generate earned income through market means, it does not limit the percentage of earned income in their overall revenue structure. Indeed, studies on Chinese SEs reveal that the percentage of earned income through commercial activities may vary considerably. For some SEs, other sources such as government procurement and subsidies, crowdfunding, and public donations may play the primary role, and that SEs have diverse for-profit and nonprofit registration forms (Wu et al., 2023; Ye, 2021; Yin & Chen, 2019; Yu, 2011).

Reflecting the burgeoning but limited research in Chinese SEs, we employed a qualitative, inductive methodology via a grounded theory approach. Consisting of "systematic, yet flexible guidelines" for data collection and analysis, a grounded theory approach helps researchers explore new ideas through fresh perspectives and construct original theories grounded in the data. Drawing from the data, the grounded theory approach suggests starting with a concept rather than an existing framework to "offer insight, enhance understanding, and provide a meaningful guide to action" (Strauss & Corbin, 1998, p. 12). Grounded theory allowed us to look for themes and relationships across the data, uncover hidden concepts, and eventually triangulate insights and suggest an emerging theory for how NFOs gain sociopolitical legitimacy under severe institutional voids.

Data Collection and Procedure

The primary data source for our profiles of the SEs was semi-structured interviews with SE leaders.

Interviews With SE Leaders. Interview participants consisted of the founders or current leaders of Chinese SEs (see Table 1). Overall, the interview data enabled us to better understand the key challenges and obstacles to legitimacy posed by key stakeholders in the external environment and how SEs attempted to gain legitimacy. Following Chinese SE studies (e.g., Wu et al., 2023; Yin & Chen, 2019) and because no comprehensive database of Chinese SEs exists, we identified SEs and recruited participants using a mix of strategies, including public sources such as China's SE Research Center, researchers' personal contacts, and participants' referrals. The use of personal contacts and referrals facilitates trust-building to obtain quality data and solicit candid insights from informants in the Chinese context (Xin & Pearce, 1996).

Our theoretical sampling approach guided us to collect data from diverse SEs based on locations, missions, funding structure, and registration status (see Online Appendix A), thereby facilitating comparisons,

Table 1. Data Inventory.

Data type	Data source	Quantity		Data specifics
Semi-structured interviews	Primary interviews with SE leaders	2,390 min	587 pages	Interviews with 44 social entrepreneurs and current leaders of 42 SEs
	Supplementary interviews with SE field experts	80 min	19 pages	Interviews with two SE field experts
Archival documents[a]	Archival documents from 42 SEs	968	1,401 pages	News articles on SEs studied from the Chinese media
		26	182 pages	Organizational reports and strategic plans
		17	795 pages	Industry and field research reports
		23	144 min	Videos on SEs

Note. The length of the transcripts and notes in Word are reported using a 12-point font, single spaced.
[a]We used the archival documents to help the researchers supplement insights, as well as gain a deeper understanding of the evolution of the SE field and development of SEs as a new organizational form in China.

improving transferability, and maximizing the opportunity to discover variations required for an emerging theory development and refinement (Strauss & Corbin, 1998). We continued to recruit SE leaders for interviews until our team agreed we had reached theoretical saturation, when "no new properties, dimensions, conditions, actions/interactions or consequences" regarding the institutional context or legitimacy strategy emerged in the data (p. 136).

Fifty individuals from 48 organizations participated in the study; two organizations had two founders who both participated. However, based on the self-identification approach (i.e., by asking interviewees if they self-describe their organization as an SE; see Littlewood & Holt, 2018) and verification of the presence of any earned income in their funding structure, we excluded six organizations that are not SEs according to our criteria. Hence, our final sample had 42 SEs. Key attributes of SEs, such as their geographic location, founders' professional backgrounds, and social mission, reflected the overall characteristics of the SE field (see Online Appendix B). For instance, our informants came from 11 municipalities and provinces, although Beijing and Shanghai predominated ($n = 26$, 59.09%). The social mission of the SEs covered a wide range of issues. On average, the SEs had existed for 5.36 ($SD = 4.89$) years at the time of the interview.

Our interview protocol consisted of four sections: (a) organizational background and history, (b) navigation of social-business goals, (c) institutional context and external environment, and (d) social innovation organizing. The first author and two research assistants conducted and recorded all interviews in Chinese between June and August 2016 at the informants' workplace ($n = 7$, 16%) or by telephone ($n = 2$, 4%), WeChat audio ($n = 29$, 66%), or Skype ($n = 6$, 14%), depending on the availability and location of the interviewees. Each lasted 45 to 110 min, and the average was 54.32 ($SD = 20.06$) min. We verified the accuracy of the interview transcription against the audio recordings and sent them to each interviewee for final proofreading. The transcripts resulted in 587 pages of Word documents (12-point font, single spaced).

Interviews With SE Experts. Following best practices in SE studies (e.g., Tracey et al., 2018) to triangulate findings (Denzin, 1978), we conducted two supplementary interviews with experts to verify the insights from SE leaders. We recruited these experts from a research institute at a top university that trains SE leaders in Shenzhen and a Beijing-based social impact investment organization that incubates SEs. Beijing and Shenzhen are hubs of SE development in China, pioneering in the North and South, respectively (M.Zhao, 2012). Shenzhen provides a counterpoint to more Northern cities such as Beijing, as political control is far less stringent in Shenzhen than in other

hubs of SE development (Hsu & Hasmath, 2014). SE leaders illuminated the stark contrast between Shenzhen and Beijing in our interviews, using adjectives such as "liberal," "open," and "supportive" to describe the institutional environment of Shenzhen, and "tight," "sensitive," "uncertain," "conservative," and "ambiguous" to describe the environment in Beijing.

We expected the variation in their background and external environment would give us diverse perspectives, but their responses were similar to those of the SE leaders. Nonetheless, they increased the diversity of perspectives on the issues of interest. We changed our questions for these respondents. For instance, we asked SE leaders about the most pressing obstacles facing their organizations, but we asked experts, "What are the most pressing obstacles facing SEs?" The two interviews were conducted via WeChat audio (40 min each), transcribed verbatim, and verified using the same procedure as with SE leaders. The resulting Word documents comprised 19 pages.

During the study period, we enriched our primary interview data collection by various field- and organizational-level archival documents, including news articles on studied SEs from the WiseNews database, news videos, and industry reports from leading institutions in the field, such as China SE and Social Investment Alliance. Organizational-level archival documents included informants' materials, such as annual reports and marketing materials, which they shared (see Table 1). However, given the study's focus on SEs' management of institutional voids to gain sociopolitical legitimacy, our analysis and findings are based primarily on interviews. By contrast, the archival documents allowed us to make sense of and contextualize findings, obtain an in-depth understanding of the evolution of the SE field, and gain a richer understanding of the development of SEs as an NFO in China. Interviews with field experts also informed this understanding.

Analysis and Coding of Data

During our inquiry, we approached with a general subject or sensitizing construct (institutional context) as we sought to create codes and explore linkages between codes. We adopted an iterative approach to coding and analysis, which involved moving among the data, the grounded theory, and the relevant literatures. Themes and theory emerged through a two-phase, three-step coding procedure, with open, axial, and selective coding in each phase (Strauss & Corbin, 1998). The first phase focused on describing the institutional environment for SEs, and the second focused on identifying legitimation strategies. We used Atlas.ti to keep track of all codes (see Figure 1).

