

Social Entrepreneurship in China: models, dynamics, challenges and opportunities

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Abstract

Social entrepreneurship (SE) has been one of the most rapidly developing concepts among the academic world and also in society. Its significance could be partly explained by the fact that traditional non-profits and philanthropy have not been successful in solving some of the world's major social problems. However, there seems to be a void in China's position in the topic while in fact China seems to be a land full of opportunities for SE undertakings: while experiencing rapid economic development, the country could find itself trapped in a snowball of social issues: pollution, aging society, wide wealth gap, development disparity in regions and so on. This thesis attempts to find out what has the current research found out about SE and its definition and how it has been developing in China. Another aim of this thesis is to locate an analytical framework to examine social enterprises.

The thesis adopts primarily a qualitative analysis approach. Specifically, large parts were constructed through literature review on the two topics that the research questions are concerned with. The empirical part is facilitated through a case study. A single case design is chosen, because in this way the focus into an organization can be deeper. Field visits to the company and its service centres were conducted, together with interviews with its founder and one board member.

At least half a dozen definitions regarding SE has been developed, although consensus is yet to be found among different definitions, there are three core principles that are shared: the endeavour has to be profit driven, which sets it apart from traditional charities; while keeping its core in social value creation, which has to be prioritize over the creation of monetary gains; and can occur in many different sectors and take on many different organizational forms. When examining the specific Chinese context, five driving forces are identified, many of which byproduct of the rapid economic development. On the other hand, SE in China faces a range of difficulties, many of which are unique to the Chinese context. Currently, there is no established legislative framework specifically designed to regulate social enterprises, which is constituted in between traditional social organizations and conventional businesses. The nature of the Chinese government also limits social enterprise's operating scale, especially in politically grey areas, which is often a major area for social enterprise to focus on in other countries. Additionally, social enterprises in China struggle financially with capital accumulation and often find it hard to retain talents.

A revised analytical framework based on two existing multi-dimensional models is constructed. Elements from both are combined to encompass a holistic view that includes both internal and external factors to examine social enterprises. In the center rests the core of social enterprises: its social value proposition.

This thesis serves just as a tip of the giant domain of SE, playing an informative role to acquaint fellow readers with the concept of SE and elaborate on the research gap of where China lands in a global SE map. With the help of previous research, an updated version of the framework is also completed, incorporating both external and internal focuses into discussion and hopefully could suggest certain directions for future research on this areas.

Keywords Social Entrepreneurship, social value, entrepreneurship, non-profits, social innovation

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1 Introduction

“One of the newest figures to emerge on the world stage in recent years is the social entrepreneur. This is usually someone who burns with desire to make a positive social impact on the world, but believes that the best way of doing it is, as the saying goes, not by giving poor people a fish and feeding them for a day, but by teaching them to fish, in hopes of feeding them for a lifetime.”

Thomas L. Friedman

While things like access to food and clean water may seem obvious and often taken for granted for the general public in most developed countries, such fundamental needs remain indeed unsatisfied in large parts of the world (World Bank, 2003). It is not surprising for us to find out that basic services simply are not being provided to those who struggle for the very basics of surviving. The struggle therefore calls for an examination of what can be done when the current system of service provision fails to be ensured for those who need it the most. While an exchange student at the University of British Columbia in Vancouver, Canada, I had the privilege to be introduced to social entrepreneurship, as it was one of the most promoted innovation concepts and was offered as an academic subject to MBA students.

1.1 Background and motivation

One of the most well-known traditional entities that support the poor and serve the society good has been non-profit organization, including but not limited to charitable organizations. As a result, most of the efforts dedicated into this direction are of charity nature – to simply give things for free as a means to help, much of which relies solely on altruism. However, the outcome of this approach turns out to be poor – one cannot simply keep feeding the poor and expect the problem to be resolved. In recent years, however, more and more attention is being paid to empower those in poverty to feed themselves.

