The role of social innovation policy in social welfare sector reform: Evidence from Hong Kong

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The term social innovation (SI) is increasingly being used in public policy arenas. However, owing to its multiple discourses, it is difficult to define what it refers to in a particular political setting. This article illustrates how the term SI is used in the policy domain in Hong Kong. Taking historical institutionalism as the analytical framework, this article illustrates how SI policy emerged in relation to historical social welfare development. Although politically framed as the driver of SI, policy mainly functions to fill "gaps" that emerge from fragmented welfare provision resulting from the new public management (NPM) reform. It also reinforces the NPM tenet in the social service field. We obtained empirical data through interviews ascertaining the role of SI policy in instigating changes in existing social welfare settings; data also revealed "institutional lock-ins" arising from the historical legacies of the state-nonprofit partnership, weakening the efficacy of the SI policy effort enacted as an institutional changemaker. Overall, this article demonstrates how historical context matters in the emergence and political framing of SI policy. It contributes to the theorization of the role of SI in social welfare development in East Asia.

Keywords: social innovation, social welfare reform, new public management, institutional change, non-profit sector, Hong Kong.

Introduction

In recent years, the concept of social innovation (SI) has been extensively used in various social policy arenas, including in regard to poverty and inequality reduction (Dearing, 2017; Mahmuda, Baskaran, & Pancholi, 2014; Millard, Weerakkody, Missi, Kapoor, & Fernando, 2016), housing (Wekerle, Andrew, & Milroy, 1988), population aging (Angelini, Carrino, Abou Khaled, Riva-Mossman, & Mugellini, 2016), food insecurity (Meijs, Handy, Simons, & Roza, 2019; Zivkovic, 2017), education (Loogma, Tafel-Viia, & Ümarik, 2013), and healthcare provision (Mason, Barraket, Friel, O'Rourke, & Stenta, 2015). SI is seen as the solution to new social risks (Sinclair & Baglioni, 2014). Internationally, there are multiple drivers at the national and supranational levels aiming to mainstream SI in various policy domains. One widely cited case is the European Union's introduction of the Horizon 2020 strategic framework (Massey & Johnston-Miller, 2016). Other examples include the UK's Big Society agenda (Alcock, 2010), the Social Innovation Fund established by the President Obama administration in the US (Grimm, Fox, Baines, & Albertson, 2013), and the Australian government's Centre for Social Innovation (Mason, 2017). In East Asian settings, policy discussions of SI are growing fast (Shen & Li, 2017). The Chinese central government has made "promote social system innovation" a major policy priority (Ghys, 2017). Other settings, such as Japan, South Korea, Taiwan, Hong Kong, and Singapore, have emergent governmental support for social innovation in various forms, such as in social entrepreneurship and social impact investing (Chandra & Wong, 2016; Mee-Hyoe, 2013; The Hope Institute, 2010).

Although it is a "buzzword" (Pol & Ville, 2009), the term SI is a contested concept with definitional ambiguity (Ayob, Teasdale, & Fagan, 2016; van der Have & Rubalcaba, 2016). In the public policy context, some scholars argue that the term SI has multiple forms of political framing that make it difficult to understand it precisely (Benneworth, Amanatidou, Edwards Schachter, & Gulbrandsen, 2015). In some instances, SI has been described as the source of public policy innovation (Adams & Hess, 2010; Bekkers, Tummers, & Voorberg, 2013; Brown & Osborne, 2012), as an institutional game-changer (Scott, 2007; Thelen, 2004), and in relation to social welfare reform (Sinclair & Baglioni, 2014). Thus, research questions arise: How does an SI policy emerge in a particular social welfare regime? What "changes" does it aim to bring about? Once implemented, to what extent do SI policy efforts actually achieve the desired outcomes? Is the use of the term SI merely "rhetoric"? Limited scholarly work addresses these questions.