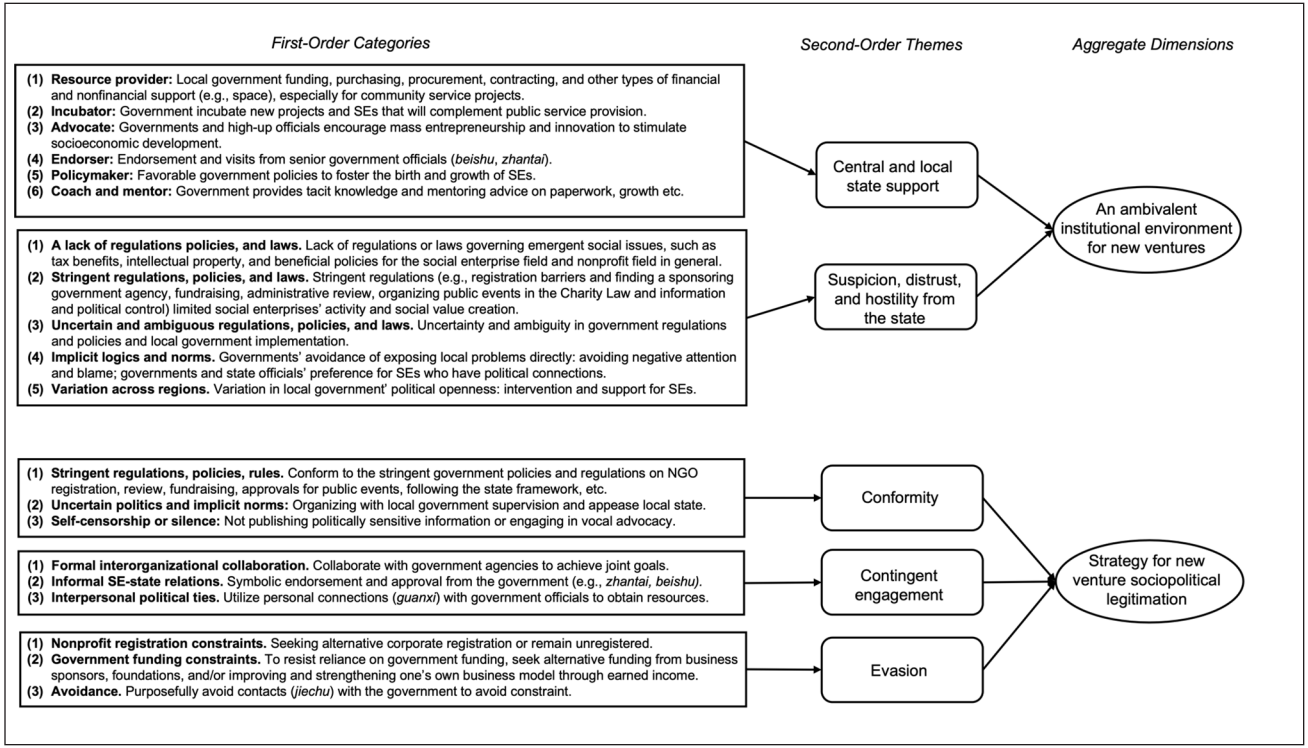

Figure 1. Data Structure.

First Phase. We began with open coding of interview data to produce initial categories and themes. First, we examined the interview transcripts and identified each instance of a participant referencing the institutional environment. Sentences and paragraphs acted as coding units and were labeled with in vivo codes or descriptive sentences. We conducted two rounds of open coding to ensure we captured all important, relevant themes. This revealed the state as the most dominant stakeholder. Some of these codes included "government funding and financial support for SEs," "endorsements and visits from government officials," "stringent government policies and regulations," and "distrust and implicit biases toward SEs that lack a track record." The analysis produced first-order concepts revealing informants' understanding of the sociopolitical context.

Based on the themes that emerged in open coding, we created a codebook and conducted focused coding in which we developed categories based on similar concepts and axial coding in which we explored relationships between the categories. To establish higher order axial codes and manage the interrelationships between various open codes, we reassembled the coded data by grouping conceptually similar codes (Strauss & Corbin, 1998). We further reclassified the axial codes into two themes: *state support* (e.g., resource provider, endorser) and *state suspicion and hostility* (e.g., stringent laws and regulations, ambiguous policies). As reviewed earlier, and as our data revealed, it was clear the state support and suspicion occurred at both local and central state levels, but their manifestation varied across geographic areas. To further develop a comprehensive list of the types of state support and suspicion, we went back and forth iteratively between the data and the literature on Chinese SEs (e.g., Bhatt et al., 2019; Hua, 2021; M.Zhao, 2016).

In the last stage, we collapsed the second-order themes into an aggregated dimension that captured the overarching constructs representing the theoretical building blocks. In this stage, in consultation with institutional and SE studies (e.g., Mair et al., 2012; Neuberger et al., 2023; Puffer et al., 2010) and based on the data, we discussed how to best characterize the institutional environment for Chinese SEs. We settled on the "institutional voids" framing, which helped us to best capture the legitimation dynamics of SEs based on a combination of both state support and suspicion. By contrast, an authoritarian context, our alternative theoretical framing, would primarily focus on the "negative" aspect of state repression (Chakrabarty & Bass, 2014, p. 529). We thus integrated the literatures, ideas, and concepts from these sources into our emerging theorizing. This process yielded our argument that institutional voids produced an *ambivalent* sociopolitical environment, manifested in both state support and suspicion/hostility toward SEs.

We concluded the first phase by triangulating our findings to ensure the accuracy and consistency of SE legitimation dynamics in China's institutional environment. Specifically, we scrutinized the validity of these findings and verified the interview data and our interpretation of it against the statements of the field experts and archival data.

Second Phase. The goal of the second phase was to use the major themes from the first phase to help further identify Chinese SEs' legitimation strategies. In the first stage, we began with open coding of the interview data, this time through attention to the informants' discussion of their responses to sociopolitical pressures from the state at various administrative levels.

In the second stage, based on the analytical notes, we established higher order axial codes that subsumed the open codes. The process of axial coding resulted in a reclassification of first-order themes into three second-order themes capturing the overarching constructs representing three legitimation strategies (i.e., conformity, evasion, and contingent engagement). Using both the conceptual groups and the patterns in the theoretical memos as guides, we assembled both aggregate and exemplar responses pulled directly from the transcripts. After this analysis produced a detailed understanding of SE legitimation strategies in response to institutional voids, we returned to the raw data to explain when and why SEs use certain strategies. This yielded our identification of four contingency factors, a core product of the last stage.

At the last stage, analyses of the data involved iterative examination of themes that emerged from the interviews, which allowed us to uncover whether informants' use of the legitimation strategies was common across our data set, and whether such orientations cleaved along any particular factors. During this stage, we conducted selective coding to develop and refine our theory of when and how Chinese SEs gain sociopolitical legitimacy with the strategies identified. We conducted another read of our data and code according to the factors that led to the variation in deploying various strategies across different scenarios, as well as across studied SEs. In doing so, we integrated all analyses into a set of core findings, which aimed to illuminate the key factors that shape SE legitimation approaches. Several disparate areas of literature, including research on institutions (e.g., Besharov & Smith, 2014; Oliver, 1991) and Chinese civil society organizations (e.g., Bhatt et al., 2019; Spires, 2011), were particularly helpful to refine our list of contingency factors. For instance, leaders' political capital as a salient contingency factor emerged from our data. In summary, our list of contingency factors was developed iteratively based on the data, the literature, and our emerging theory. After this process, the first author reviewed the coded transcripts to find examples that would help us to illustrate our contingency factors. We

concluded that a combination of four factors distinguished the scenarios for employing certain strategies.

Results: Institutional Voids Create State Ambivalence

Three types of formal institutional voids emerged from the data: (a) institutional voids in social issues in general, (b) institutional voids for SEs specifically, and (c) China's unstable and informal politics. The first type included government inactivity, incompetency, or wholesale failures in addressing social issues, including child abduction (SE08), nutrition and food safety (SE05, SE14), heritage conservation (SE18), and urban–rural disparity (SE31). Most participating SEs had been created to fill such voids and provide public services that the state was not. Respondents cited "the lack of government policies and voids in some [social issue] areas" (SE22) and "lack of an official system" (SE05) as reasons for their SEs' founding.