Awareness for social issues regarding the most fundamental form of human needs such as poverty, hunger and lack of access to education and medical services have been raised more than a few times during the past several decades, leading to worldwide efforts being dedicated

to relieve the suffering of those affected. As part of the development timeline towards a better life for the entire population, the quest to achieve a development mode that is not only beneficial to our own generation, but also sustainable enough to support future generations, dubbed as sustainable development (SD) by the United Nations World Commission on Environment and Development in 1987, which publically defines it as ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’ became and remains one of the most urgent issues facing the global community right now (World Bank, 2015).

In order to achieve these goals, it takes the efforts of not only intergovernmental organizations such as the UN, but rather, the success of the execution of those goals lie undoubtedly in the hands of everyone: NGOs, non-profit organizations, and all other forms of organizations and corporations, both in the public and the private sector. However, less and less hope can be seen from relying on the traditional business sector to contribute to the problem because of one obvious paradox: those who are in need of those fundamental services and goods are willing to pay for them, but often find themselves unable to, thus making themselves, as one specific segment of potential customers, unattractive to companies that are looking for opportunities for growth (Seelos and Mair, 2005). While the traditional businesses keep failing the needs of the poor, it gives an opportunity for entrepreneurs with a social vision to rise to the stage, creating a new phenomenon as ‘social entrepreneurship (SE)’, which aims to create new business models to serve the poor (Drayton, 2002; Seelos and Mair, 2005).

1.2 Objectives and research question

While social entrepreneurship has gained considerable attention in recent years, the research in this area is still very much in a fuzzy stage. With most of its successful examples in practice mainly in developing countries such as Bangladesh and India, most of the academic research on it is done in developed countries such as the United States and in Europe. The concept of social entrepreneurship remains without a concrete definition. The growing interest towards social entrepreneurship, however, is very evident. Martin and Osberg (2007) attribute the growing popularity to two reasons: people’s interest and fascination towards social entrepreneurs and the potential of social entrepreneurship to drive social change. On the practical side, social entrepreneurship has enjoyed success in facilitating social change in especially developing countries, with many notable examples in Asia. However, China, the

world's second biggest country by population, seems to have been left behind in embracing this innovation.

The objective of this thesis aims to answer the following two major research questions:

1) What exactly is known about Social Entrepreneurship (SE)?

2) What is the situation of Social Entrepreneurship development in China?

The angle through which this thesis takes to examine it is to view social entrepreneurship 1) as a powerful means of service provision, especially one that aims to serve the poor, i.e. to create and provide services that never was reachable to them before, and 2) as a business model innovation that combines business tools to enable social transformation. As social entrepreneurship in general encompasses a huge range of service industries, for the purpose of this thesis two are selected as examples: financial service, as in the case of Grameen Bank of Bangladesh, and senior care service, as in the case of Golden Sun Elderly Care of China.

1.3 Earlier research and research gap

Evidence has suggested that solving social issues is a shared responsibilities, including the business sector, which alerts us to broaden our view to not just focus on non-profit ventures, but also look for opportunities in the for-profit sector, such as business ventures with a social purpose (Austin et al., 2006; Dees, 1998). During the past decade, the practice of combining economic and social value creation has grabbed the attention of practitioners and academics (Mair and Marti, 2006), giving birth to a wide debate over the concept of social entrepreneurship (SE). This led to a large amount of research done in trying to define social entrepreneurship. Still in its early days of precise conceptualization, social entrepreneurship bears much influence from the concept of conventional entrepreneurship while considerable differences also exist, and continues to be recognized as a new form of social innovation and an effective tool that utilizes business expertise to solve social problems, especially defying the obstacles that have prevented conventional businesses from providing services to the poor (Seelos and Mair, 2005).

Attention to social entrepreneurship reached another height when Dr, Muhammad Yunus, together with the Grameen Bank, received the 2006 Nobel Peace Prize for their efforts through microcredit to create economic and social development from below. In fact, Bangladesh can be seen as the global pioneer in social entrepreneurship. It established the Bangladesh

Rehabilitation Assistance Committee (BRAC) in 1972 in an effort to help the returnee war veterans and soon developed into a major development organization focused on empowering the poor and landless (BRAC, 2015). India, for one, is also known for its efforts on social entrepreneurship development. One major milestone can be traced as far back as 1973, when the Padma Shri award was awarded to Dr. Govindappa Venkataswamy, who founded the Aravind Eye Hospitals, which had a huge impact on eradicating cataract-related blindness in India (Aravind Eye Care System, 2015).