Furthermore, why does SI policy fail to achieve desired outcomes? While some studies have highlighted potential barriers that could have hindered policy efforts to drive SI (Chalmers, 2013; Howaldt, Schröder, Kaletka, Rehfeld, & Terstriep, 2016), these works are descriptive and do not account for the emergence of the barriers. Insights on the "sources" of the barriers are crucial, providing essential feedback to facilitate learning and inspire potential policy revision (Béland, 2005). This article redresses these research gaps by exploring a case in Hong Kong where the government introduced an SI policy initiative (the Social Innovation and Entrepreneurship Development Fund; the SIE Fund) in an effort to instigate changes in the social welfare sector. Using historical institutionalism (HI) as an analytical framework, this article illustrates how SI policy in Hong Kong "comes to be" and its functions (institutional change) in recent social welfare development in the post-new public management (NPM) era. This article also reports our qualitative study exploring whether or not the SIE Fund has actually changed the existing social welfare setting and what barriers hinder SI policy efforts.

Conceptual framework

Historical institutionalism (HI) is a major theoretical account in the study of public policy and institutional change. Its central premise emphasizes the role of historical factors in structuring policy and institutional development (Béland, 2005; Immergut, 1998; Thelen, 2004). HI stresses that policy progress tends to exhibit path dependency (Mahoney, 2000), where vested interests created by previously enacted policies and established institutions, formal or informal, are likely to constrain future decision making among political actors and interest groups. This path-dependent characteristic favors the reproduction of established institutional logic, creating a self-reinforcing dynamic (institutional lock-in), even when existing institutional arrangements only result in sub-optimal efficiency (Woerdman, 2004).

From the viewpoint of HI, changes in policy and institutional settings are likely to be incremental and path-altering; institutional changes, despite being possible (e.g., induced by exogenous shocks), are rare (Béland, 2005; Béland, Rocco, & Waddan, 2016; Hacker, 2004). For institutional change to take place, some HI scholars have emphasized the assessment of previously enacted policy measures and their consequences. Two reasons have been highlighted for the need of assessment. The first draws insights from Kingdon's agenda-setting theory outlining the role of assessments in drawing political attention to particular sets of "pressing issues", directing policy makers' focus on deliberating over potential alternatives (Béland, 2005). The second lies in the concept of social learning (King & Hansen, 1999). As Hugh Heclo notes, "policy invariably builds on [established] policy, either in moving forward with what has been inherited, or amending it, or repudiating it" (Béland, 2005). In this context, "a process of learning may be said to occur when policy makers respond to the failures of a past policy, draw lessons from that experience and incorporate these into the making of new policy."

A substantial body of literature uses HI as an analytical framework to elucidate the process of social welfare reform (Béland, 2005; Béland et al., 2016; Pierson, 1996). In nonprofit studies, (Salamon & Toepler, 2015) social origin theory uses HI as a conceptual framework illustrating the influence of socio-historical factors in nonprofit sector development across regions. Research regarding SI from an HI perspective largely exists in regard to social enterprise (Defourny & Nyssens, 2010; Kerlin, 2010). Although exceptions exist (e.g., (Ayob et al., 2016), there is limited policy analysis illustrating how SI policy "comes to be" in particular welfare regimes and how historical legacies affect SI policy's impact. Thus, this work adopts HI as an analytical lens to illustrate how SI policy "comes to be" in Hong Kong in light of the recent NPM social welfare reform. Then, we report our empirical work exploring how SI policy, as an institutional changemaker, is affected by the dynamic interplay between new policies and inherited institutional logic.

The emergence of SI policy in Hong Kong

Several scholars regard state social welfare provision in Hong Kong as emerging from the late 1950s, when the colonial government's minimalist approach toward welfare started changing (E. W. Lee, 2005; K.-L. Tang, 1998). Before that, state provision of social welfare was almost non-existent, but some Chinese civic associations and Western nonprofits provided education and social services to the underprivileged. Two of the largest nonprofits in Hong Kong (*Tung Wah Hospital* in 1870 and *Po Leung Kuk* in 1882) were founded. As Lee (2005) highlights, these nonprofits played prominent roles in the early "making" of Hong Kong's social welfare sector.

In the early 1970s, after two large-scale social riots, the colonial government started taking a more active role in social welfare provision. Some describe this as the "big bang" phase of social policy in Hong Kong; a substantial expansion of social service provision was witnessed (E. W. Lee, 2005; K.-L. Tang, 1998). During this expansion in social service provision, the state become the major financier of social services; nonprofit agencies, owing to their previous presence in the social welfare sector, were heavily utilized by the state. Since then, the image of nonprofits as agencies for public-funded social service delivery started to institutionalize in Hong Kong society (E.W. Lee, 2005).

