



# How tax incentives slow down positive change in social impact ecosystems and what can we do about it

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## ABSTRACT

To advance positive change within social impact ecosystems, policy makers offer tax incentives in return for social value. Some social enterprises are exempt from paying taxes, with an expectation that they will create positive change in society. Yet, studies have highlighted that there are a growing number of value-detracting issues with tax exemptions, which detract from ecosystems of positive social change. Therefore, spotting and rectifying situations of potential value detraction is paramount. In this paper we offer a two-sided framework called SCAM/MEND, to identify and act upon the 'dark side' of tax exemptions in social impact ecosystems. The SCAM side of our framework allows ecosystem actors to spot situations in which negative outcomes are likely to emerge from tax exemptions. The MEND side of our framework offers policy makers and ecosystem actors a new course of action to redirect positive change efforts.

## 1. Entrepreneurship policy and the dark side of social impact ecosystems

Social impact ecosystems (SIE) consist of local actors, activities, and factors that support the creation and growth of for-profit and nonprofit entrepreneurial activity, concerned with social impact and the pursuit of positive change (Thompson et al., 2018; Islam, 2020a, 2020b). To advance positive change within SIE, policymakers have a wide range of tools at their disposal. For example, research to date has paid specific attention to the role and effect of support programs and public funding on start-up rates and economic performance (e.g., Berger and Hottenrott, 2021). Yet, there is an important area of entrepreneurship policy research that has received very little attention, namely, the incentives offered to promote prosocial venturing and the scaling-up of prosocial value within SIEs. A central policy incentive used for such purposes is the exemption from paying certain forms of tax, in return for positive change efforts. This draws on the community benefit principle (Walker and Sipult, 2011), where some social enterprises receive tax benefits in exchange for their efforts to provide public good.

In principle, tax-exemptions work well when the social value provided by social enterprises equals or exceeds the costs associated with granting such exemptions, as per the community benefit principle. However, there is a darker side (Fremont-Smith and Kosaras, 2003), marked by several unintended consequences of tax exemptions, including operational inefficiencies, lax governance, fraudulent activities, and arbitrary divisions (Gamble and Muñoz, 2020), that have little to do with how much value social enterprises create. This is discussed in policy studies and accounting research, yet less attention has been paid in the field of entrepreneurship, where tax exemptions can adversely affect the functioning of SIE and the capacity to deliver and scale up social impact.

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Governments do pay attention to these issues, yet a fundamental problem remains - taxpayer money has already been wasted when such unintended consequences are identified (Gamble and Muñoz, 2020). This creates an intractable problem. As things stand, positive social change is slowed down by the very same policy incentive designed to scale it up, and policy agents can only notice it after the fact. To create more effective social entrepreneurship incentives, policymakers need tools to spot situations in which positive change is likely to slow down within SIE, due to tax exemptions. Furthermore, a new set of principles are needed to guide subsequent interventions and the positive change efforts of ecosystem actors.

In this paper, we offer a two-sided framework, titled SCAM/MEND, for policymakers to identify and preemptively act upon the darker side of tax exemptions. This framework is useful in at least three ways. The SCAM side allows policy agents to spot situations in which unintended consequences are likely to emerge and slow down positive change within SIE. The MEND side allows policymakers to move from practices (e.g., design of incentives) to principled collective action, comprising four alternative guiding principles. These can inform the design stage of novel, impact-oriented policies, that improve the functioning of SIEs to scale up positive social change.

## 2. SCAM/MEND framework

### 2.1. Framework development

To shed light on the unintended consequences of tax incentives within social impact ecosystems (SIE), we examine their category behaviors against intended outcomes. We use Beany (2014) decompositional conceptual analysis, as the scaffolding for problematizing the underlying logics of tax exemptions concerning positive change. Decompositional analysis is the process of breaking a concept down into more modest parts so that its (il)logical structure is displayed.

First, to decompose positive change, we use the Stephan et al. (2016) positive social change<sup>1</sup> (PSC) framework, which is comprised of: prosocial organizations, multi-level bottom-up processes, organizational practices and strategies, and transformational outcomes. Here, PSC changes are initiated by organizations operating in markets, including both for-profit and nonprofit social enterprises. Second, we further decomposed the relationship between the policy incentive and PSC, by sequentially reflecting on i. the basic assumptions regarding the role of social enterprises, tax exemptions and PSC and ii. the expected contribution of tax exemptions to positive change within SIEs, which we contrasted against iii. evidence on the relationship between tax exemptions, social enterprises, and social change. The analysis was assisted by an evidence review, comprising of 84 studies and legal cases, examining problems associated with tax-exemptions in SIE.<sup>2</sup> The summary of the analysis is shown in Table 1.

This led us to identify four situations of value detractor, upon which we develop the first side of our framework – SCAM – which allows policymakers to spot situations, related to tax incentives, in which positive change is likely to slow down within a SIE. SCAM is comprised of: Suboptimal performance; Category exclusion; Ambiguous signaling; and Misleading legitimacy.