The second type included a lack of favorable policies, tax benefit treatments, supportive measures, specific legal recognition and form, or formal regulations and rules, and "minimal subsidies" (SE01) for the SE field (e.g., SE11, SE17, SE22, SE30). Expert EP01 from Beijing confirmed this void, suggesting that "China's SE field will only grow with government support":

> To some extent, the Chinese government has not been officially involved in the SE field . . . such as providing an official understanding of the meaning of the "social enterprise" label. . . . There are no tax policies or special government policies to encourage the development of SEs. . . . [China does] not yet have supportive policies to foster SEs at the national policy level.

SE leaders and experts not only called for formal institutions to support the field, but also more regulations to govern and "standardize" the "chaotic" field, because in their absence, SE founders' motivations "are not pure," and they may act "to obtain and misuse government funding" (SE11).

The last type is a characteristic of China's unstable and uncertain political context, which emphasizes public security, social harmony, political order and control, and "a sense of ceremony" (SE11) in ways that often result in restrictive, informal, and ambiguous policies for SEs.

Our data showed that these three institutional voids resulted in *state ambivalence*: Chinese SEs are created in an ambivalent sociopolitical context, one characterized by a powerful state with both support and suspicion and even hostility toward them (see Online Appendix C). For instance, the following remarks well illustrate the state ambivalence:

> At the beginning, the government was observing us from behind the scenes. Gradually, when we have some level of impact and visibility, they started to collaborate with us, while during the process, giving us all sorts of trouble and posing a range of challenging requests. Ultimately we were able to help them accomplish their goals with our activities and operations, they started to trust us and give us more opportunities. (SE22)

The first type of institutional voids is related to state support, while the latter two types are related to state suspicion and even hostility toward SEs. We distinguished state-local levels because of the lack of formal institutions supporting SEs from the central government, and hence much state support is through local, informal channels.

State Support

Local and central governments have played several interrelated roles in fostering SEs, including as the resource provider, incubator, advocate, endorser, mentor, and policymaker (see also Hua, 2021). With deficient institutions in certain social issue areas, the state recognizes the critical role SEs play in public service delivery and their potential to supplement the government's functions in ensuring social welfare and stability. Our data showed much state support comes directly from the government in the form of grants, contracting, and purchasing, as well as provision of resources such as office space, incubation centers, and event venues. Many SEs "are incubated and developed through favorable government policies, resources, and procurement" (SE16).

Beyond direct resource provision, government advocacy, endorsement, "policy guidance" (SE23), and budding favorable policies fostering SEs are also key. For instance, local governments have been opening up and relaxing some stringent policies (e.g., registration) on the social sector (SE02, SE41). The founder of SE09 suggested the central government provides "the biggest support," leading in promoting mass reading and literacy, an area that her SE addresses. Similarly, the leader of SE18 observed that "almost all local governments across the nation now acknowledge the value" of work her SE tackles, heritage and historic village conservation. A key "milestone" of SE2 was incumbent senior government officials who visited the organization and applauded the social innovations it developed. Similarly, local government endorsement, such as through making an appearance at SEs' public events (*zhantai*), contributed to SEs' survival, financial sustainability, and growth (e.g., SE09, SE10, SE22, SE23, and SE42). Government officials also sometimes shared tacit knowledge supporting SEs' preparation of paperwork to

file for registration and apply for funding, which frequently increased SEs' chances of success (SE41). The expert from Shenzhen confirmed the critical, multiplex functions the state serves:

> As far as the institutional environment of the country and the government as a whole, once you have government support, you can better foster the development of the SE sector. Currently, the central government is participating more and more in developing and supporting the SE sector. It provides a platform, funding, and other resources. (EP02)

State Suspicion and Hostility

The deficient institutional infrastructures supporting the SE field and the uncertain politics (the last two types of institutional voids) may hinder SE participation and development, as well as undermine SEs' autonomy and capacity to catalyze social change. As the founder of SE40 reflected,

> Our SE confronts significant challenges from the whole social and institutional environment. In China, the SE sector is in its infancy; the government's and public's understanding, recognition, and acceptance are still in the exploratory phase. They have many misunderstandings and biased perceptions toward the sector. These pose significant challenges for our activities and operations.

The absence of favorable tax treatments, subsidies, or other supportive policies for SEs hamper their stability, effectiveness, and efficiency, such that they struggle to compete with traditional businesses in the same market niche. As the leader of SE17 reflected, "The policies [for SEs] are not even as preferential as those for commercial companies and start-ups . . . which I think is very unfair . . . and easily forces many SEs to death."

Although addressing social problems is important, if the state and society call for contradictory courses of action, SEs tend to prioritize the state authority and positive image, "marginalizing SEs' agendas" (SE16). The founder of SE09 summarized that their organization's "power to negotiate with the government is low" because the state has "much denial and suspicion towards social organizations." The central government has stringent policies and regulations on mission-driven organizations like SEs, including their registration, organizing with official supervision, and the issue and geographic areas of their work. Therefore, China's unstable, restrictive, and informal politics and deficient institutional infrastructures are interwoven, which lead to state suspicion and hostility.

As EP01 and other SE leaders suggested (e.g., SE32, SE33), state suspicion and hostility toward social organizations is first manifested in the restrictive registration as tight control. Because of the lack of specific legal framework and recognition, SEs face a dilemma as to whether to register as a business or a nonprofit, neither of which is ideal. Registering as a nonprofit "is almost impossible," and it depends on many factors such as "solid government connections" (SE33). The leader of SE30, which specializes in nonprofit legal consulting, summarized five legal restrictions that registering as a nonprofit (*minban feiqiye*) imposes in China, including inability to attract investment, obtain loans from the bank, inherit properties during liquidation, establish branches, and confusion in obtaining a nonprofit or for-profit registration status. These struggles, he said, lead to the "terrible management problems" in most SEs. Registering as a company may undermine the public's confidence and government trust in SEs as an NFO, making SEs susceptible to doubts and suspicion about their motives and intentions (e.g., SE09, SE12, SE35). It may also hurt employee morale within the organization (SE20, SE32). Moreover, informants complained that the approval and review procedures from various state administrative levels for organizing public events, even volunteering activities, are "stringent," "complicated," and "tedious." The government made them this way to discourage public unrest at any large scale.

Beyond restrictive policies and tight regulations, SE leaders referenced many "invisible" restrictions (SE22) and ambiguous regulations (SE09, SE40). Outsiders cannot see such political control and norms and even insiders have difficulty articulating them because "What you can do, and what you cannot do, have become natural. It's something that everybody knows" (SE22). Formal institutional voids may thus activate many informal institutions in the local sociopolitical spheres. In China's politically restrictive contexts, the state remains nonsupportive, skeptical, and even hostile to mission-driven organizations like SEs, which can only win political legitimacy after "they have created some level of social impact or obtained some accomplishments" (SE23).

Due to China's unstable and informal politics, many ambiguous regulations are subject to *local* interpretation and implementation, and organizations must consistently predict the attitudes and opinions of *local* government officials. Local governments' unwillingness to expose social problems in their jurisdiction lead to often-hostile attitudes toward SEs. For instance, the leader of a Shenzhen-based SE18 recalled that when their organization tried to expose the problem of damage to historic villages because of the government giving their land to companies, the local government "resist[ed]." China's centralized political system means that local officials face constant

threat to their careers if they cannot control public outrage about social problems in their district. Thus, local governments will only address social needs that might not fuel grievances against the state, and they seek to prevent organizations from exposing social problems that might attract unfavorable attention from the public in their jurisdiction and their higher-ups. SEs need to be very covert and careful in working with local governments to address local social issues (e.g., migrant children issues raised by SE33, food safety issues raised by SE14) to help them maintain political credit and preserve the appearance of social harmony. According to the leader of SE33,

> In the beginning, we were very [too] optimistic [naive] that if we were going to help local communities . . . [that]we would be welcomed. But we were wrong. It was the local government that determined whether our project could be implemented, not the beneficiaries. . . . They don't want their higher-ups to know that left-behind children are an issue in their locale.

