Institutional Entrepreneurship and Acquiring Legitimacy of Social Commerce Platform

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Full Research Paper

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Abstract: Research on social commerce has ignored the process and mechanism of institutional entrepreneurship. Based on the institutional theory, we use qualitative research methods to study the process of institutional entrepreneurship of social commerce. This paper also analyzes the legitimacy acquisition process of social commerce from the perspective of institutional contradiction and institutional logic. We found that, firstly, institutional contradictions existing in traditional e-commerce organization field are the fundamental motivation for institutional entrepreneurship of social commerce platform. Secondly, social commerce entrepreneur proposed new institutional logics which are the solutions according to the institutional contradictions existing in traditional e-commerce organization field. Thirdly, because of the new institutional logics proposed by institutional entrepreneur, social commerce platform acquired cognitive legitimacy and normative legitimacy. Finally, the factors of organizational field influence the whole process of institutional entrepreneurship of social commerce.

Keywords: social commerce, institutional entrepreneurship, institutional contradiction, institutional logic

1.   INTRODUCTION

Research shows that people's online behaviors are becoming more willing to actively acquire and share information with each other. Within this context, social commerce is developed and formed based on social media, websites, platforms. Compared with traditional commerce, users of social commerce are both buyers and presenters. As a new business model, social commerce is favored by entrepreneurs.

According to the new institutional theory, formation of the new ventures or organizational field is mainly reflected in achieving legitimacy [1]. As a new organizational field developed from traditional commerce, the formation process of social commerce is also a process of achieving field acquire legitimacy through institutional entrepreneurship. The present research studies social commerce mainly from the evolution of social commerce and the development of driving factors. Wang & Zhang (2012) analyzed the development of social commerce from four dimensions of people, management, technology and information [2]. However, these studies have not explored the internal mechanism of the formation of social commerce as a new organizational field and the process of its legalization from the perspective of institutional theory.

Accordingly, this study aims to answer two related questions:

Q1. How to propose new institutional logic in the process of institutional entrepreneurship of social commerce?

Q2. How can social commerce platforms gain legitimacy through new institutional logic?

This paper takes the institutional entrepreneurial process of social commerce as the research object. We also build the structural model of the institutional entrepreneurial process of social commerce.

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2. LITERATURE REVIEW

Social commerce is a form of business based on the social media, which integrates the online and offline environments. It provides various applications including forums and communities, ratings and reviews and referrals and recommendations which are all known as social commerce components [3]. In such an environment, users can obtain social knowledge and experience and better understand their online purchasing intention, so as to make a more intelligent and accurate purchasing decision [4]. Social commerce generally refers to e-commerce activities and transactions completed through social media environment, most of which are completed by using Web2.0 software on social networks[5].Therefore, social commerce can be regarded as a subset of e-commerce, but it includes the use of social media to assist in completing e-commerce transactions and behaviors, supporting by social interaction and user-generated content (UGC)[6][7].In essence, it is a combination of business and social behaviors.

In recent years, the domestic e-commerce industry has developed rapidly, more and more offline goods brands are being sold online, and a large number of agent-operated enterprises have achieved rapid development along with the transformation of offline enterprises [8]. It also creates a number of star enterprises, such as Pinduoduo, Mogujie etc. Social commerce has become a market segment that cannot be ignored by e-commerce. But the existing research has mainly investigated the evolution, business model, platform design, user purchase intention and behavior of social commerce. However, the internal mechanism of the formation of social commerce platform, that is, how it conducts institutional entrepreneurship, propose new institutional logic and acquiring legitimacy, remains unexplored.