To tackle each of these issues, we leverage Bokulich (2001) counterfactual reasoning and principled collective action (King, 2008) to elaborate an alternative approach that can potentially counteract SCAM, preemptively, and redirect positive change efforts. This leads to the construction of the MEND side of our framework, which is comprised of four counteracting principles: Magnify category; Entangle signals; Networked value; and Dismiss contentment.

### 2.2. SCAM(ming): when things begin to look questionable

**Suboptimal performance.** The normalization of managerial irresponsibility (Kummer et al., 2015), accepted inefficiencies (Bromley and Orchard, 2016; McGiverin-Bohan et al., 2016), as well as lax governance and accountability (Alexander et al., 2008), are three problems that can damage tax-exempt social enterprise performance. Such dismay, Metzger (2015) argues, is no longer surprising since there is no expectation of professional managerial behavior in tax-exempt social enterprises (Bromley and Orchard, 2016; McGiverin-Bohan et al., 2016), as supervisory failures have become part of the landscape (Metzger, 2015). A sign that something is wrong are the widespread, unwarranted, and frail governance structures, combined with limited reporting requirements. This was the case in the US health sector, from the late 1990s to the mid-2000s, which led to the introduction of community benefit reforms, aimed at improved accountability, responsibility, and transparency (Alexander et al., 2008). Codes of practice have been introduced to improve behavioral standards, which should have put a stop to the institutionalization of contentment. However, these codes of conduct have merely been used as a legitimizing artifact, in a cultural context that values managerialism (Bromley and Orchard, 2016). Even pivotal pieces of regulation, such as the Nonprofit Integrity Act of 2004 in California, have proven insufficient to trigger change, particularly around reporting. Such regulation has increased administrative burden (Navis and Glynn, 2011), thus perpetuating issues of neglect, contentment, and continued suboptimal performance. A big worry is that once suboptimal performance has been institutionalized (Kramer and Santerre, 2010), it can become accepted within SIEs. For example, suboptimal practices remain in the health sector, despite the regulatory incentives aimed at ensuring that social benefits exceed the tax breaks received. In such cases, tax-exemptions, tangled with a lack of regulatory oversight, encourage negligent performance efforts (Heese et al., 2016) and therefore reduce community benefit (Rubin et al., 2013).

**Category exclusion.** Social enterprises have traditionally been viewed as the dominant mechanism for positive change (Arnsberger et al., 2009; Tocqueville, 2003). The Revenue Act (in the US) introduced section 501, and over time tax-exempt status has become a

<sup>1</sup> Stephan et al. (2016) define positive social change as the process of transforming patterns of thought, behavior, social relationships, institutions, and social structure to generate beneficial outcomes for individuals, communities, organizations, society, and/or the environment beyond the benefits for the instigators of such transformations (p.1252).

<sup>2</sup> The full list can be found in Appendix A.

**Table 1**  
The surge of SCAM - value-detracting situations in social impact ecosystems.

PSC component	Basic assumptions	Contribution <sup>a</sup>	Evidence <sup>b</sup>	Value detractor
<b>Social enterprises</b> Positive social change efforts are initiated by social enterprises operating in SIEs	Social enterprises prioritize public over private value. They exist as a category that aims to contribute to society and should be observed and examined as such. TE is an effective, decentralized mechanism to distinguish those that contribute more to PSC.	TE allows for identifying, classifying, and rewarding those social enterprises that best contribute to PSC, which enable a more cost-effective allocation of resources.	TE is seen as a defining characteristic of social enterprises contributing to PSC in SIEs. TE social enterprises are considered as the de facto creators of community benefits, hence ought to be the sole recipients of tax benefits. TE social enterprise category tends to exclude non-TE social enterprises from positive change efforts and outcomes in SIEs.	<b>Category exclusion</b>
<b>Multi-level bottom-up processes</b> Social enterprises foster changes in patterns of thoughts, behaviors, and social relationships within SIEs.	Social enterprises are intrinsically motivated to initiate and engage in positive change processes. TE is an effective mechanism to encourage collective action and promote behavioral change toward PSC.	Social enterprises using TE are better positioned to engage in collective, multilevel bottom-up social change processes.	TE social enterprises use the tax exemptions trumpet to misdirect SIE actors, arguing that they care and deliver more, whilst non-TE social enterprises do not. TE leads to faulty signals regarding TE social enterprise actions and positive change contributions.	<b>Ambiguous signaling</b>
<b>Organizational practices and strategies</b> Internal tools and procedures that social enterprises deploy to organize, manage, and execute PSC projects within SIEs	Given the charitable nature of the category, social enterprises' mechanisms, practices, and strategies are directed, first and foremost, toward PSC. TE legitimizes mechanisms, practices, and strategies used by social enterprises, given their intended direction.	Social enterprises using TE can develop more efficient PSC mechanisms, practices, and strategies, thus delivering higher community benefits within SIEs.	TE legitimizes mechanisms, practices, and strategies used by TE social enterprises in pursuit of PSC, based on intentions and not on outcomes. PSC promises are not checked. TE may be inadvertently awarding legitimacy to underperforming social enterprises.	<b>Misleading legitimacy</b>
<b>Transformational outcomes</b> Immediate outcomes and changes and beliefs, attitudes, and meanings resulting from the efforts of social enterprises	Social enterprises' efforts are naturally conducive to PSC outputs and outcomes, so the social value is assumed to be created ex-ante and no post-hoc verification is needed. TE strengthens social enterprise performance and enables transformational outcomes.	TE allows social enterprises to transform units of public goods and services into PSC transformational outcomes. Given the nature of change, no verification mechanisms are needed.	There is no proven relationship between TE and social enterprise performance. TE leads to unwarranted acceptance of inefficiencies, frail governance structures, and limited reporting. TE encourages institutionalization of managerial irresponsibility and suboptimal performance within SIEs.	<b>Suboptimal performance</b>