Having witnessed considerable success in fellow Asian countries, it is surprising to see that social entrepreneurship development in China remains sluggish, with the concept being introduced to the country only in recent years (Li, 2012; Yu, 2011; Zhao, 2012). While experiencing high-speed economic development in recent years, social issues such as poverty and environmental issues remain serious for a large portion of the Chinese population (Li, 2012). Hence, China provides excellent soil for social entrepreneurship to develop. It is thus of great interest to explore the concept of social entrepreneurship under the Chinese context.

1.4 Theoretical background and methodology

A research design using qualitative methods was adopted for the writing of this thesis. Literature review is done in two areas mainly: firstly on the development history of social entrepreneurship abroad, including an exploration of existing theoretical frameworks developed. The purpose of this part is to draw on existing research on the topic, overviewing what is known at the moment and serves as a founding framework outlining the major elements in social entrepreneurship used later in the thesis to evaluate the case company in China. Additionally, the second area of focus of literature review is centered on the introduction of social entrepreneurship in China, including a close-up look at its driving forces and challenges. The second major building block of the thesis is empirical analysis; starting from examination of a case of successful social enterprise abroad, with a purpose of drawing valuable insights from their experiences and help deepen our understanding of social entrepreneurship, especially in practice. The main part of the empirical studies is a case study on one selected Chinese social enterprise, which is done following the Social Entrepreneurship Framework developed in earlier sections. In other words, a single-case design approach is adopted for the writing of this thesis, which involves one case company - the Chinese social enterprise. Data

are collected through direct observation, done through a personal site visit and in-depth interviews done to two social entrepreneurs of the company.

Much of the research efforts in trying to define social entrepreneurship draw inspiration from research on conventional entrepreneurship, due to the similarities between the two. Some of the scholar opinions consider social entrepreneurship a sub category of entrepreneurship (Dees, 1998; Martin and Osberg, 2007). In this thesis, I take the approach that views social entrepreneurship as a separate research entity from conventional entrepreneurship. Furthermore, in order to understand the cause of social Entrepreneurship, concepts in the economics field such as **non-market failure** (also known as government failure) are also examined. The concept of **social innovation** is explored as well. Two theoretical frameworks serve as the main gate that guides our understanding of the subject in research: the Social Entrepreneurship Framework developed by Austin et al. (2006) and the Multinational Model of Social Entrepreneurship proposed by Weerawardena and Mort (2006).

1.5 Thesis structure

This thesis is organized as follows. First, I start with literature review of the development history of social entrepreneurship, presenting and discussing the various views on its definition proposed by scholars from different academic disciplines, furthered by discussions on several key concepts related to social entrepreneurship, including its distinction with other forms of social engagement, social value measurement and corporate social responsibility. It is expected that as many perspectives as possible are taken into account in order to reflect the width of views on the subject itself. This section also puts an emphasis on a comparison between conventional commercial entrepreneurship and social entrepreneurship. Based on the findings of the first step, this thesis attempts to locate a framework that outlines the essential components of social entrepreneurship and their implications.

Next, the empirical part is started through a review of a successful social enterprise in Bangladesh, covering issues such as its organization form, financial model and operation overview. In the next step I divert the direction of this thesis to look at the situation in China, focusing on providing an overall picture of the whole social sector, with a focus on legislation and policy development, together with a parallel account of the introduction of social entrepreneurship in the country. This part is facilitated through literature review as well, outlining reasons for the sluggish development, an examination of challenges and

opportunities, followed by suggestions of potential ways to utilize the advantages and counter the disadvantages. After gaining a solid understanding of social entrepreneurship in the specific Chinese context, this section is further enriched by case study of a selected Chinese social enterprise.