SE Sociopolitical Legitimation Strategies Under State Ambivalence

Three strategies for sociopolitical legitimation emerged (see Online Appendix D for more examples and direct quotations). An SE may employ one, two, or all three strategies in their legitimation repertoire, depending on the area of state control (i.e., more stringent or more malleable) and other contingency factors, which we unpack in the next section. Indeed, most organizations employed each of them at different times to manage the ambivalent state.

Past research has identified the *conformity* and *evasion* strategies (e.g., Kerlin et al., 2021; Oliver, 1991). Chinese SEs have to employ passive conformity (more passive compliance, acceptance, and obedience) and evasion (more active avoidance and escape than conformity): resisting negative institutional pressures while conforming with others for legitimation simultaneously. Yet, evasion is distinct from open defiance, strategic manipulation, or active confrontation, which embodies active influencing, shaping, controlling, and disrupting institutions (Lawrence & Suddaby, 2006). Because of the perplexing state–society relationship and political uncertainty, we focus on unpacking the *contingent engagement* strategy. This strategy, falling between evasion and conformity, shows more proactiveness and agency.

Conformity

Most SEs used the conformity strategy to meet the rigid requirements and top-down control imposed by the state. The most common type of conformity

informants cited was the stringent nonprofit registration procedures SEs obtained through multiple phases and multiple levels of government sponsors. Although informants may complain the extensive challenges when registering their SE as a nonprofit, they nevertheless had to comply:

> The entire application process [for nonprofit registration] is endless. Once you become a nonprofit under a supervising unit, maintaining the financial liquidity of your organization is very difficult. . . . [T]he whole experience was terrible; you don't have much agency [through it] . . . your relationship with your supervising unit will become difficult and the procedures for applying funding are complicated. (SE26)

In addition, the party-state limited the scope of social activities across multiple areas and banned the dissemination of sensitive information that could undermine its power. It is no surprise informants complained about the "complicated and strict" state approval procedures and criteria from multiple administrative levels to organize with official supervision (SE10). According to SE05, "The creation of social innovations in China must follow the framework of government policy. If you want to create radical [democratizing] innovations, the government won't approve and they will cut your project off."

Violating state policies and regulations posed serious risks. One informant, the leader of SE24, mentioned that the government permanently closed all of their social media accounts after they translated and published an academic article on Syria that implied in a brief mention that China's President Xi is an autocrat. The leader explained their surprise:

> I always thought that I could do well in self-censorship, as I worked for [a liberal news organization in China] for several years. I thought I understood the red line and the [political] boundary [of what to publish and what not to publish].

As this example suggests, SEs may limit their social impact through vigorous self-censorship to ensure they do not incite state repression and avoid unfavorable attention, and their efforts could also fail because of political uncertainty.

Conformity sometimes requires complete silence, as opposed to vocal advocacy. The leader of SE33 indicated they keep silent on local social and educational issues for migrant worker families, and instead work behind the scenes because "the local government was not happy, and they did not want the official news to reveal that their jurisdiction has left-behind children."

SE28's strategy when creating public service films about the migrant family issue in the Three Gorges Dams reflects this combination of self-censorship and silence:

> You need to know the boundary of the government. . . . [Migrant families are] a sensitive topic among most sensitive topics. . . . We try our best to censor (*kongzhi*) the content to appease the government . . . and meet their needs. . . . We avoid hitting their limit [by not including sensitive content], and instead show what they want to see and what's acceptable.

Evasion

Although some sensitive and stringent areas of state politics required the conformity strategy, organizations employed evasion ("*guibi*" 规避) strategy by marginalizing or completely disregarding state mandates, thereby circumventing or deflecting the state. Evasion reflects SEs' active agency to buffer against external inspection and scrutiny and escape some institutionalized norms and rules (Oliver, 1991): "Especially in China's sociopolitical conditions . . . [SE survival and growth] involves creative ways of evading some state restrictions and regulations" (SE24).

We found three applications of the evasion strategy. First, some SEs practiced evasion in the area of nonprofit registration. Because of China's tight nonprofit registration policies, some SEs chose to register as for-profit businesses or to remain unregistered. This allowed them to maintain a higher level of autonomy and avoid state scrutiny. According to the founder of SE21,

> When we were founded, we were planning to register as an NGO. But during registration . . . we realized it would be very difficult for us to obtain approval from the government, because we were not doing philanthropic services in the traditional sense. As we provide informational services, the government would not understand our model. Plus, we need a sponsoring government unit for registration, but we don't have such connections to any supervising unit. We ended up choosing the easier business registration route, because registering as a company has the well-established Company Law [to guide us].

However, as mentioned earlier, this led to a perceived lack of legitimacy among key stakeholders, such as customers, employees, and collaboration partners.

Second, evasion was used to break free from the constraints of government funding when the government prioritizes local economic and political interests in intervening SEs' projects in *what*, *who*, and *how* to serve (e.g., SE14, SE33). State funding may "significantly constrain" SEs in their

"program implementation" and "lower their quality," which may depart from the original program designed (SE11). Some SEs changed their funding structure by seeking alternative funding (e.g., social impact investing for SE23) or refining their business model for "long-term growth, financial sustainability, and quick expansion" (SE17). SE07 considered the restrictive requirements in securing government funding "messy" ("luanqi bazao"), that is, irrelevant or unreasonable, so they gave up government contracting. In their case, the government required their SE to hire only visually impaired workers with local *hukou* (residency status) for an on-the-job training project. The state's mandate of social stability and prioritization of local economic growth clashed with the organizational mission to serve disadvantaged groups. SE07 was not the only one employing the *evasion* strategy. The leader of SE28 said,

> You have to make some adjustments to your values and management principles [when getting funding from the government] because the government has many policy constraints, or put it in a nicer way, "policy guidance." They hope to guide you towards the type of organization they want you to be, which I'm not willing to.

In summary, funding allowed state actors to intervene in the day-to-day operations and decision-making processes of recipient SEs, which some SEs used the evasion strategy to buffer against:

> When you receive funding from the government, you are significantly constrained . . . you have to follow their decision-making for your programme implementation, which greatly reduces the quality of the program originally designed. We have different points of service, priorities, and values. (SE11)

Although looking for alternative funding reduced state–SE tensions, it could amplify the conflict between the business and the social goals of SEs, as many struggled to earn enough to support their social mission, and government funding is one of the major sources of SE funding with their "big magnitude of support" (*lidu da*; SE23). This problem was particularly common for SEs in the early stages of experimenting with their revenue structure and a business model.

A third evasion strategy, used by SE29, was to purposefully avoid contact with the state. SE29 is "very cautious about contacts with the government" and did "not want to be controlled by the government because we were created to complement the current social system."

Contingent Engagement

Avoiding contact with the government altogether was "impossible" (SE14, SE37) for most SEs. Although institutional voids and strict government policies remain key constraints for the development of SEs, SEs noted the necessity and "strong incentives to gaining government support" to enhance legitimacy, gain access to various resources, and reduce local resistance (SE16). SEs must strategically nurture their relationships with the state while maintaining a healthy distance in an ambivalent sociopolitical environment through *contingent engagement*:

> On the one hand, the government sees SEs as tools for social stability, to meet unmet social needs and demands. So naturally, SEs won't be antagonistic (*duikang*) with the government, but no way will they be emotionally close. . . . We hope there will be more room for social development, and that we find some aligned values. (SE16)

Contingent engagement is a type of relational *and* political strategy (Marquis & Raynard, 2015) to develop mutually beneficial relations with state actors, which "is basically the core to survival." SEs "have no choice" (SE09) and "inevitably" (SE20) and "must" (SE37) develop such relations to "improve chances of survival." The SE18 on heritage and historic village conservation pursued public interest litigation, which opposed the government giving village land to for-profit companies, but also made collaborative agreements with the local government to collectively develop models for sustainable tourism in these villages. The founder of SE23 explained,

> The government provides guidance, support, funding, and space to a larger extent [than other sources of support would do]. As a result, if you want to have long-term, quick, large impact [on any vulnerable population], you must have the government's support in China. Due to this condition of China, we cannot bypass the government. Engaging with the government system better adapts to the national condition and political system.