From the 80s to the mid-90s, Hong Kong enjoyed steady economic growth while social welfare provision increased incrementally, as the demands of social care also increased and economic prosperity allowed the state to secure sufficient fiscal budgets to support social welfare development. The nonprofit sector also expanded and its image as a social service provider also deepened in society (E. W. Lee, 2012). However, Hong Kong's economic environment was shaken by the 1997 financial crisis. With declining economic growth and growing social expenditure, the HKSAR government faced increasing challenges in maintaining the sustainability of the social welfare system, which eventually led to a major reform in the early 2000s. The reform followed the trend of the NPM reform, with the overall aim of improving the efficiency of the social welfare and public sectors through neoliberal practices. Multiple measures, such as the introduction of the Service Performance Monitoring System and the Lump Sum Grant system, were introduced. E. W. Lee (2012) describes the NPM reform of social services as the "marketization" of the nonprofit sector.

The policy strategies implemented during the NPM reform of social services "encourage nonprofits to develop business-like activities (i.e., social enterprise)". The government set up seed grants and institutionalized two major funding schemes (the Enhancing Self-Reliance Through District Partnership Programme, ESR, and the Enhancing Employment of People with Disabilities through Small Enterprise Project, 3Es) to incentivize nonprofits to develop self-financed services or social enterprises. Many have regarded the emergence of Hong Kong's social enterprise sector as resulting from these government efforts (Chandra & Wong, 2016). With public financial support, the social enterprise sector expanded in this decade (2000s) and, as public funding exclusively supported nonprofits, the majority of social enterprises emerging during this period was founded by nonprofit actors, many of whom were affiliated with well-established nonprofits. As the government positioned social enterprise as alleviating poverty, with a particular focus on enhancing the employability of disadvantaged populations, the predominant form of social entrepreneurship activity was work integration social enterprise (WISE) (K. T. Chan, Kuan, & Wang, 2011; Defourny & Kim, 2011).

In the early 2010s, policy experts questioned the efficacy of the NPM reform of nonprofit sectors. While the reform inevitably forced nonprofits to explore new avenues to generate income, the NPM measures "had done little to alter the high-resource dependency of NPOs on the government" (E.W. Lee, 2012, p. 547). Several reports highlight the way in which a notable proportion of social enterprises were unlikely to achieve financial sustainability without continuous public support (K. L. Tang, Fung, Au, Lee, & Ko, 2008). Some attributed the lacking financial viability among social enterprises to a deficiency in entrepreneurial skills. The government's social enterprise policy, which exclusively incentivized nonprofits, was blamed for "crowding out" other actors (i.e., for-profit actors). The social entrepreneurship environment as a whole was criticized of being homogeneous and lacking diversity and innovation (J. C. Y. Lee, 2016).

During the early phases of the NPM reform, the government suspended their five-year planning exercise for social service provision and so many new needs regarding social care that emerged from the demographic and socioeconomic transformation (e.g., rapid population aging) were not fully recognized or covered within the traditional welfare system. The abolishment of a comprehensive social service planning mechanism thus failed to fulfill the pluralistic demand for social care (E.W. Lee, 2012). While the emergence of new social agencies aimed address unmet social needs, these newly established agencies were often situated in unfavorable positions in terms of funding competition; compared to more established nonprofits, they had limited track records and fewer connections with the government. With funding deficiencies, many of these new social agencies found it hard to secure sufficient resources to develop their services.

Hong Kong's SI policy emerged against this backdrop in the early 2010s, coinciding with global trends of renewed interest in the concept of SI among policymakers, social service practitioners, and scholars. The then Chief Executive of the HKSAR government (Leung) also campaigned for further support for the social economy by setting up new funding.[1] Amid a multitude of influences from international settings and local pressure to refine social enterprises and social service sectors, a shift in policy emphasis to facilitating social innovation first appeared in the HKSAR government's public policy discourse. The 2014 Chief Executive's Policy Address stated that the government aimed to "encourage individuals and organizations who care about social development to help tackle poverty and associated problems by innovative ideas" (p. 62). To support this political agenda, the government institutionalized the Social Innovation and Entrepreneurship Development Fund (SIE Fund).