2 Development of the Social Entrepreneurship Concept

In order to obtain a solid and meaningful understanding of what the Social Entrepreneurship sphere encompasses, it is logical for us to start by taking a look at its origins and how the definition of it has developed throughout the years and also to outline its boundaries and draw crucial distinctions from other similar concepts in the social business domain. Its relationship with several more familiar concepts such as Corporate Social Responsibility is also outlined since there is significant potential of collaboration between the two to value creation (Seelos and Mair, 2005).

2.1 Social Entrepreneurship, Social Entrepreneur and Social Enterprise

In order to avoid confusion, it is also of importance to clarify distinction among the three terms associated with the phenomenon, social enterprise, social entrepreneur, and social entrepreneurship Bielefeld (2009). Mair and Marti (2006) separated the three terms by stating that while social entrepreneurship typically refers to the process or behavior, social enterprise refers to its tangible outcome and social entrepreneur identifies as the founder of the initiative.

According to Bielefeld (2009), while confusion exists for the definition of social entrepreneurship, the term social enterprise has achieved a general agreement on its definition. For instance, Canada's BC Centre for Social Enterprise (2015) acknowledges that on the widest basis, a social enterprise is a revenue-generating business with two goals: one that deals with achieving social outcomes, be it cultural, community economic or environmental, and the other goal is to earn revenue; Social Enterprise UK (2015) defines social enterprise as 'businesses that trade to tackle social problems, improve communities, people's life chances or the environment'. They also laid out six characteristics that defines a social enterprise:

- Have a clear social and/or environmental mission set out in their governing documents
- Generate the majority of their income through trade

- Reinvest the majority of their profits
- Be autonomous of state
- Be majority controlled in the interests of the social mission
- Be accountable and transparent



Figure 1. Characteristics of a social enterprise

Source: San Diego State University Zahn Innovation Center (2015)

As illustrated in Figure 1 above, another widely used definition for social enterprise defines social enterprises as ‘businesses whose primary purpose is the common good, who uses the methods and disciplines of business and the power of the marketplace to advance their social, environmental and human justice agendas.’ San Diego State University Zahn Innovation Center (2015) went on also to distinguish social enterprises from traditional types of business, non-profits, and government agencies by three characteristics:

- It directly addresses an intractable social need and serves the common good.
- Its commercial activity is a strong revenue driver.
- The common good is its primary purpose.

Alter (2007) asserted that social enterprise occurs along a continuum of organizational settings with one end being non-profits and the other representing for-profits. The left end carries mostly the conventional non-profit organizations, which depend solely on philanthropic capital and aim exclusively at solving social causes, while the other end, the one

with for-profits initiatives whose primary concern is financial returns (Bielefeld, 2009). This is illustrated in Figure 2 below:

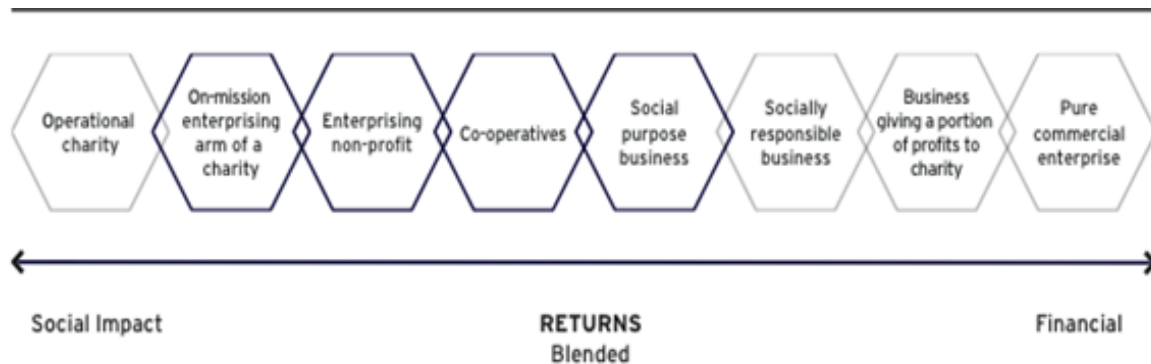


Figure 2. Spectrum of Organization: From Charities to Traditional Businesses

Source: *Charities Aid Foundation (CAF) Venturesome (2010)*

Considerable amount of literature has also centered on the role of social entrepreneur. Dees (1998) stated that social entrepreneurs have existed for a long time even without being called one. Leadbeater (1997) starts off by defining social entrepreneurs from two perspectives: the social, and the entrepreneur. From the social side, social entrepreneurs are often community entrepreneurs who have strong assets of social capital, found social organizations, and generate social output; and on the entrepreneur side, they are usually innovative, determined, ambitious and charismatic people who are good at spotting unmet needs and mobilizing resources. Ashoka (2015) also agrees by defining social entrepreneurs as ‘individuals with innovative solutions to society’s most pressing social problems’. The Schwab Foundation (2015) defines a social entrepreneur as someone who ‘pursues poverty alleviation goals with entrepreneurial zeal, business methods, and the courage to innovate and overcome traditional practices’. It is widely observed that one trait that sets apart social entrepreneurs from conventional entrepreneurs is the innovation capabilities they possess. However, just like conventional entrepreneurs, social entrepreneurs tend to be somewhat of an ‘ex post’ term, because only after they have succeeded in what they do that we acknowledge them as entrepreneurs, before that they are merely considered business failures (Martin and Osberg, 2007). Another broader view of social entrepreneurs insists that social entrepreneurs do not necessarily have to be individuals, but can also take other collective form such as groups and organizations (Bielefeld, 2009).

Throughout different literature sources, the terms of ‘social enterprise’, ‘social entrepreneur’ and ‘social entrepreneurship’ are often used interchangeably, and other times

distinguished from one another (Bielefeld, 2009). For the purpose of this thesis, we do not see these three terms as three independent concepts, but rather we adopt the approach that views the examination of the two concepts of social enterprise and social entrepreneur help to shape and facilitate our understanding of social entrepreneurship.

2.2 Social Entrepreneurship Definition

While the recent attention drawn onto social entrepreneurship might make it seem like it's a new phenomenon, it actually is not (Seelos and Mair, 2005). In fact, the practice of social entrepreneurship has had its roots back in the 70s. In as early as 1972, Bangladesh Sir Fazle Hasan Abed founded BRAC (then known as Bangladesh Rehabilitation Assistance Committee), specialized in relief and rehabilitation operations for veterans following Bangladesh's War of Liberation, which later evolved into wider range of activities aimed at empowering the poor and women in Bangladesh. In 1976, fellow Bangladesh Muhammad Yunus, then a professor at University of Chittagong, started experimenting with microcredit by lending small amount of money to poor people in Bangladesh, which served as the predecessor of the Nobel Peace Prize-winning microfinance organization of Grameen Bank (Grameen Bank, 2015). During the same year, Indian ophthalmologist Dr. Govindappa Venkataswamy founded Aravind Eye Hospitals, which contributed greatly towards cataract related blindness eradication in India (Aravind Eye Care System, 2015). Aravind Eye Hospitals operate along the model where paying patients keep the hospital financially running while services including care and treatment can be offered to those who cannot afford to pay. In 1980, Bill Drayton founded Ashoka, an organization that provides seed funding for entrepreneurs dedicated to changing the world (Ashoka, 2015).

However, despite the much longer history in practice, the academic community's interests towards social entrepreneurship have only come to light in recent years and they have yet to put a consensual definition on what these people have been doing. Scholars pertaining to different academic disciplines such as economics, social science and entrepreneurship have offered multiple views on its definition. Research done at the moment typically lodges social entrepreneurs as a sub-type of entrepreneurs with a social mission (Martin and Osberg, 2007; Leadbeater, 1997), which resulted in having many types of activities categorized under the large umbrella of social entrepreneurship. The need for a unified and precise definition is pressing because the lack of a concrete definition adds a considerable amount of risk to social

entrepreneurship development because the lack of boundaries would include ‘non-entrepreneurial’ efforts into its definition, which could lead to social entrepreneurship being discredited as failing its promises (Abu-Saifan, 2012; Martin and Osberg, 2007).