Dimaggio (1988) proposed the concept of institutional entrepreneurship which refers to the process in which actors under the institutional framework mobilize resources to create new institutions or transform existing institutions in pursuit of their own interests [9]. The Seo-Creed model attributes the causes of institutional entrepreneurship to the category of institutional contradiction, specifically including four types of inefficiency, nonadaptability, interinstitutional incompatibility and misaligned interests [10]. The Seo-Creed model was proposed by Seo and Creed in 2002. They identified four contradictions: gaps between the levels of performance arising from conformity to existing institutional prescriptions and from alternative opportunities in the marketplace (the "efficiency contradiction"); inability of a field to adapt to exogenous jolts because of "locked-in" patterns of behavior and thought (the "nonadaptability contradiction"); inconsistencies between values deeply held yet mutually inconsistent (the "interinstitutional incompatibility" contradiction); and divergence of the interests of those privileged and those disadvantaged by existing logics (the "misaligned interests contradiction")[11]. In traditional commerce, there are also several institutional contradictions mentioned above, such as the low efficiency contradiction. We proposed these institutional contradictions are the fundamental motivation for social commerce to initiate institutional entrepreneurship and establish new institutional logic.

Institutional logic is the stable existence of institutionalized norms and corresponding action mechanism in the organizational field [12]. It is a system composed of a variety of institutional orders such as culture, values, beliefs and rules at the social level, which shapes the behavior of organizations and their members [13]. The proposal of new institutional logic can help the social commerce gain legitimacy, but the new institutional logic should be compatible with the old institutional logic to some extent, so as to reduce the resistance to change and promote the realization of institutional change [14]. Therefore, from the perspective of institutional logic, this paper can explain how social commerce acquires legitimacy.

Legitimacy is also a core concept of the new institutional theory. Suchman's definition about legitimacy is widely accepted, legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Scott

(1995) classified legitimacy into three dimensions: cognitive, regulative, and normative [15]. The normative legitimacy comes from social norms and values, professional standards, customs and traditions etc., which are some codes of conduct and norms that organizations have to follow. Cognitive legitimacy, that is, the public's understanding and recognition of something depends on the cultural consensus and symbols that constitute the social reality and understanding framework [16]. We proposed that the key to the success of social commerce institutional entrepreneurship is to acquiring legitimacy, which are cognitive legitimacy and normative legitimacy.

3. RESEARCH METHODS

3.1 Source of data

Our purpose is to analyze the institutional entrepreneurial process of the social commerce. We used a single, exploratory case study, following a common research method for building theory. We began by collecting data in the form of secondary accounts to ensure convergence on events. From these, key primary sources were identified and a series of texts assembled for analysis (34 texts were selected). In the process of sample selection, this study adopts the method of theoretical sampling, that is, the selected sample data is for the purpose of constructing theories, rather than selecting samples from the perspective of statistical sampling. Table 1 shows the sources of text used in the coding process of this study.

Table 1. Source of information

Source of information	The number of documents
Social commerce platform website (Pinduoduo.com, Xiaohongshu.com, Mogu.com and so on)	17
News website (Ifeng.com, Sina.com, Yicai.com, 21st Century Business and so on. "social commerce" was used as the main keyword search, browsing in chronological order from 2011 to 2019)	16

3.2 Coding process

3.2.1. Open coding

Open coding refers to the information recorded on conceptualization and category, which is a large number of data records would be reduced step by step according to certain principles. It is the process of integrating the concept that is extracted from the data and aims to identify phenomenon and define the concepts. See Table 2 and Table 3 for some examples of this way.

Table 2. Labeling Process for Sample Data (Example)

Sample data	Definitions of phenomena
In recent years, with the advent of IP economy, web celebrity economy, and live streaming outlets, social e-commerce encourages consumers to purchase by utilizing social relations and personal influence. In 2017, Pinduoduo, a social e-commerce provider, quietly slipped into the top five, ranking the fifth with a 2.5% market share. Social e-commerce has become a rookie in the retail market.	a1 Knowledge economy a2 Web economy a3 Live outlets a4 Social facilitation of purchase