Following the implementation, the SIE Fund commissioned an evaluation study conducted by investigators from the University of Hong Kong (Yip, Chan ,& the research team, 2019). Through reviewing internal documents of the Fund, the study highlighted that the SIE Fund aims to drive several changes in the existing social welfare sector. First, as increasingly diversified social needs emerging in contemporary

[1] https://www.ceo.gov.hk/archive/2017/eng/pdf/manifesto.pdf

society have not been fully addressed fully addressed by the conventional social welfare system (e.g., subvention programs), through public funding incentives, the SIE Fund aims to drive solutions led by civic society, framed as social innovative initiatives, to fill these service gaps in welfare provision. Second, the SIE Fund attempts to rectify "gaps" in the existing public funding system that systematically disadvantage small-scale social agencies and actors outside the nonprofit sectors in regard to participating in the social service field. This aim is embodied by the Fund's policy allowing actors from both nonprofits and for-profits to apply for funding; its multi-stage funding design allows agencies with relatively little experience to obtain "seed money" to explore their (socially innovative) ideas. It also allows them to reapply for funding to scale-up their initiatives. The third aim of the SIE Fund concerns social welfare settings; it can be recognized as the reinforcement of the NPM reform of social enterprises and the social service sector. Specifically, through the use of intermediary organizations delivering incubation support, the SIE Fund aims to enhance the financial viability of their funded initiatives, many of which are run as social enterprises, to enable them to eventually become self-sustainable without government support. In this respect, the Fund implicitly functions as a "booster" of the NPM tenet, managing (or slowing-down) increases in public social spending.

The SIE Fund has invested more than HK 120 million (US 15.4 million) to support 140 social innovative initiatives regarding a wide range of social issues, such as food insecurity, population aging, housing issues, empowerment for ethnic minorities, and employment for the underprivileged.[2] A recent study conducted by our research team shows that the SIE Fund enabled a group of new players, typically for-profit actors, to enter the field (C. H. Chan, Chui, Chan, & Yip, 2019). The same study identified the new players as aspiring to develop innovative social entrepreneurship activities that were distinct from existing forms in the local social welfare sector. The next section summarizes our empirical work, using a qualitative method of inquiry to explore the changes the SIE Fund has incurred in the existing social welfare system, and illustrating the barriers arising from historical factors ("lock-ins") hindering "institutional changemaker" policy efforts.

The study

We selected a qualitative method of inquiry to address our research questions because previous research has highlighted the way in which qualitative work is a preferable method of addressing questions pertaining to the dynamics of institutional change (Mahoney & Thelen, 2009). Specifically, the research team conducted in-depth face-to-face interviews with grantees of the SIE fund (i.e., holders of social innovative

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[2] https://www.sie.gov.hk/html/sie/news/20180607_SI_Fair_Press%20Release_en.pdf

initiatives). This was derived from a three-year evaluation study of the SIE Fund, which commenced in 2015. During the study period, the authors (CHC and CHKC) conducted interviews with more than 60 initiative grantees. The sample selection was based on the "maximum variation" principle; we recruited initiative grantees with varying funding sizes (i.e., from HK$0.1M to HK$10M), funding durations (i.e., six months to 36 months), previous working experience in social service fields (i.e., no experience to more than 10 years), and in various social service fields.

During semi-structured interviews, the participants were asked to share their views and opinions regarding their experience of the funded initiatives. Attention was given to their perceptions of: (1) how and to what extent the SIE Fund enabled their socially innovative work in the existing institutional landscape of the social service environment; and (2) what barriers they faced during the implementation of their initiatives and how those barriers are related to the status quo of the institutional settings. Face-to-face exchanges were conducted with selected members from the Secretariat, the intermediary organization, and the fund advisory's board, to further validate the findings and observations from the interviews (i.e., to provide data triangulation). The interviews typically lasted between 45 and 75 minutes; they were audiotaped and subsequently transcribed verbatim.