Similarly, the founder of a Hangzhou-based SE focusing on food safety education discussed the subtlety of engaging in this relatively sensitive social issue in China, highlighting the importance of meeting local political interests, appeasing government officials, and engaging with the state because "the government leaves you very little room."

SE–state engagement may occur via formal channels (i.e., through SE–government interorganizational relationships) or informal channels (i.e.,

through political ties with governmental officials), revealed by our informants and confirmed by the expert (EP02).

Formal Channels. SEs may develop strategic interorganizational relationships with the government through formal collaboration, joint problem-solving, funder-recipient, and service coordination at the organizational level. For instance, the government may collaborate with SEs to address a particular local issue such as veterans' services (SE02). Forging good relationships with the government directly helps SEs obtain government funding, contracts, referrals, and other tangible resources. For others, more importantly, SE–state engagement can minimize political resistance, increase SEs' social impact, and establish "credibility in China's institutional environment" (SE20). SE17 attributed his organization's healthy finance and growth to "well-established connections with the government," which the elderly people (their clients) trust. The senior director of SE10 suggested that the benefits of getting smooth administrative approvals for public events organized and greater public attention and social impact are irreplaceable.

Similarly, in the niche area of SE26, big companies already had a large market share in providing services. According to its leader, collaboration with the government is essential to help their organization enter into a market via government contracting and procurement. Otherwise, "It's impossible to compete with business or bid against them." According to the executive director of SE20, "collaborating with the government is inevitable. After all, only the government can . . . help organizations improve credibility and legitimacy in China's institutional environment." As the founder of SE09 reflected, if they had not worked with the government, their organization would not find any collaboration partners that would provide critical resources to their organization:

> Our dependence [on the government] is very high. You have no choice. The institutional environment of this country, its denial toward social organizations [makes collaboration with the government inevitable]. Even if you are very large but without the government's endorsement, you can't survive.

Formal collaboration with the government is particularly important for SEs involved in more sensitive social issues or those who do not have a legitimate nonprofit registration status. The founder of SE14, which is involved in food safety[3] issues, explained that engagement with the government ensures that they do not cross the shifting political lines and reduce political risks:

> You are doomed if you do not collaborate with the government in China. . . . You will come to no good end. . . . If you only offer market services, you can independently enter the market and play. But because we provide social services, it is more complicated. . . . Collaboration with the government is not an end, but your means. They will help you address and solve problems. You must be strategic in your presentation methods. . . . Doing things in China without collaborating with the government is almost impossible.

The founder of a transnational SE33 that serves left-behind children indicated that the local government's endorsement and approval was critical for their work. They collaborated with local schools, which required government endorsement:

> When doing nonprofit projects, if you don't have any government connections or resources, it would be difficult. For example, maybe you are only trying to help a group of kids at a local school, but if the school authority doesn't think you have the support from the government, or at least some form of endorsement from the local education bureau, the school won't risk letting you conduct activities there.

Informal Channels. At the interpersonal level, government officials' endorsement may symbolize government support and approval, helping SEs gain sociopolitical legitimacy for their operations. The founder of SE23 remarked,

> The biggest source of help . . . frankly, is the government. . . . They may not be the biggest source for my organization in terms of funding support or other tangible resources, but government officials' endorsement and approval (*zhantai)*, serves as the authoritative administrative record (*beishu*) . . . to reduce suspicion and facilitate other collaboration.

Similarly, the founder of SE09 noted their SE could only attract any collaboration partners with state endorsement. SE05 encountered much local resistance for program implementation. In line with the importance of government endorsement at local levels, they had to "regularly send employees to maintain relationships with the local government." Furthermore, the leader of SE22 described that after a senior state government official visited their office and complimented the SE's recycling project, their clients doubled in the next year. These examples suggested that SE–state engagement, via formal or informal channels, for sociopolitical legitimacy particularly contributed to early-stage SEs' survival and growth. As one informant remarked,

> China is a *guanxi* (relational) society and *guanxi* makes things easy. For example, during nonprofit registration, if they don't know you interpersonally, they wouldn't trust you and therefore give you lot of resistance and trouble. If you have any issues that need revisions, they are not motivated to help you. . . . It would be very hard to compete with social entrepreneurs who have political resources and connections and individuals who have a "political" background. (SE41)

Some SEs adopted an engagement strategy to essentially co-opt local government officials to ease these processes and help them gain approvals they needed for various organized activities. For instance, SE18 not only forged a number of direct, strategic partnerships with the local village government to promote historic architecture conservation but also had local government officials as their volunteers and even a high-level government official in the legal system to serve as their advocate and initiator in a high-profile project. SE leaders' political ties play a critical role with government officials in their SEs' development trajectory. The leader of SE06 "sought help from the number one of the local government—Secretary of Party Committee" to get the SE's license.

The archival materials of organizational reports and documents of SEs we reviewed also highlighted the contingent engagement strategy. The first half of several press releases and other statements emphasized that government officials from different administrative levels cared about solving social issues. Thus, they described events such as the introduction of new government policies, recent meetings convened by the government to discuss social issues, and government officials' visits to local organizations. The descriptions of the organization's activities, the ostensible reason for issuing the press release, did not appear until later paragraphs. In addition, the concluding paragraph repeatedly stated the SE's gratitude for the new government policies and praised the commitment of government officials.

Contingency Factors for Managing an Ambivalent Sociopolitical Environment

Our results suggested that in an ambivalent sociopolitical context, legitimation challenges are not uniform across new ventures. Instead, their legitimation challenges are contingent on a range of factors at multiple levels. While many factors influence the degree of legitimation challenges SE confront from the state, our data particularly highlighted four interweaving factors that condition how SEs respond to sociopolitical demands[4] (see Figure 2 for a summary of key findings).

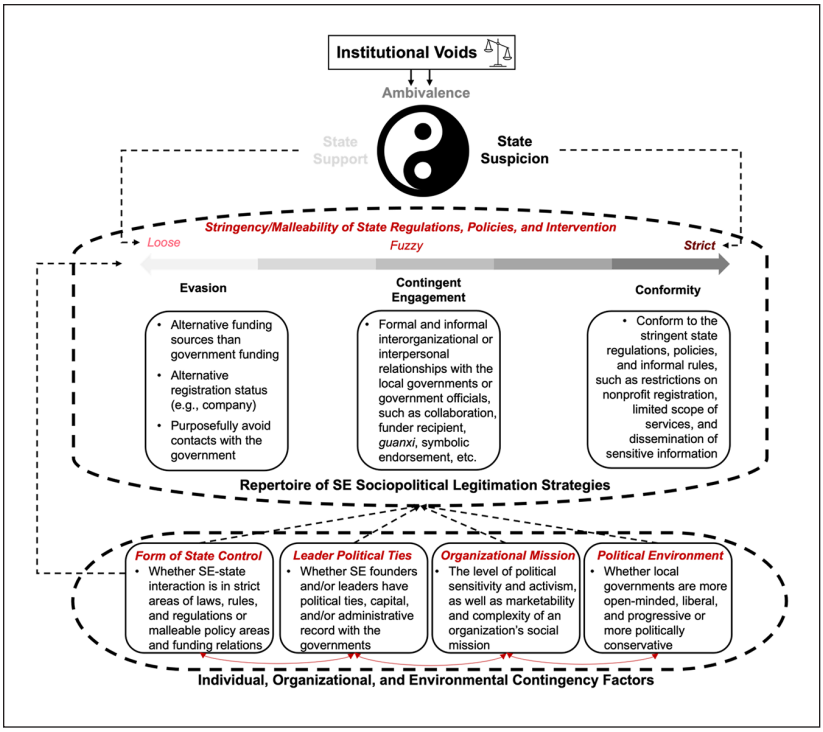

Figure 2. Contingency Factors for SE Legitimation in an Ambivalent Sociopolitical Environment.