<sup>a</sup> Contribution of tax-exemptions to positive social change in social impact ecosystems.

<sup>b</sup> Evidence review can be found in [Appendix A](#).

constitutional classification mechanism. [Walker and Sipult \(2011\)](#) argue that this tax exemption is indeed a defining regulatory feature of the category, arguably central to cementing the social enterprise sector, which can help differentiate those who contribute to PSC within a SIE from those who do not. Here, the phenomenon of tax-exempt categorization is significant because it facilitates the explanation and justification of differences among social enterprise types ([Navis and Glynn, 2010](#)). Such categorization has helped social enterprises communicate who they are, what they do, and why they matter, thereby justifying their distinctiveness, legitimacy, and group membership ([Vergne and Wry, 2014](#)). In this case, the predominant narrative has been that some nonprofit social enterprises should be given tax exemptions because net income cannot be coherently defined for nonprofits, nonprofits are deliberately being subsidized by the government through the exemption, and/or nonprofits have a historic legacy of being excluded from the tax base ([Rushton, 2007](#)).

The problem here is that efforts to categorize organizations, through tax exemptions, may be excessive and even disruptive, thereby creating a detrimental category exclusion. This is the case when some tax-exempt social enterprises declare ownership over prosocial efforts and the associated benefits. When a social enterprise argues that their tax exemption is a defining feature of their positive change category and status ([Dal Pont, 2015](#); [Hines et al., 2010](#); [Mayer, 2012](#)), this is a sign that something might be wrong. In some cases, tax-exempt social enterprises attract excessive attention and are perceived to be more valuable for positive change than non-tax-exempt enterprises, even though the value produced may be similar ([Cram et al., 2010](#)). This frequently occurs in conditions where non-tax-exempt enterprises, interested in contributing to positive change, compete for a smaller market share and have no access to tax incentives ([Kanaya et al., 2015](#)). Evidence shows that many grassroots social enterprises create more value than tax-exempt ones ([Til, 2009](#)), which means that the tax-exempt category claims may be undermining the work and contributions of grassroots organizations and for-profit social enterprises ([Til, 2009](#)). The unintended exclusion of non-tax-exempt social enterprises

creates a false dichotomy and may have negative impacts on positive change efforts; most notably a significant loss of collective expertise on how to tackle complex social problems.

**Ambiguous signaling.** Signaling a category involves transmitting information about objectives, behaviors, or impacts. As seen, tax-exemptions are a defining part of some social enterprises. A related sign that something might be wrong relates to ambiguous signaling, where some of these enterprises may be utilizing a tax-exempt trumpet to misdirect their constituents. The root of this signaling quagmire is a general perception that non-tax-exempt enterprises (i.e., hybrids, private or public companies) are less suited to provide solutions for community goals and positive change when compared to tax-exempt organizations.

In healthcare, for example, both nonprofit and for-profit hospitals provide community benefits and duty of care. There are differences in how much community benefits they deliver, but the difference is not large enough to justify the size of the tax exemptions (Hyman and Sage, 2006). In the instances where tax-exempt social enterprises provide marginally more value, their tax exemption is not the cause (Bloche, 2006). The bottom line is that tax exemptions may not lead to greater community benefits (Rubin et al., 2013). Therefore, the signaling that tax-exempt social enterprises care more, and deliver more, whilst the others do not, is misleading.

Yet, signaling problems cannot be solely attributed to the social enterprises benefiting from tax incentives. Countersignals and noise, as well as the attention and interpretation of the receiver, also contribute to ambiguous signaling issues within SIEs (Connelly et al., 2011). Simply put, when ecosystem actors believe that tax-exempt social enterprises are the primary source of positive change, stakeholders may place an over-emphasis on their charitable actions, regardless of what they are doing. This, we argue, impacts efforts to capture signs that suboptimal performance and category exclusion might be in play, and see a range of honest, reliable, and observable communication that inspires collective aspirations and purposeful action across varying organizational forms.