Thematic analysis was employed to analyze the transcriptions in the following steps: familiarizing ourselves with the data, generating the initial codes, searching for themes, reviewing the themes, defining and naming the themes, and, finally, producing the report (Braun & Clarke, 2006). Keywords and responses relevant to the research objectives were identified and highlighted in each interview transcript and were subsequently classified into categories and then by emergent themes. To enhance data reliability, two of the authors (CHC and CHKC) coded the transcripts independently, for comparative purposes. Where there were discrepancies, the research team discussed the issues among themselves until they reached a consensus. The other co-author (YC) acted as "devil's advocate", to challenge the findings that emerged, and took part in refining them.

Findings

The SIE Fund as an institutional changemaker

A substantial number of the interviewed respondents ascertained that the SIE Fund acted as an institutional changemaker in the existing social welfare system. One of the key themes emerging from the data was the way in which the SIE Fund filled some gaps in the social service provision sector. These gaps appeared in two forms. First, some participants recognized that the Fund served as a "quicker" channel for galvanizing financial support in the public welfare system in terms of social service delivery. Second, some participants depicted the SIE Fund as having a relatively openminded mindset (compared with other forms of established public funding), allowing them to develop alternative (non-conventional) solutions to address some existing social issues.

> "The SIE Fund filled some [funding] holes in the social welfare system. Currently, there is no such education curriculum for ethnic minority groups. Conventional social welfare funding channels [e.g., subvention or lump sum grants] may not support our initiative. Even if they were willing to do so, I believe it will take years to change the existing system to incorporate our work. The SIE Fund gave us an alternative and quicker way to establish our initiative."

> "The Fund appeared to be willing to support "unorthodox" social initiatives. With other [social enterprise] funds, the funders were very much confined to a "rigid" concept of what the service models should be like, mainly creating jobs [for the underprivileged]. If you think of something "new", you will not be supported. The SIE Fund seemed different and I thus tried something "new".

Another theme emerging from the data was the way in which the SIE Fund enabled actors outside the nonprofit sector to enter the social service field. They revealed that the financial incentive of the Fund was not the only institutional factor enabling their work; they also perceived the Fund as legitimizing their work and helping them gain wider public recognition.

> "I started my production house company some years ages. A few years ago, I participated in a local campaign in ethical consumption and, since then, I have been trying to embark on some [socially inclined] work. The SIE Fund facilitated my work. It's not only about financial support. As I am new to the social service field, only a handful of stakeholders knew me [prior to obtaining the funding]. Since obtaining the funding, there are more stakeholders perceiving my work as doing social good [rather than simply trying to make a profits]. I have greater connections because of the media exposure and sharing opportunities [organized by the Fund and intermediaries]. There are more and more people "accepting" our work, as we are funded by the SIE Fund. The Fund seemed to serve as "public endorsement" for us."

Some participants testified that the SIE Fund has had a positive impact on the financial sustainability of their initiatives. These participants typically reported that the incubation of the SIE Fund (delivered by intermediary organizations) was useful. It was observed that those who shared this idea were not restricted to nonprofit actors; some actors with strong entrepreneurial backgrounds also reported that the incubation support was useful. However, compared to the two other themes emerging from the data, there were greater variations regarding the perceived incubation impact of the Fund. Some perceived the incubation being greatly useful, but opposing comments were also obtained.

> "The courses organized by the intermediary organization were useful. They refreshed my understanding of running a social agency [even though I had been managing the financial matters in my organization for some years]. The mentor, [part of the incubation support provided by the intermediary organization], helped us to improve our pricing model in our initiative. This changed our work a lot. Previously, we had mainly depended on funding and donations; now, we have developed another revenue stream."

"Institutional lock-ins" hindering the effectiveness of the SIE Fund

While participants spoke about the institutional changes that occurred as a result of the SIE Fund enabling them to develop their social innovative initiatives, some illustrated the constraints they faced during their project's implementation, which arose from "institutional lock-ins" caused by historical legacies inherited from the conventional social welfare setting. The most commonly reported theme, particularly among those who work using a for-profit entity, was the "tilt" in the existing institutional arrangement favoring nonprofits in regard to resource acquisition. The participants attributed the "tilt" to the dominance of nonprofits in the social service sector, due to its longstanding state-nonprofit partnership. Specifically, a notable number of participants pointed out that some public funding bodies other than the SIE Fund, owing to its original setup, remained exclusive to nonprofits. Given that the existing tax deduction system only applies to donations to entities with a nonprofit status, participants suggested that some private donors were more inclined to sponsor nonprofits than social agencies with a for-profit status (i.e., a registered company). This favoritism toward nonprofits was observed in other aspects, such as in their entitlement to reduced rental costs for some public amenities. Participants who identified themselves as entities with a for-profit status typically reported that the acquisition of financial resources outside of the SIE Fund itself was difficult. Many participants expressed feeling discouraged about this unequal access. Among the interviewees, some exhibited experiencing isomorphic pressure to convert their ventures from a for-profit to a nonprofit status, despite having to incur a transaction cost (i.e., additional administrative workload) in the process.