Form of State Control

This factor describes the form of state influence and/or control for organizations (e.g., as a funder, partner, or regulatory authority), which determines the stringency or malleability of the state intervention and constraints. For example, when state constraints are manifested in SEs as well-defined, concrete, and non-negotiable policies (e.g., stringent formal regulations and strict laws on nonprofit registration, restrictive policies on sensitive social issue areas), conformity is a reasonable strategy for political control that is otherwise difficult to circumvent. In such stringent areas, even if some government officials are sympathetic to SEs' goals, explicit government policies and written laws prevent them from taking action to support them (Spires, 2011). According to one informant, "although the policy environment for nonprofit registration is more open [than before], the government still has basic

requirements" (SE26). These are the hard political lines that SEs should not cross. By contrast, when state constraints are more ambiguous and thus are soft and more malleable (e.g., the lack of an official legal recognition or certification system for SEs), or when the state serves as a funding source to SEs, and in the absence of a developed regulatory infrastructure for the SE field, SEs frequently use evasion (e.g., alternative funding sources) to distance themselves from the state or employ the contingent engagement strategies to develop mutually beneficial relations with state actors to reduce political resistance.

Leader Political Ties and Capital

Studies have shown the critical role of leaders' imprinting effect on the development trajectory of their new ventures (e.g., Ge et al., 2019; Radoynovska, 2024; Smith & Besharov, 2019). Founders' and leaders' political capital and ties with state agents, which determine the repertoire of strategies an SE can use, are particularly critical in sociopolitical contexts with institutional voids. Put differently, their political ties and capital determine SEs' *ability* to engage with the state. The family background and previous work experience of leaders determined whether SE leaders had sufficient *guanxi*—informal interpersonal relationships and social connections—with government officials to acquire critical resources and gain political legitimacy, which is required for direct engagement with the state and indirect engagement with other stakeholders (e.g., clients, collaborators). For instance, SE41 attributed his SE's smooth nonprofit registration without a sponsoring government unit, a restrictive requirement subject to the conformity strategy, to his track record in the nonprofit field, which he said facilitates trust-building with government officials. He leveraged political ties to develop "close, beneficial collaboration with the government that provides an administrative record." Similarly, SE02's ability to obtain government contracting benefits from the founder's "close connections with various government departments." Without "prior notable achievement" or political ties, the founder of SE40 complained, government funding is mostly for "families and relatives of government officials." Taken together, these examples showed that political ties and capital allowed SE leaders to employ contingent engagement and negotiate with the state actors when policies are ambiguous or nonexistent, which put them at an advantage against the competition. By contrast, leaders without such political resources "need to focus on their own business . . . and it's difficult to gain support from the government [without political ties]" or employ the engagement strategy (SE40). The level of leaders' political ties and capital and the resulting political resources for an organization determines

whether new ventures are able to, or have the means to, engage with the government using formal or informal channels.

Organizational Social Issue Area

Our data revealed that SEs' social mission and market niche determine whether an SE meets the institutional demands of the state for essential public service provision and improving local political credits. Thus, organizational social issue areas are related to SEs' *motivation* to engage with the state. According to the leader of SE12, SEs' social mission determines its "survival space":

> The government has different approaches to different social groups. For instance, in the area of environmental protection, the government is paying more attention and providing more support. However, if you switch to a niche social issue, you feel the remaining social space is so tiny, and you will really feel some social pressures. . . . It's complicated. Sometimes they support and are relaxed, and in other areas they are more controlling.

SEs addressing social issues that the government considers to be vital to social welfare engage with the state in different ways than SEs addressing more sensitive social issues. According to EP01 from Beijing, only SEs who "provide community services" and "have a private non-enterprise legal status . . . can obtain government contracting" and enjoy "favorable government procurement policies." By contrast, SEs that engage in sensitive social issues that may generate government discontent (e.g., food safety) or "attract extra government attention" must proactively engage with the state to ensure they do not cross the fuzzy political lines or "create many troubles" (SE14). Thus, the social mission of SEs determines their dependence on the government for critical resources, which in turn affects their motivation to engage with the state.

Moreover, organizational social mission not only determines the level of political sensitivity but also determines the complexity of SE activities, both of which shapes SEs' level of dependence on key resource providers (i.e., the state). SEs that perform complex tasks (e.g., heritage conservation) need to leverage the expertise and resources from multiple sectors; thus, collaborating with state agencies through contingent engagement seems inevitable. As well, social mission determines SEs' market appeal and chances of survival, such that SEs working in areas that have more mature market mechanisms, such as finance and accounting (e.g., SE31), information technology (e.g., SE15, SE21), and consulting (e.g., SE19, SE25, SE30), tend to use the

evasion strategy to operate with minimal state intervention, or transition to more independent business models. Taken together, organizational social mission impacts the level of legitimation challenges SEs confront, and whether SEs need to make more efforts to engage with the state.

Regional Political Environment

The regional political context—political open-mindedness of immediate state agents—is another important factor shaping legitimation strategies. While the state is dominant throughout the country, we found a notable difference in state control across China, with local governments varying in their degree of openness, support of SEs, and implementation of formal policies. For instance, the leader of SE38 observed that although "still stringent and not relaxed," "the challenges in obtaining a nonprofit license vary across cities." Thus, the nature of political sensitivity and risks and degree of state–society conflict varied considerably.

Specifically, if the local government is more liberal and open-minded, SEs have more space to evade the stringent policies, as local governments and government officials may be more sympathetic to civil society actors' goals (Spires, 2011) and thus provide more support to SEs (see, for example, the decreased registration fee for SE02 to a fraction of the normal amount). By contrast, in politically restrictive areas, local governments would implement the regulations and policies in a stringent manner, leaving little room for SEs to evade. For SE20, whereas "it's possible to successfully register through *guanxi* with the key government officials in smaller cities, requirements for nonprofit registration in Beijing [where his SE is located] are stringent." The founder of SE40 that supports environmental education in elementary schools in Beijing, the capital and political center of China, said that the city is a "relatively conservative region in the field of social enterprise development" due to the "sensitive politics" and "state-society in stalemate." Beyond nonprofit registration and administrative review, regional variation was also manifest in innovation and program implementation, when liberal local governments may actively promote innovations whereas conservative local governments stymie change, according to the leader of SE08. The leader of SE05 shared a similar observation:

> In economically more developed regions, there are many paths toward social innovations for SEs. This progress is definitely related to local governments' encouragement and support of innovation. In such places, when you collaborate with the local governments, that is more likely to spark new ideas and develop and implement new programs.

Variations in state control across regions and the diminishing capacity of the state to implement consistent policies at different administrative levels allow SEs to negotiate more beneficial relationships with the state. In more liberal regions (e.g., Shanghai, Guangzhou, Shenzhen, and Hangzhou, according to informants) where the government is open-minded, SEs may use the evasion and contingent engagement strategy. In these areas, SEs may become progressively more aware of the limitations of government funding and use the evasion strategy when there are alternative funding sources or when seeking to refine their business model.

However, the conformity and contingent engagement strategies may better fit politically conservative regions where governments rigidly follow state policies. For instance, the leader of SE20 suggested Beijing is a "relatively conservative region for SE development," emphasizing that an SE "without government relations is sensitive." Similarly, the leader of SE10 said that doing social impact work is "sensitive" in Beijing, where "the government has strict policies and procedures." SE10 thus always sought engagement to "first reduce any government resistance" (*dizhi qingxu*). Funding alternatives (e.g., grants, donations) may be scarce in economically less-developed regions, making collaboration with the state more necessary. Yet, according to our expert [EP02], the relationship between the level of political openness and economic development of a locale may be more "complex" than what the informants described: "Surprisingly, in some economically underdeveloped areas, government officials leading certain units and departments are quite open-minded and are quite supportive of training, the philanthropy field, and social organizations, and hence invest in many resources."