**Misleading legitimacy.** Navis and Glynn (2011) suggest that firms attempt to achieve legitimacy by constructing identities of who they are and what they do. They do this so that their constituent base rewards them with approval. In this case, the conferred legitimacy translates into further donations, income, political support, and societal admiration (Byrd and Landry, 2012). Tax-exempt social enterprises have developed extremely powerful and legitimized brands for themselves. At the core of their brand identity and actions is a protected legitimacy that, more often than not, starts from the tax exemption. This projected legitimacy is problematic in some cases, where tax-exempt ventures detract value and prompt negative change/value within SIEs, yet remain admired due to their brand and the causes they tackle (Hundley and Taggart, 2013). In these situations, we argue, tax-exemptions may create unwarranted legitimacy, thereby misleading the constituent base. In the case of tax-exempt status, the trust bestowed on tax-exempt social enterprises may be inappropriately given. This is a sign that something might be wrong, and positive change may slow down or not be delivered. Tax-exempt status may be inadvertently awarding legitimacy to an underperformer, stifling scale in implementation, and reducing positive change impact.

### 2.3. MEND(ing) through principled collective action

*What can be done about this situation?* Instead of focusing on fixing practices or what individual agents do wrong once tax exemptions are granted, we argue that instances leading to a slowing down of social change can be better mended through principled collective action (PCA). PCA can bind SIE actors together, assist in the formation of a common identity and interests, and provide a means for strategic action (King, 2008). We posit that tax exemptions can remain as an incentive, but no longer as a foundational principle, delineating who is supposed to deliver positive change and who does not. It is the meaning of tax exemption that sits in the driver's seat of value deduction, more so than the actual monetary benefit that comes with it. A community of social enterprises can move the focal point from taxation as an instigator of community benefit within SIEs, to principled collective action.

Collective action involves two distinct levels (Heckathorn, 1996): the personal contributions of individual agents to foster positive change (e.g., interventions of social entrepreneurs) and the selective incentives to reward first-level cooperators or punish first-level value-detractors. For successful collective action, policymakers and SIE actors would need to recognize their common problems, be motivated to participate in redirected efforts, and provide institutionalized routines for achieving collective ends (King, 2008). SCAM can help SIE actors develop a common view of the problems and identify potential misalignments between the organizations' social mission and public agendas, in the pursuit of positive change. If tax-exemptions set SIE actors apart, an alternative set of principles is needed for individual agents to cooperate in the pursuit of positive change. This is the 'principled' nature of our collective action. There are four counteracting principles to our MENDING approach – Magnify category; Entangle signals; Networked value; and Dismiss contentment.

**Magnify category.** If category exclusion describes the inability of onlookers to appreciate the role of alternative categories, in the attainment of positive change, *magnify category* involves the broadening of the "meaningful conceptual system" that contains prosocial enterprises (Navis and Glynn, 2010). Category expansion can create a more inclusive system of classification, which can counteract the costs of category exclusion, the loss of organizational know-how, expertise, and collective wisdom. These, if retained, can be invested into solving issues of social and economic inequality. Such efforts are defined and legitimized by consequential inputs, processes, and outcomes, not by a category of organizations receiving similar non-verified tax benefits. *Magnify category* functions as a magnifying glass. Under this principle, SIE should no longer classify actors according to whether they do or do not receive tax benefits. Any organizational form can deliver positive social change and all organizations opting in are put under the same positive change microscope.

**Entangle signals.** Ambiguous signaling interferes with what communities hear and understand, regarding important information about positive actions, outputs, and outcomes, from a variety of organizational forms. Many tax-exempted social enterprises transmit low-quality signals when it comes to community goals and multilevel positive change. In doing so, confusion and/or misdirection occurs, regarding who is doing what about positive change in a SIE. Leveraging an already magnified category, the entanglement of signals promotes the development of a signaling network, with multiple data points and feedback loops, to reinforce what is sent to,

and heard by, stakeholders. It thus functions as hearing aid and may comprise several consequential ecosystem outcomes, such as collective envisioning and goal setting, coordinated actions, and peer reinforcement and enforcement. It thus calls for an opt-in incentive structure that is geared towards all social enterprises part of a SIE. Under this principle, decentralized hubs of dedicated communication specialists can be set up to share positive change efforts within their communities, which will be responsible for transmitting PSC information on behalf of the social impact network. This would likely facilitate clearer signals of positive change efforts, while simultaneously aligning managerial efforts and accountability (Kitching, 2009). As a result, we would expect to see three changes. First, the encouragement of multilevel collaboration that harnesses collective efforts and direction. Second, positive organizational behavioral change because the positive change network would likely be focused on the scalability of group efforts. Third, community behavioral change from communities interested in PSC, that will have to set up and pay for external signalers.

**Networked value.** Tax-exemption legitimizes positive change efforts ex-ante, granting membership into a category whatever the outcome. In the absence of strong oversight, a likely outcome is limited measurable behavioral and material changes. Without the needed measurement principles to guide organizational practices and strategies, positive change becomes an elusive ambition. Due to the minimal outcome and impact oversight, tax-exempt social enterprises can simply pick and choose from ‘facts’ that support their declared purposes. Rather than the full transparency of predetermined outcomes, and third-party audits, stakeholders convince themselves of and reinforce their selected truths. As a result, the positive change delivered becomes a twisted version of the positive change envisioned.