> "With a commercial company status, there are a lot of restrictions [in applying for funding]. I have approached a number of funders and many are receptive to my work. But, when they asked me if I am a nonprofit organization and I told them I am not, they said they could not support us. They said they will only support nonprofit organizations."

> "In the current public system regarding renting facilities, such as concert halls and recreational facilities, nonprofit organizations have a higher priority than ventures registered as a business company do. Ventures with a nonprofit status enjoy advanced venue booking and pay less. Even though our mission is the same as the nonprofit organizations, we are disadvantaged."

> "After considering the pros and cons, we (re-)made ourselves as a nonprofit [converting from a for-profit venture], despite there being so much administrative work and documentation needed. It was a very lengthy process."

From the project grantees' perspective, this inequality between for-profits and nonprofits negatively affects their resource acquisition and hinders their ability to form cross-sector collaborations. They alleged that potential collaborators from other sectors harbored a sense of mistrust toward social startups run by business entities and thus refused to collaborate with them. Participants further stated there seemed to be a prevailing informal institutional norm that nonprofits are the "only" legitimate organizational forms of social service provision; some find it difficult to break through these deeply rooted beliefs.

> "We tried to sign a memorandum of understanding with several public estates, allowing us to conduct our business, but many replied that they would only sign with nonprofit organizations."

> "We contacted some [potential collaborators], but they won't let us in because they are apprehensive about our intention, since we are a

> commercial entity. We are not a nonprofit organization and they don't trust us. It would have been very different if we were a nonprofit-run social enterprise, but we are an individual, private company."

The second theme emerging from the data was the participants' strong sense that existing institutional norms situate social entrepreneurial activities as being equivalent to WISE. Project grantees reported coercive pressure to include a work-integration component in their initiatives, or the display of assumptions about incorporating a work-integration component into social innovative work, even if it did not align with their ventures' social missions. A few argued that, although they were encouraged by the opportunities granted to them by the SIE Fund to try different forms of social entrepreneurial activities, the normative belief that social enterprises are supposed to address (un)employment was too embedded within the local psyche. They perceived this widespread normative belief as hindering their ability to experiment with their ideas and caused them to incur increased costs.

> "[While the organization aims to enhance social inclusion for the elderly, the project grantees] included work-integration in our business operation; otherwise, others [the general public and other stakeholders] would not see us as a social enterprise."

> "After discussing the issue with funders and advisers, they suggested integrating the provision of jobs with my project's targets. Operationally, this was challenging. The kids were generally not motivated and needed us to pay quite a [bit] of attention to them."

The third theme emerging from the data was the way in which the participants perceived the incumbent social entrepreneurial environment disproportionally emphasizing "non-profit-making" characteristics. Some participants perceived that this normative perception resulted from a large number of existing social enterprises, being nonprofit hybrids (i.e., within the commercial-social continuum), being skewed toward a social origin. Among the grantees of the social innovative initiative, a notable proportion came from commercial backgrounds; their work clearly placed a greater emphasis on entrepreneurship (Chan et al., 2019). Their deviation from the established cognitive prescription of what constitutes social entrepreneurship apparently created issues regarding project implementation. Facing this institutional difference, some explained that their social entrepreneurial activities were often met with skepticism or were “delegitimatized”. They perceived that the public was confused about the concept of social enterprises and wrongly equated them with charities aiming to alleviate poverty. Because the public viewed them as charities (instead of as social business entities that would ensure product quality), participants explained it was assumed their products and services were subpar and of lower quality, compared with those of commercial corporations.

Participants stated that distorted societal norms adversely affected their competitiveness and sustainability because they were forced to lower the pricing of their products and services.