Discussion

While institutional research has made strides in studying new venture creation and legitimacy (e.g., Neuberger et al., 2023; Tracey et al., 2018), it has yet to nuance the legitimation dynamics that take place among NFOs. This study draws on the institutional void (e.g., Mair et al., 2012; Stephan et al., 2015; Webb et al., 2020) perspective to provide insights into how NFOs gain legitimacy under severe institutional voids, when institutional infrastructures critical for new venture development are not well built. This unique institutional context and perplexing organizational phenomenon raise theoretically important questions of who the main stakeholders are, the type of legitimacy to obtain, and accordingly, the unique legitimation strategies NFOs employ.

Based on interview data from leaders of 42 Chinese SEs, our findings revealed that institutional voids yielded an ambivalent sociopolitical context characterized by a dominant state with both support and hostility

toward SEs. Institutional voids increased *sociopolitical* legitimation challenges for new ventures, putting demands on SEs at times incompatible with the dominant state stakeholders. In such a context, the purposeful, goal-oriented efforts by new ventures to fill institutional voids are inherently related to issues of power, resistance, oppression, and control (Lawrence & Buchanan, 2017). As the key stakeholders are too powerful, manipulating institutionalized rules (Zimmerman & Zeitz, 2002) may not be feasible. To gain sociopolitical legitimacy critical for survival and growth, SEs employed a combination of three strategies in their repertoire: *conformity*, *evasion*, and *contingent engagement*. To extend our findings, we highlighted four salient factors that condition SE responses to an ambivalent state regime: (a) form of state control, (b) leaders' political ties and capital (for organizational political resources), (c) organizational social issue area, and (d) local political environment.

Contributions to Institutional Research

This study makes contributions to institutional research in three ways. First, responding to calls for more context-rich research across the globe (e.g., Khoury & Prasad, 2016; Littlewood & Holt, 2018), this research foregrounds institutional voids to improving granularity in our understanding of new venture legitimacy. Institutional voids, as an important aspect of the institutional environment (Mair et al., 2012; Stephan et al., 2015), merit deeper theorizing and closer examination to shed light on the complicated new venture legitimation dynamics when supportive institutions, which are critical for new venture creation and development, are weak or deficient. This contradiction poses unique legitimation challenges for new ventures, raising important questions of *how* to gain *what* type of legitimacy from *which key stakeholders*.

In contrast to the conventional wisdom which tends to portray institutional voids as only lacking support from key stakeholders, our findings highlight a more nuanced landscape. Stakeholder ambivalence emerges as an essential characteristic in an institutional context fraught with voids, manifested in both support and suspicion and hostility toward NFOs from the most dominant state stakeholder. The governments may be motivated to actively support NFOs that could fill the voids and address social needs unmet by the state (Hua, 2021; Kerlin, 2010), when SEs utilize this support in the suitable way. However, consistent with past research (Mair & Martí, 2009; Stephan et al., 2015), although institutional voids may create spaces and opportunities for action, limited supportive institutions significantly hamper social entrepreneurial activities. Our finding on state ambivalence thus enriches research

that suggests a complex state–society interplay in authoritarian and institutional-void states (e.g., Marquis & Bird, 2018; Neuberger et al., 2023).

The second contribution is this study's identification of the *contingent engagement* strategy, which consists of proactively building mutually beneficial relationships with the state while maintaining a healthy distance, to gain legitimacy. In contrast, avoiding state demands (i.e., evasion) or being fully absorbed by the state (i.e., conformity) has limitations that may undermine the effectiveness of SEs. Thus, this research corroborates and extends research on institutional and political strategies (e.g., Doh et al., 2012; Littlewood & Holt, 2018; Marquis & Raynard, 2015; Puffer et al., 2010) adopted in response to sociopolitical pressures and institutional voids by providing more integrative and richer understanding of how formal and informal channels (e.g., collaboration, endorsement, political ties with government officials) can help new ventures contingently engage with the state and develop mutually beneficial relationships with the state.

To be clear, the strategies Chinese SEs employ resemble those in the existing institutional literatures to some extent (e.g., Oliver, 1991; Pache & Santos, 2013). For example, an SE can use the conformity strategy to follow and obey invisible, taken-for-granted rules and norms. Yet, this research extends prior literatures. Prior research has identified a range of strategic, manipulative options for organizations (Fisher et al., 2017; Zimmerman & Zeitz, 2002) with a relatively heavy focus on friendly or neutral political environments with mature institutions, where new ventures strive for "optimal distinctiveness" to stand out to gain legitimacy such as moral and cognitive (e.g., Tracey et al., 2011; E. Y.Zhao et al., 2017). In contrast, the key to new venture survival in this study's context is to gain *sociopolitical* legitimacy and avoid negative attention from the state and achieve "optimal assimilation" (Neuberger et al., 2023, p. 90).

Moreover, this study reveals SEs must carefully balance their social mission with conformity to sociopolitical constraints under institutional voids. Institutional voids resulted in an ambivalent sociopolitical environment for SEs, who embrace a higher degree of engagement with the state to maintain fragile "contingent-symbiosis" SE–state relations (Spires, 2011). From the perspective of institutional work (Lawrence et al., 2013), Chinese SEs focused primarily on shaping and maintaining institutions, as opposed to creating or disrupting institutions. Similarly, recent works suggest new ventures must balance protective disguise and harmonious advocacy (Neuberger et al., 2023). As Neuberger et al. noted (p. 95), in politically restrictive contexts

> where stability is generally prioritized over social change, organizations have limited or precarious rights afforded to them with regard to freedom of speech

and action. As a result, organizations strive to avoid negative attention, assimilate with others for sociopolitical legitimacy, demonstrate alignment with political interests, and be as unobtrusive as strategically possible.

Third, this research contributes to the institutional literature by elaborating on the contingency factors for new venture legitimation. We unpack how multilevel factors—and their interactions—can affect the strategies SEs used to manage the state. SE–state engagement is contingent on important individual, organizational, and environmental factors such as the form of state control, leaders' political ties and capital, organizational social mission, and regional political environment. This research sheds light on how nested and intertwined factors at multiple levels of analysis (e.g., Besharov & Smith, 2014; Greenwood et al., 2011) result in variations in an organization's strategy to cope with institutional pressures. These factors may shape the degree of reliance of SEs on the state (e.g., low or high), the level of legitimacy challenges posed by the state, and the nature of their relationships with the state (e.g., mutually beneficial or distant).

For instance, our findings highlight the serious implications of organizational social issue area on SE legitimation challenges and consequently their legitimation approaches. From the institutional perspective, SEs' social issue area determines their "space of survival" (SE12) and political appropriateness and acceptance. From the perspective of the resource dependency theory (Pfeffer & Salancik, 1978), their social issue area may determine their potential for financial self-sufficiency and the degree to which they depend on the state for critical complementary resources. When the social issue that an SE is engaged in is depoliticized and welcomed by the state (e.g., community services), their legitimation challenges are less substantial. As a result, they may have many successes in securing government funding and acquiring other political resources with minimal efforts to engage with the state. By contrast, in more sensitive social issue areas, SEs tend to make more efforts to preemptively engage with the state to make sure their actions do not cross "a fuzzy and frequently shifting political line" (Spires, 2011, p. 12). Violating state policies, and consequently the loss of sociopolitical legitimacy, has formidable political risks, such as being unable to garner resources and getting temporarily or even permanently shut down. Corroborating past research (e.g., Neuberger et al., 2023; Spires, 2011), this research shows NFOs can survive and gain sociopolitical legitimacy insofar as they project their activities as contributing to the public good while never threatening political order and social stability.

Contributions to SE Research

This research also contributes to research into SEs. Although empirical studies have examined various institutional contexts with varying degrees of mature institutions (e.g., Battilana & Dorado, 2010; Littlewood & Holt, 2018; Ometto et al., 2019; Pache & Santos, 2013; Ramus et al., 2021; Smith & Besharov, 2019), most have focused on how SEs manage the dominant internal and external stakeholders based on social and market forces, such as donors, investors, customers, funders, volunteers, investors, suppliers, beneficiaries, and commercial partners (see Battilana & Lee, 2014 for a review). Our study enriches the SE scholarship by unpacking organizational strategies to gain acceptance and sociopolitical legitimacy from *the powerful state* for survival and growth. In doing so, we (re)orient our attention to the social-state dynamics, along with the social-market tensions commonly studied in SEs (e.g., McMullin & Skelcher, 2018; Neuberger et al., 2023), which are likely greater in the context of institutional voids.