The networked value principle counteracts this issue by establishing a multi-party audit of the collective actions of all participating social enterprises as a central guideline. This principle would operate as an ongoing evolution of collective positive change impact and reporting dialogue that focuses on measurement strategies that could be established within a SIE. Integrated reporting has demonstrated the benefits associated with capturing and disclosing positive change information (Barth et al., 2017). A similar approach could be applied toward a collective positive change report. The goal would be to accrue a record of organizations that have collectively demonstrated and verified their actions, to bolster trust. The aim would be to reduce illegitimate claims, which might have a significant effect on how much tax-exempt social enterprises disclose and on how donors react in consequence. As a result, we would expect to see that, when organizations act together, a peer applied collective reporting treatment could be a seal of legitimate actions leading to higher levels of positive change. In these instances, organizations that are equally, or more capable, of responding to positive change goals, should be awarded greater legitimacy, regardless of tax status.

This principle would aim for open-access record-keeping of positive change health, followed by verifiable performance checkups at the end of the year. As a result, we would expect to see that positive change verification would be evaluated ex-post. This would assist in rewarding those that scale up their positive change efforts and networks thereof.

**Dismiss contentment.** There are inherent risks for positive change when apathy toward managerial responsibility, governance, and optimal performance spreads. The risk grows when the mechanisms used to change behaviors – regulation and codes of conduct – are seen as an unnecessary burden and have no effects at best. We propose that the dismissal of contentment is a central piece to reverse this trend.

The question is how to turn managerial irresponsibility into something alarming within a collective of social enterprises operating in a SIE. We argue this requires increasing awareness about three invisible enemies: moral self-licensing, trust fallacy, intention attribution. First, charitable work may increase the confidence and improves the self-image of the entrepreneur. However, there is often a perception that a ‘good deed’ done, liberates one from future responsibilities (moral self-licensing), opening a fuzzy space where they can engage in behaviors that are problematic and can counteract the positive change. This principle should help communities to remain critical about what good behavior allows them to do. Second, since these social enterprises do charitable work, which is perceived as inherently good, the public tends to trust all future aspects relating to the behavior of the social enterprise. Yet, trustworthiness in the social sector, or any sector for that matter, should not be assumed. If the dismissal of contentment is kept front and center, entrepreneurs and policymakers can easily avoid the trust fallacy trap, where the public ought to trust nonprofits, given the morality of their goals. The final invisible adversary involves misleading attribution. Historically in the world of tax-exempt social enterprises, trustworthiness is attributed to their purpose, not to their actual behavior. This is evident in how tax-exemptions are granted. The evidence shows that this is not necessarily the case. We argue here that the voluntary disclosure of behaviors – *what I have done, instead of what I am ought to be doing* – within SIEs could be a step in a more productive direction, reinforcing self-regulation as part of principled collected action.

### 3. Contribution to entrepreneurship policy

This paper challenges the dominant logic that the tax-exemptions given to social enterprises are effective for increasing positive change within SIEs. We suggest that tax exemptions may create negative outcomes and slow down positive change. We offer a framework, SCAM/MEND (summarized in Table 2), to equip policymakers with an artifact to identify situations where positive change within SIEs might be slowing down and a set of principles to redirect positive change efforts.

The SCAM/MEND provides the policy agents with a ground-level perspective for actionable decision-making to impact internal and external stakeholders. Stephan et al. (2016) posit that such change is a “bottom-up” process where changes in patterns of thoughts, behaviors, and social relationships among individuals underlie changes in organizations, industries, communities, regions, or even nations and their social structure and formal and informal institution. In this way, our framework acts as a perpetual to-do list with guiding principles that can be used as tools for change within SIEs, by encouraging thoughtful discussions about existing norms, behaviors, and relationships. Ultimately, ecosystems are narrated social realities (Muñoz et al., 2020); a collection of meanings, values, practices, and experiences. While the four principles in MEND can be reasoned and used independently, they can better serve

**Table 2**  
The collective contribution of MEND.

Principle	Counteracting effect	Contribution to SIE
Magnify category	Counteracts category exclusion by broadening the conceptual system that contains social enterprises aiming at positive social change.	It allows policymakers and SIE actors to think, observe and analyze how social enterprises can opt into positive change efforts. These positive change efforts are initiated through the development of a collective vision and goals, not by the association of tax benefits.
Entangle signals	Counteracts ambiguous signaling by promoting signaling networks, which can host collective envisioning and goal setting, coordinated actions and peer reinforcement and enforcement.	With a network of social entrepreneurs formed, the notion of <i>Entangle signals</i> allows policymakers to think, observe and analyze the continuous coordination and communication within an externally incentivized and internally reinforced/enforced network of social enterprises.
Networked value	Counteracts misleading legitimacy by enacting multi-party audit of the collective actions.	To avoid unsupported legitimacy claims, <i>Networked value</i> serves as observing and analyzing auditing and reporting mechanisms within a SIE. It moves social enterprises away from unsubstantiated performance claims, through post-hoc evaluation and verification co-created by the network of participating organizations over time.
Dismiss contentment	Counteracts suboptimal performance by raising awareness of potential institutionalization of managerial irresponsibility.	It helps policymakers and SIE actors recognize and move away from the three invisible enemies that prompt the institutionalization of managerial irresponsibility: moral self-licensing, trust fallacy, intention attribution.