> “They see us more as a charity [rather than an enterprise]. Some assume that, since we have a social mission, we must not make a profit. We often get questions [about] why we are operating at market prices. This always concern[s] me when we price our products. I want to educate the public that social entrepreneurship is not equivalent to social services for poverty relief.”

> “Some of our [business] clients advised us not to tell others that we are a social enterprise, as this will give the perception that our products are [of] low quality, and they don’t want to be seen as doing business with social enterprises.”

The final emergent theme arose within the SIE Fund funding system. In our exchange with the Secretariat of the SIE Fund, it was revealed that the internal standard emphasized the “optimal use of public resources”. At the practical level, multiple administrative procedures, such as line-item budgeting, regular progress monitoring, and milestone-based installments, were incorporated into the funding mechanism to ensure public accountability and value for money. As the Secretariat explicated, these measures are commonly implanted among other existing local public funds to support social enterprises; they are the regulatory standards in public procurement. However, from the grantees’ perspectives, the measures were overly inflexible and created unnecessary administrative burdens that, ironically, became barriers to social entrepreneurship processes.

> “We see ourselves as a start-up, and [to survive] we have to be nimble. With only a small amount of funding, flexibility to (re-)deploy our resources as a quick response to market opportunities is crucial. However, we found that [as per the fund’s regulations] change [to] the budget allocation is difficult. If we

really need to make changes, reapproval can take weeks. This was frustrating since, even though there was a better way [to do business], we could not pursue that [due to the fund's restrictive regulatory control]."

> "With funding from [a philanthropic family foundation], they have fewer restrictions over how we spend the money. They do have milestones, but they are not as strict as the SIE fund. We have more control during implementation in mobilizing resources."

The incompatibility between the grantees' and the fund's preferences for risk management created tension, highlighting the peculiar fact that, despite positioning itself as an institutional change-maker itself, incumbent practices reflective of the social welfare logic still prevailed. A number of participants complained that the funding process required a disproportionate administrative workload and they expressed frustration over the rigorous and lengthy procedures required to clear reports. Participants also explained that the excessive and inflexible administrative practices caused delays in fund installments, which negatively affected the organizational cash flow necessary to smoothly run their startups. The lengthy administrative procedures had, ironically, eroded their responsiveness and adaptability to unforeseen circumstances and had hence hindered the scalability and sustainability of their entrepreneurial processes:

> "We did not receive the installment for four months. We need[ed] the funding to start another event but it took so long to arrive. [Because of this uncertainty], we didn't dare hire personnel, although we had initially planned to do so. At the same time, we had other deadlines to fulfill but lacked manpower."

> "In business, cash flow is king. After submitting the operational reports, we did not expect the fund to take weeks to process them. During this period, there [was] no [funding] support at all. The fund did not realize that this lack of capital could cost our [venture's] survival."

The data revealed that project grantees embracing a strong entrepreneurial spirit proactively sought ways to scale their social entrepreneurial activities, including opportunities to expand overseas. The underlying rationale was that, given the small potential demand, if they were to produce products only for the local economy, their manufacturing costs would be high, due to economies of scale and would hence jeopardize their competitiveness in the market. However, as various project grantees explained, their urge to scale to overseas markets using the funding was to no avail, because the fund mandates that the grant must be confined to benefiting the local economy (i.e., the fund has a protectionism policy design); their activities in jurisdictions outside Hong Kong would not be supported. As the Secretariat explained, the policy of localism was a legacy influence within the public sector; it was the policy design that had been in place and in operation among other existing local public funds supporting social enterprises and was seen as a standard administrative practice. However, among project grantees, typically those who aimed to create social entrepreneurial activities that deviated from conventional practices, such as WISE (e.g., tech-based activities in new product development), many found that the specific policy mandate hindered their entrepreneurial development.

> "There [is] potential to develop our robotic device for dementia patients. However, after reviewing the market in Hong Kong, the local economy [i.e., number of beneficiaries] was found to be too small. We expressed our desire to expand the product to the Greater China area, but the Fund only supports projects benefiting local residents. I gave up the plan and this restricted my [venture's] growth."