Our results suggested the contingent engagement strategy enabled SEs, particularly early-stage ones, to gain sociopolitical legitimacy. Political engagement with the government using formal and informal channels enabled SEs to obtain government funding and other critical resources to survive and grow. Formal institutional voids do not imply an "institutional vacuum," but the activation of informal institutions in political, community, cultural, and societal spheres (Mair & Martí, 2009, p. 422). As well, such engagement allowed SEs to reduce political resistance and risks, making sure that their mission-driven activities fell within the political safety lines. This allowed them to focus on their limited attention and managerial resources on development.

Taken together, this research answers the call for SE research in more diverse contexts to take account of the historical, cultural, and sociopolitical contexts (e.g., Kerlin, 2017; Littlewood & Holt, 2018; Ometto et al., 2019). Such a contextualized approach has added significance when institutional voids result in the dominant stakeholder's ambivalence toward SEs, which necessitates reconsidering the dominant institutional forces and local power dynamics.

Transferability and Practical Implications

In this study, we focused on SEs in China and purposefully selected diverse SEs within this context (e.g., mission, location) to achieve greater transferability. This research may have implications for other contexts that share China's core sociopolitical characteristics, such as Bolivia (Battilana &

Dorado, 2010), Bangladesh (Mair et al., 2012), and Cambodia (Smith & Besharov, 2019). These contexts may have limited regulations, rules, and governance systems for effective (non)market activities (Webb et al., 2020); they are often politically repressive, marked with official censorship and information control and with state actors preoccupied with social stability that repress independent, large-scale civil organizations and associations calling for democratic reforms (Neuberger et al., 2023; Spires, 2011). In such contexts, the same kind of NFO legitimation might take place, and society faces social ills that create a need for SEs similar to that in China.

China's ambivalent sociopolitical environment is hardly singular. New ventures in other contexts are responsible for meeting social welfare needs yet are denied full autonomy and equal power in their relations with the state. A confrontational approach that openly challenges the state is not possible. Instead, SEs must achieve cooperation on common goals with the state and use engagement strategies to gain mutual benefits. This research shows that collaborating with local governments, obtaining their endorsement, cultivating informal relations with government officials, letting the state take credit for the good work, and avoiding social issues that openly confront the state are essential for the legitimacy of SEs and NFOs. As Neuberger and colleagues (2023) note, in "contexts that are strictly regulated, closed, and where stability is generally prioritized over change," a key primary legitimation challenge for new ventures is "avoiding negative attention" and demonstrating "unobstructive alignment with *political* interests" (p. 95).

Limitations and Future Research

This study adopted a qualitative approach to understand how Chinese SEs gain sociopolitical legitimacy. It has several limitations that offer opportunities for future research. First, research may further examine how NFOs beyond SEs build legitimacy in other contexts under institutional voids. Second, this study presented some preliminary findings on the repertoire of strategies for managing an ambivalent sociopolitical environment, shedding light on key contingency factors influencing SE legitimation. Yet, our findings may not include all contingency factors and strategies available for SEs, and hence oversimplify the complex state–society interplay under institutional voids. Future research should develop the contingency factors and further investigate the antecedents of each of these legitimation strategies. To that end, researchers may develop quantitative models to illustrate when an organization adopts a specific strategy in certain scenarios, highlighting the different pathways to new venture sociopolitical legitimacy to improve specificity.

Third, this study focused on the state as the dominant state stakeholder that creates formal institutional voids. Although previous research has demonstrated that the state plays a key mediating role between the market, public perception, and society in China (Marquis & Bird, 2018; Marquis & Qian, 2014; Spires, 2011), skepticism and hostility can also come from other sources, such as the general public, and informal institutional voids such as gender and social inequities and weak philanthropic traditions and community spirit (Webb et al., 2020). Indeed, although they were not as salient as formal institutional voids, we found instances of informal institutional voids in our data, such as a lack of philanthropic culture and the public's disinterest in public service or limited knowledge and understanding of social issues or the nonprofit sector (e.g., SE05, SE12, SE16, SE33, SE39, SE40). Future research may thus examine how SEs and NFOs build legitimacy in accordance with the norms and expectations of more diverse stakeholders, and how informal and formal institutional voids may shape new venture legitimation dynamics.

Fourth, although we implemented several procedures to improve the rigor of the research findings (e.g., triangulation through various data sources, supplementing insights from archival documents, using multiple theoretical perspectives to interpret the data, presenting and checking findings between authors; see Denzin & Lincoln, 2005), we did not employ all the triangulation strategies we might have, such as performing intercoder reliability tests (Denzin, 1978), which have a number of advantages (e.g., improving transparency and promoting reflexibility; see O'Connor & Joffe, 2020). However, qualitative methodologies do not make explicit use of interrater reliability to establish the reliability of findings, and research suggests it is subject to researcher context and identity and their interpretations and coding (Armstrong et al., 1997).

Finally, this research suggests the ambivalent state provides incompatible prescriptions for SEs, who adopt different strategies to navigate the paradoxical SE–state relations. It alludes to the utility of the paradox lens and other theoretical frameworks to further advance the SE scholarship (e.g., Ramus et al., 2021; Smith & Besharov, 2019).

Conclusion

As more and more entrepreneurs create NFOs to address societal challenges under institutional voids (e.g., Neuberger et al., 2023; Smith & Besharov, 2019), developing new ventures based on a better understanding of how they gain legitimacy can alleviate significant suffering. In contexts fraught with institutional voids, new ventures' *sociopolitical* legitimacy from the powerful

state determines their ability to promote human development and social progress. In this study, Chinese SEs emerged in an ambivalent sociopolitical environment where deficient and weak institutional infrastructures create daunting institutional barriers to tackling pressing social problems, but SEs also have many opportunities to develop social innovations to complement the government's function and fill institutional gaps. To catalyze social change under institutional voids, new ventures must respond to the competing institutional demands of government agencies at different administrative levels and strategically engage with the state to gain sociopolitical legitimacy.

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Supplemental Material

Supplemental material for this article is available online.

Notes

1. "New ventures" is a broad concept that can include (a) nascent organizations that were recently founded by entrepreneurs, which has recognizable organizational forms (e.g., Überbacher, 2014; Zimmerman & Zeitz, 2002); and (b) nascent organizations with novel organizational forms that are typically start-ups in their early years of existence (e.g., Neuberger et al., 2023; Tracey et al., 2018). In this research, our primary focus is on the second type.

2. Research has used various equivalent terms, such as political, sociopolitical, regulative, and regulatory legitimacy (see Deephouse et al., 2017 for a review). In this article, we use "sociopolitical legitimacy" consistently.
3. The food safety issue is sensitive because of several past public health crises, such as contamination of milk products and unethical practices of food vendors using gutter oil.
4. We purposefully did not develop a model to predict *when* SEs employ a specific strategy based on the contingency factors for two reasons. First, the adoption of a specific strategy also depends on other contingency factors (e.g., registration status, organizational age) that this research does not highlight. Second, a more precise, deterministic model would require greater specificity and accuracy in how the interaction between multiple factors (e.g., organizational mission *and* geographic location *and* leaders' political capital) jointly shapes organizational legitimation dynamics, and the interaction among multiple contingent factors. As a result, we highlight how each factor, when working independently, predicts new venture legitimation in general. But we acknowledge this risks oversimplifying the complex dynamics among multiple contingency factors. For instance, in the nonprofit registration area, some SEs adopted the evasion strategy, whereas others adopted the conformity strategy, and such difference would depend on other factors such as leaders' political ties and skill and the regional political environment.

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