Table 3. Examples of Open Coding

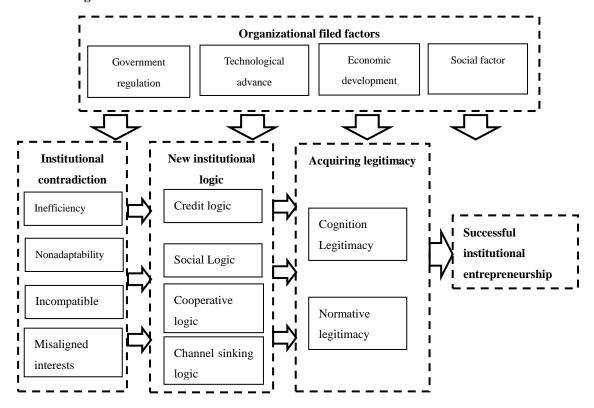| Category	Concept	Definitions of phenomena
Credit logic	Trust endorsement	a23 Trust endorsement builds trust a20 We-Media build trust
	Deciding according to UCG	a5 Customers buy goods based on reviews

3.2.2 Axial coding

Figure1.   The model of institutional entrepreneurship of social commerce platform

Based on open coding shows, we firstly get four institutional contradictions of traditional e-commerce, which are inefficiency, nonadaptability, interinstitutional incompatibility and misaligned interests. Secondly, we get four new institutional logic of social commerce, which are credit logic, cooperative logic, social logic and channel sinking logic. Thirdly, institutional entrepreneurs use these four new institutional logics to get cognitive legitimacy and normative legitimacy. Finally, institutional entrepreneurship successes. Government regulation, technical progress, economic development and social factors belong to organizational filed factors. Based on the "contradiction--praxis--institutionalization" of the Seo-Creed model, the axial coding is to establish the relationship between different categories to build a model for the process of institutional entrepreneurship of social commerce (Figure 1).

4   FINDINGS

4.1 Institutional contradictions

Based on qualitative data, we found four categories institutional contradictions of traditional e-commerce are consistent with the Seo-Creed model: inefficiency, nonadaptability, interinstitutional incompatibility and misaligned interests [10].

Inefficiency. Because of the development of e-commerce in China, beside of JD and Alibaba, many small and medium-sized platforms also rush to fight for the limited market of e-commerce market. In order to obtain consumers, platforms bombard consumers with information, such as news, blogs, emails, text messages, phone calls, etc. These phenomena appear false marketing strategies. Consumers are deeply troubled by these marketing strategies, resulting in distrust of platform. These eventually lead to the collapse of a large number of small and medium-sized enterprises and inefficiency of e-commerce market.

Nonadaptability. Traditional e-commerce platform ignored the adaptation to the changing environment in

order to obtain short-term benefits and short-term adaptability. Firstly, in order to acquire customers and resources, e-commerce platforms preferred to rapidly expand and occupy the market, but ignoring the finance. These bring inventory pressure, capital chain rupture and other problems. Secondly, some e-commerce platforms make use of illegal behaviors to make profits to adapt to the short-term environment. as a resolute, government's punishment makes them suffer serious losses in capital and public trust, leading to the weakening of their long-term adaptability.

Interinstitutional incompatibility. Although the e-commerce industry institution can make it harmonized internally, problems such as difficult consumer rights protection and poor consumer shopping experience lead to the interinstitutional incompatibility between the e-commerce industry institution and consumer perception. The government's punishment of e-commerce industry also shows the interinstitutional incompatibility between the e-commerce industry institution and government regulations.

Misaligned interests. In order to acquire customers, resources and market, e-commerce platforms engaged in a price war. In this condition, it is difficult to meet the requirements of smaller platform, thus leading to profit mismatch. At the same time, the emergence of e-commerce oligopoly after the price war has raised the barriers of e-commerce industry, and it is difficult for new entrants to enter this field with the original business model.

Based on the above contradictions, e-commerce platforms start institutional entrepreneurship in order to find a way out. Social commerce as a new derivative model of e-commerce arises at the historic moment. Through the communication channels of social networking sites, SNS, Weibo, social media and network media, purchase and sales of goods can by the way of social interaction, user-generated content and other means.

Proposition 1: Institutional contradictions existing in traditional e-commerce organization field are the fundamental motivation for institutional entrepreneurship of social commerce platform.