policymakers and SIE actors when considered together. [Table 2](#) explains how the different principles play a counteracting role facing SCAM and the collective contribution of MEND to the functioning of social impact ecosystems.

Extending from our SCAM/MEND framework we also offer entrepreneurship policymakers a set of guiding questions for assessment and reflection within SIEs ([Table 3](#)). These assessment and reflection questions should provide policymakers with meaningful insights on the contributions to social change, made by the broader enterprises operating in SIEs.

In addition, this paper also provides entrepreneurs, and other ecosystem actors, insights that can be utilized to gain strategic advantage, in the sense that it acts as a lens to evaluate novel approaches toward organizational forms (i.e., business model), and as a mechanism to communicate organizational intentions, efforts, and outcomes clearly to ecosystem actors.

Finally, the SCAM/MEND framework helps from an evolutionary ecosystem perspective, in terms of transformational change. In line with Stephan et al. we make a distinction between changes in behavior that can be observed more directly and immediately and changes in behavior that are based on altered beliefs, attitudes, and meanings. In moving from immediate competition toward community collaboration, we offer a way to think more broadly about the meaning and collective understanding of tax exemptions. This represents a shift in the way we talk about social impact ecosystems and our expectations for better prosocial outcomes. In doing so SCAM/MEND contributes to improving the nexus between policy agents, entrepreneurial actions, ecosystems, and recipient/community benefits.

### Ethical approval

This article does not contain any studies with human participants performed by any of the authors.

### Informed consent

This article does not contain any studies with human participants, therefore informed consent was not required.

### Author contribution

The authors contributed equally to the development of this paper.

**Table 3**  
Guiding questions for assessment and reflection.

Assessment questions - SCAM	Reflection questions - MEND
What efforts are being made to address inefficiencies and accountability within the SIE?	What is being (can be) done to foster open and transparent discussions of analysis findings (both positive and negative)?
What are the potentially spurious cues that are being used to justify organizational existence within the SIE?	What is being (can be) done to highlight social enterprises within the SIE that are working together to improve community benefits and PSC?
How authentic and verifiable is the communication of social value creation within the SIE?	What is being (can be) done to build collective positive change reporting mechanisms within the SIE?
How has the conferred approval of the social enterprises within the SIE been assessed, and by which external constituents?	What is being (can be) done to offer remedial participatory opportunities for social enterprises within the SIE not meeting community expectations?

## Declaration of competing interest

The authors declare no conflict of interest.