> "There are demands for our products overseas. We have received requests from outside Hong Kong for our products. We hope to develop a franchise model and to start a [social] business outside Hong Kong. However, to develop a franchise model, we need resources. When I contacted potential funders [including the SIE Fund], many stated they do not support activities outside Hong Kong."

Conclusion

In recent years, the term "SI" has entered multiple social policy domains but, as it is often portrayed in various discourses, "SI" has been characterized as a contested concept that creates confusion regarding what precisely it refers to (Benneworth et al., 2015). This article clarifies how the term "SI" is framed in the policy realm in a well-established economy in the East Asian context. Our work draws insights from the analytical perspective of HI, where we illuminated the emergence of the SI policy in Hong Kong in relation to the historical development of the social welfare setting. We also explored its role in the existing social welfare system in the post-NPM reform era. Our study further highlighted the efficacy of the SI policy initiative in regard to the way in which the SIE Fund served as an "institutional changemaker". It also examined where the existing "institutional lock-ins" are constraining the policy effort in regard to bringing about changes. It has practical implications for policy learning to take place (Béland, 2005), facilitating future policy refinement.

This article elucidated how a multitude of factors in the course of the NPM social welfare reform in Hong Kong, as well as the international trend, have shaped the emergence and the political framing of the SI policy. While the HKSAR government framed the Fund as a public policy effort to drive social innovation, we argue that one of its major functions was to fill some of the gaps in the existing social welfare setting arising from the NPM social welfare reform. With the abolishment of the five-year comprehensive social welfare plan, social welfare provision in the post-NPM era has increasingly become fragmented and less adaptive to the pluralistic demands of social care (E. W. Lee, 2012). The SIE Fund essentially acts as an institutional enabler for social agencies to develop socially innovative solutions addressing the social service gaps, where conventional welfare provision is falling short (e.g., the subvention program). The public funding mechanism in the post-NPM era (pre-SIE Fund period) systemically disadvantages small-scale agencies and actors outside the nonprofit sector participating in the social service field. Therefore, after the enactment of the SIE Fund, they become the main "beneficiaries" in regard to the embodiment of their social aspirations.

Another major role the SIE Fund played in the status quo of the social welfare setting is "recertifying" criticisms of the social enterprise sector in Hong Kong as lacking in entrepreneurial spirit and innovation (J. C. Y. Lee, 2016). The SIE Fund is the first public funding system to hire intermediary organizations to incubate funded initiatives, many of which run in the form of social enterprises, in order to enable them to become more financially self-sustainable. In this light, we argue that the SIE Fund served to re-enforce the NPM tenet in the social service reform that emerged in the early 2000s in Hong Kong. This adds additional evidence to the international literature on the no-reversal signs of the NPM reform in the nonprofit sector (Alexander, Brudney, & Yang, 2010; E. W. Lee, 2012).

While the empirical data affirms the salient role of the SIE Fund as a changemaker in recent social welfare development, other data reveals barriers arising from the historical factors hindering this policy effort to instigate changes. The most notable lock-in emerged from established institutional logic that conceived nonprofits as the only legitimized entities for social service delivery; agencies with a different legal status (e.g., registered businesses) are less or even not legitimate. This institutional logic results from the long-term state-nonprofit partnership developed since the colonial era. Throughout the past several decades, it has been deeply institutionalized into contemporary Hong Kong society. While the SIE Fund has inevitably provided opportunities for some new players (i.e., actors outside the nonprofit sector) to enter the social service fields, this deeply rooted institutional logic creates barriers and resistance, heightening the costs of the delivery of social value. Isomorphic coercion pressures grantees to become the dominant form (i.e., nonprofits) of organization. Our data, along with a few studies in the current social innovation literature, highlight some barriers to SI (Chalmers, 2013; Howaldt et al., 2016); this work extends from prior studies by illustrating the potential causes of those barriers.

In summary, this article demonstrates how historical context matters in elucidating the emergence and political framing of an SI policy in a particular social welfare regime. Our case study illustrates the way in which the development of the SI policy in Hong Kong is historically tied to the NPM reform originating in the early 2000s. It also highlights how deeply institutionalized state-nonprofit partnerships in social service provision hinder SI policies acting as institutional changemakers. This work, one of few empirical policy analyses, contributes to the theorization of the role of SI policy in social welfare development in the East Asian context.

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