4.2 Institutional logic

Through the new institutional logic, social commerce entrepreneur solves the conflicts in the original contradictions, reconstructs the organizational field and acquires legitimacy. Therefore, in this study, the process of the new institutional logic is also the process of institutional entrepreneurship of social commerce. The open coding results show that the new institutional logic is divided into credit logic, social logic, Cooperative logic and channel sinking logic.

Credit logic. The credit logic comes from both the endorsement of trust established by key opinion leaders and the judgment of consumers on the generation of UCG. Trust deviation, false marketing and other factors make traditional e-commerce appear low efficiency contradiction. Social commerce entrepreneur re-establishes the trust between consumers and e-commerce platforms with the help of trust endorsement and UCG. Social commerce platforms can use more resources to improve functional efficiency. Therefore, credit logic solves the low efficiency contradiction of traditional e-commerce platform.

Social logic. Social logic is generated against the background of Internet decentralization based on the development of internet software and hardware and the change of consumer behavior. Through social activities based on the social commerce platform, users can read the advertorial and pictures of key opinion leaders, obtain the information shared by friends and UCG to make purchase decisions. Thus, social process also improves the online shopping experience of users. The emergence of new marketing methods based on social logic makes e-commerce platforms avoid low efficiency contradictions caused by false marketing and trust deviation.

Cooperative logic. Cooperative logic is mainly based on the cooperation between social platforms and traditional e-commerce platforms. According to grounded theory analysis, the cooperation of "social+ e-commerce" is divided into four kinds of circumstances. ①The cooperation between traditional e-commerce and pure social platforms, such as the cooperation between Weibo and Alibaba.②The start of e-commerce on

pure social platform, such as WeChat e-commerce.③The self-built social platforms of pure e-commerce, such as Suning's development of "Yunxin" social platform.③The new entrants of social, such as Pinduoduo and Mogujie. The social platforms enable e-commerce platforms to obtain low cost and high stickiness of user, which greatly reduces the cost of e-commerce, and to some extent solves the interinstitutional incompatibility contradiction.

Channel sinking logic. The channel sinking logic aims to develop the market of small-town. The self-communication of users under social commerce can promote this process. The most typical example is that the industry unicorn Pinduoduo carried out viral marketing with the help of WeChat platform quickly entered into small-town. The development of small-town market makes some e-commerce platforms focus on lower-tier market to obtain long-term profit points. Therefore, the logic of channel sinking solves the conflict of misaligned interests caused by e-commerce oligopoly.

Proposition 2: Social commerce entrepreneur proposed new institutional logics which are the solutions according to the institutional contradictions existing in traditional e-commerce organization field.

4.3 Acquisition of legitimacy

According to the Seo-Creed model and the qualitative data, the result of institutional entrepreneurship practice is institutional change, or the acquisition of legitimacy.

Cognitive legitimacy comes from the public's understanding and awareness. In the institution of traditional e-commerce, factors such as false marketing and trust deviation undermine the public's perceived legitimacy of e-commerce. The social commerce model reconstructs the trust system of merchants and consumers through UCG and trust endorsement, making the social commerce platform gradually recognized by the public. In addition, based on the sharing of key opinion leaders and the self-dissemination of high-quality user experience, more and more consumers make reasonable purchase decisions. More and more consumers are more willing to use the social logic under the model of social commerce. From this perspective, the new institutional logic proposed by institutional entrepreneurship enables social commerce to gain cognitive legitimacy.

In the field of traditional e-commerce, the way that enterprises obtain customers led to a series of intra-industry conflicts within the industry. These indicates that the legitimacy of norms has been destroyed. The cooperative logic between social commerce platforms and other platforms reduces the conflicts in the e-commerce industry. Therefore, the logic of cooperation contributes to the legitimacy of the norms of social commerce. The existence of misaligned interests makes the e-commerce oligopoly formulate the industry norms and aggravate the conflict. Channel sinking logic uses the way of exploiting the small-town market. These ease the conflicts between industries, and solve the conflict of misaligned interests of traditional e-commerce. Therefore, the sinking of social commerce channels enables it to obtain normative legitimacy.