## Appendix A. Papers reviewed

	Paper title	Year	Journal	Discipline
1	An investigation of fraud in nonprofit organizations: Occurrences and deterrents	2007	Nonprofit And Voluntary Sector Quarterly	Sector studies
2	The Constitutional Duty to Supervise	2015	Yale Law Journal	Law
3	Funding faction or buying silence? Grants, contracts, and interest group lobbying behavior	2006	Policy Studies Journal	Public sector
4	The Value of The Nonprofit Hospital Tax Exemption Was \$24.6 Billion In 2011	2015	Health Affairs	Public sector
5	Comparative performance and quality among nonprofit nursing facilities in Texas	2006	Nonprofit And Voluntary Sector Quarterly	Sector studies
6	The attack on nonprofit status: a charitable assessment	2010	Michigan Law Review	Law
7	The community income theory of the charitable contributions deduction	2005	Indiana Law Journal	Law
8	A Paradigm Shift in Third Sector Theory and Practice Refreshing the Wellsprings of Democratic Capacity	2009	American Behavioral Scientist	Social sciences
9	The role of tax exemption in a competitive health care market	2006	Journal Of Health Politics Policy and Law	Public sector
10	Evaluating Hospitals' Provision of Community Benefit: An Argument for an Outcome-Based Approach to Nonprofit Hospital Tax Exemption	2013	American Journal of Public Health	Public sector
11	Governance and community benefit: Are nonprofit hospitals good candidates for Sarbanes-Oxley type reforms?	2008	Journal Of Health Politics Policy and Law	Law
12	The Impact of the Individual Mandate and Internal Revenue Service Form 990 Schedule H on Community Benefits From Nonprofit Hospitals	2012	American Journal of Public Health	Public sector
13	Calibrating the Reliability of Publicly Available Nonprofit Taxable Activity Disclosures Comparing IRS 990 and IRS 990-T Data	2009	Nonprofit And Voluntary Sector Quarterly	Sector studies
14	Nonprofit taxable activities, production complementarities, and joint cost allocations	2003	National Tax Journal	Public sector
15	A Mixed-Methods Approach to Understanding Community Participation in Community Health Needs Assessments	2017	Journal Of Public Health Management and Practice	Public sector
16	Borrowing for the Public Good: The Growing Importance of Tax-Exempt Bonds for Public Charities	2016	Nonprofit And Voluntary Sector Quarterly	Sector studies
17	Community benefits provided by religious, other nonprofit, and for-profit hospitals: A longitudinal analysis 2000Y2009	2014	Health Care Management Review	Public sector
18	Not-for-Profit Hospital CEO Performance and Pay: Some Evidence from Connecticut	2010	Inquiry-The Journal of Health Care Organization Provision And Financing	Public sector
19	Determinants of nonprofits' taxable activities	2009	Journal Of Accounting and Public Policy	Accounting
20	Perspective - Tax preferences for nonprofits: From per se exemption to pay-for-performance	2006	Health Affairs	Public sector
21	Institutional Pressures to Provide Social Benefits and the Earnings Management Behavior of Nonprofits: Evidence from the US Hospital Industry	2016	Contemporary Accounting Research	Accounting
22	Fraud and Corruption in US Nonprofit Entities: A Summary of Press Reports 2008–2011	2015	Nonprofit And Voluntary Sector Quarterly	Sector studies
23	Tax Planning for Marijuana Dealers	2014	Iowa Law Review	Law
24	Social impact bonds and the private benefit doctrine: will participation jeopardize a nonprofit's tax-exempt status?	2013	Fordham Law Review	Law
25	The Independent Sector: Fee-for-Service Charity and the Limits of Autonomy	2012	Vanderbilt Law Review	Law
26	The Financing and Programming of Advocacy in Complex Nonprofit Structures	2010	Nonprofit And Voluntary Sector Quarterly	Sector studies
27	The plight of the not-for-profit	2005	Journal Of Healthcare Management	Public sector
28	The NCAA, tax exemption, and college athletics	2010	University Of Illinois Law Review	Law
29	Putting the Community Back in Community Benefit: Proposed State Tax Exemption Standard for Nonprofit Hospitals	2009	Indiana Law Journal	Law
30	Perspective - Nonprofit ownership, private property, and public accountability	2006	Health Affairs	Public sector
31	The compliance costs of maintaining tax-exempt status	2006	National Tax Journal	Law
32	Incomplete Markets and Imperfect Institutions: Some Challenges Posed by Trust for Contemporary Health Care and Health Policy	2016	Journal Of Health Politics Policy and Law	Public sector
33	Federalization of the Law of Charity	2014	Vanderbilt Law Review	Law
34	Distinguishing Community Benefits: Tax Exemption Versus Organizational Legitimacy	2012	Journal Of Healthcare Management	Public sector
35	Not what the doctors ordered: nonprofit hospitals and the new corporate governance requirements of the form 990	2011	University Of Illinois Law Review	Accounting
36	The sexual integrity of religious schools and tax exemption	2017	Harvard Journal of Law And Public Policy	Accounting
37	How Do Nonprofits Respond to Regulatory Thresholds: Evidence From New York's Audit Requirements	2016	Journal Of Policy Analysis and Management	Public sector
38	What Should We Expect? A Comparison of the Community Benefit and Projected Government Support of Maryland Hospitals	2016	Medical Care Research And Review	Public sector
39		2016	Journal Of Urban History	Planning

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	Paper title	Year	Journal	Discipline
	We Will Gladly Join You in Partnership in Harrisburg or We Will See You in Court: The Growth of Large Not-for-Profits and Consequences of the Eds and Meds Renaissance in the New Pittsburgh			
40	Conceptualising charity in State taxation	2015	Australian Tax Review	Law
41	An egg vs. An orange: a comparative study of tax treatments of nonprofit organizations	2015	Frontiers Of Law in China	Law
42	A case study of legislation vs. Regulation: defining political campaign intervention under federal tax law	2014	Duke Law Journal	Law
43	Predicting Use and Solicitation of Payments in Lieu of Taxes	2014	Nonprofit And Voluntary Sector Quarterly	Sector studies
44	Nonprofit Sales Tax Exemption: Where Do States Draw the Line?	2011	Nonprofit And Voluntary Sector Quarterly	Sector studies
45	Nonprofits: Are You at Risk of Losing Your Tax-Exempt Status?	2009	Iowa Law Review	Law
46	State-Level Community Benefit Regulation and Nonprofit Hospitals' Provision of Community Benefits	2018	Journal Of Health Politics Policy and Law	Public sector
47	A new model for oversight of commercial activities by nonprofits?	2018	Fordham Law Review	Law
48	Comparing the Value of Nonprofit Hospitals' Tax Exemption to Their Community Benefits	2018	Inquiry-The Journal of Health Care Organization Provision and Financing	Public sector
49	Charity registration and reporting: a cross-jurisdictional and theoretical analysis of regulatory impact	2018	Public Management Review	Public sector
50	Do nonprofits manipulate investment returns?	2017	Economics Letters	Economics
51	Local Officials' Support for PILOTs/SILOTs: Nonprofit Engagement, Economic Stress, and Politics	2016	Public Administration Review	Public sector
52	Are PILOTs property taxes for nonprofits?	2016	Journal Of Urban Economics	Planning
53	Leveling the playing field: the taxpayer relief act of 1997 and tax-exempt borrowing by nonprofit colleges and universities	2016	National Tax Journal	Accounting
54	Thou shalt not electioneer: religious nonprofit political activity and the threat god pacs pose to democracy and religion	2016	Michigan Law Review	Law
55	The Church and the Tax Law: Keeping Church and State Separate	2015	Ata Journal of Legal Tax Research	Accounting
56	The Property Tax Exemption in Pennsylvania: The Saga Continues	2015	Nonprofit Policy Forum	Sector studies
57	Abandoning property taxes assessed on fallow nonprofit property	2012	University Of Illinois Law Review	Law
58	Board Oversight of Community Benefit: An Ethical Imperative	2011	Kennedy Institute of Ethics Journal	Ethics and SR
59	Is Senator Grassley Our Savior? The Crusade Against Charitable Hospitals Attacking Patients for Unpaid Bills	2011	Iowa Law Review	Law
60	An empirical investigation of for-profit and tax-exempt nonprofit hospitals engaged in joint ventures	2004	Health Care Management Review	Public sector
61	Improving Charity Accountability: Lessons From the Scottish Experience	2017	Nonprofit And Voluntary Sector Quarterly	Sector studies
62	The Determinants of Voluntary Financial Disclosure by Nonprofit Organizations	2012	Nonprofit And Voluntary Sector Quarterly	Sector studies
63	The Governance of Nonprofit Organizations: Integrating Agency Theory with Stakeholder and Stewardship Theories	2011	Nonprofit And Voluntary Sector Quarterly	Sector studies
64	Is Income Tax Exemption for Charities a Subsidy	2011	Tax Law Review	Law
65	Managed Morality: The Rise of Professional Codes of Conduct in the US Nonprofit Sector	2016	Nonprofit And Voluntary Sector Quarterly	Sector studies
66	Why Bad Things Happen to Good Organizations: The Link Between Governance and Asset Diversions in Public Charities	2017	Journal Of Business Ethics	Ethics and SR
67	The Determinants of Charity Misconduct	2018	Nonprofit And Voluntary Sector Quarterly	Sector studies
68	Very Public Scandals: Nongovernmental Organizations in Trouble	2001	Voluntas	Sector studies
69	Should nonprofits seek profits?	2005	Harvard Business Review	General management
70	Who Gains from Charitable Tax Credit Programs? The Arizona Model	2005	Public Administration Review	Public sector
71	Reengineering Nonprofit Financial Accountability: Toward a More Reliable Foundation for Regulation	2003	Public Administration Review	Public sector
72	Fraud survival in nonprofit organizations: Empirical evidence	2018	Nonprofit Management & Leadership	Sector studies
73	The Causes and Consequences of Internal Control Problems in Nonprofit Organizations	2011	Accounting Review	Accounting
74	Anatomy of the Nonprofit Starvation Cycle: An Analysis of Falling Overhead Ratios in the Nonprofit Sector	2015	Nonprofit And Voluntary Sector Quarterly	Sector studies
75	Accountability.org: Online Disclosures by US Nonprofits	2015	Voluntas	Sector studies
76	The Impact of Regulation on the U.S. Nonprofit Sector: Initial Evidence from the Nonprofit Integrity Act of 2004	2011	Accounting Horizons	Accounting
77	The effectiveness of fraud detection instruments in not-for-profit organizations	2015	Managerial Auditing Journal	Accounting
78	Saving the Moral Capital of NGOs: Identifying One-Sided and Many-Sided Social Dilemmas in NGO Accountability	2017	Voluntas	Sector studies
79	Will You Trust Me? How Individual American Donors Respond to Informational Signals Regarding Local and Global Humanitarian Charities	2017	Voluntas	Sector studies
80	Early Responders, Late Responders, and Non-responders: The Principal-Agent Problem in Board Oversight of Nonprofit CEOs	2014	Human Service Organizations Management Leadership & Governance	General management

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	Paper title	Year	Journal	Discipline
81	Societal trust and the economic behavior of nonprofit organizations	2017	Advances In Accounting	Accounting
82	Relationships and resources: the isomorphism of nonprofit organizations' (NPO) self-regulation	2018	Public Management Review	Public sector
83	Empowering Employees to Prevent Fraud in Nonprofit Organizations	2015	Penn Law	Law
84	Non-governmental Organizational Accountability: Talking the Talk and Walking the Walk?	2015	Journal Of Business Ethics	Ethics and SR

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