Proposition 3: Because of the new institutional logics proposed by institutional entrepreneur, social commerce platform acquired cognitive legitimacy and normative legitimacy.

4.4 Organizational field

From the open coding results, the organizational field factors in the process of institutional entrepreneurial of social commerce can be summarized into four dimensions: government regulation, technical progress, economic development and social factors. In the institutional entrepreneurship of social commerce, organizational field factors are constantly changing, and also always affect the whole process of institutional entrepreneurship.

Government regulation. From the perspective of the government, organizational field factors are mainly reflected in the regulation of the e-commerce industry by the government and the constraints of laws in the e-commerce industry. For example, the "Price war" in 2013 ended when the government punished several large e-commerce companies. Government regulation affects the whole process of institutional entrepreneurship of

social commerce.

Technical progress. Technical progress is reflected in internet finance, the development of software platform and the optimization of supply chain optimization. The emergence of internet finance represented by Alipay and Tenpay has facilitated online payment and ensured the development of social commerce. The social platform represented by WeChat and Weibo promotes user communication. When combined with e-commerce, it promotes the diversified marketing methods, and makes it more convenient for users to acquire and spread information.

Economic development. Besides the development of national economy, factors of economic development also include the disappearance of e-commerce dividend and supply-side structural reform. From the perspective of B2C market share, more than 80% of the market share is occupied by Tmall and JD. Suning have carved up most of the remaining market, and the e-commerce dividend has disappeared. The qualitative data shows that service-oriented consumption has a strong growth momentum. Service-oriented and high-quality consumption encourages consumers to obtain purchase information through multiple channels, which also stimulates the development of social commerce.

Social factors. Social factors include generational change, consumer psychology and consumer online shopping habits. The generations after 80s and 90s have become the major consumers and have the ability to improve their consumption level. They are also the largest internet participation group. Group psychology, curiosity psychology and increasingly consolidated online shopping habits urge consumers to obtain commodity information through social networking, thus becoming a key factor for the institutional entrepreneurship of social commerce.

Proposition 4: The factors of organizational field influence the whole process of institutional entrepreneurship of social commerce.

5. CONCLUSIONS

Based on grounded theory，this study constructed the institutional entrepreneurship process model of the social commerce platform. We found the following conclusions. Firstly, Institutional contradictions existing in traditional e-commerce organization field are the fundamental motivation for institutional entrepreneurship of social commerce platform. Institutional contradictions existing in traditional e-commerce organization field including: inefficiency, nonadaptability, interinstitutional incompatibility and misaligned interests. Secondly, Social commerce entrepreneur proposed new institutional logics which are the solutions according to the institutional contradictions existing in traditional e-commerce organization field. New institutional logics proposed by social commerce entrepreneur including: credit logic, social logic, Cooperative logic and channel sinking logic. Thirdly, because of the new institutional logics proposed by institutional entrepreneur, social commerce platform acquired cognitive legitimacy and normative legitimacy. Finally, the factors of organizational field influence the whole process of institutional entrepreneurship of social commerce. The factors of organizational field including government regulation, technical progress, economic development and social factors.

Traditional e-commerce platforms deviate from consumers' trust due to their wrong marketing methods, and adopt vicious price wars in order to obtain traffic, which leads to the deterioration of the industry environment and the overall inefficiency. In the process of institutional entrepreneurship of social commerce, social activities, UCG and trust endorsement of key opinion leaders make consumers re-establish solid trust in the e-commerce platform, which is also the key to the success of social commerce. As well as the function of social media, social commerce can gain market at a low cost and quickly and successfully enter small town. Therefore, e-commerce platforms should focus on the combination with social platforms in order to obtain

resources more quickly. At the same time, social commerce platforms should pay attention to the social atmosphere and UCG. When the social atmosphere and UCG are unfavorable to the development of the platform, measures should be taken as soon as possible to prevent the negative factors of the communication function of social platforms from losing more consumers' trust.

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