Most of the literature on social entrepreneurship has evolved within the domain of nongovernment non-profit organizations (Weerawrdena and Mort, 2006). Boschee (1998) identifies social entrepreneurship as stemming from the non-profit sector where executives strive for a balance between moral imperatives and profit motives, with that balancing act being the essence of social entrepreneurship. Thompson (2002) points out that social entrepreneurship is the phenomenon of applying business expertise and market-based skills in the non-profit sector when for example non-profit organizations develop innovative ways to earn income. Wallace (1999) suggested that social enterprises undertaking for-profit activities in order to support non-profit activities could be considered as social entrepreneurs. However, according to Dees (1998), since the time has come to call for entrepreneurial approach to solve social problems, it certainly adds value to pursue not only non-profit organizations, but also to look into business ventures with a social purpose. Mair and Marti (2006) backed up this viewpoint by arguing that social entrepreneurship can take place on a for-profit basis, given that the nature of the particular social needs addressed and availability of resources being the determinants. They further proposed a broad definition of social entrepreneurship as ‘a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs’. What’s worth noting here is the one widely held misconception about non-profit organizations - that they do not make a profit. This is misleading, because being a non-profit organization does not mean that no profit is made, but rather that the profit is not made for the benefit of individuals in the company (Hansmann, 1980). Historically, non-profit organizations have had a long practice of earning income (Zimmerman and Dart, 2000), examples of such include recycled material clothing shops and second-hand gift shops.

There are also opinions that support a more inclusive view on social entrepreneurship that views it being not bounded by any organizational form or limited within any sector because social enterprise encompasses a large range of organizational types and forms (Millar and Hall, 2013). Austin et al. (2006) define social entrepreneurship as innovative, social value creating activity that can occur within or across the non-profit, business or government sector. Smith and Stevens (2010) adopt the definition put forward by Nicholls (2006), which outlines social

entrepreneurship as ‘innovative and effective activities that focus strategically on resolving social market failures and creating opportunities to add social value systematically by using a range of organizational formats to maximize social impact and bring about change’ and argue that this definition is adequate because it emphasizes a primary focus on social value creation and recognizes that social entrepreneurship can occur across many different contexts, spaces and organizational forms. Alter (2007) acknowledged this view by pointing out the multiple manifestations social enterprises often hold: with organizations that marry philanthropy with business models and non-profit with market-based tools. Peattie and Morley (2008) listed out the defining characteristics as having a primacy of social aims, the centrality of trading and the degree of democratic control and ownership. Alvord et al. (2004) see social entrepreneurship as a means to alleviate and solve social issues and therefore catalyze social transformation. Several governmental definitions of social enterprises also exist, notably the one put forward by the Department of Trade and Industry, which defines social enterprise as ‘business with primary social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners’ (DTI, 2002). For the purpose of this thesis, we adopt the definition put front by Seelos and Mair (2005), which defines social entrepreneurship as a tool that ‘creates new models for the provision of products and services that cater directly to basic human needs that remain unsatisfied by current economic or social institutions’. As to organizational forms, we do not attain restrictions over it, but rather we acknowledge that social entrepreneurship endeavors can occur in any sector and have manifestations of many different forms (Leadbeater, 1997; Wallace, 1999). We agree with Alter (2007) in contending that the essential distinction lies in two aspects: first of all, it is profit-driven, as opposed to being of pure charity nature, with a commercial operational model backing it up however, this does not exclude non-profit organizations, since non-profit organizations do make profits; secondly, it carries in its core a social mission that guides the organization through its activities, which leads to social value creation (Dees, 1998).

2.3 The Origins of Social Entrepreneurship

Despite growing trend of viewing social entrepreneurship as not limited to being the sole product of non-profit or for-profit organizations, it helps to understand the phenomenon better for us to take a closer look at its origins, which is thought to have started with the non-profit sector (Leadbeater, 1997). The emergence of social entrepreneurship signalizes that the society

is transforming towards a ‘citizen’s society’ and institutional reform is taking place in both roles that society plays in redistribution of resources and citizens play in social improvement (Hu, 2006).

Some research papers highlight the reason behind the emergence of social purpose organizations to be a **social-market failure**, when for instance the commercial market fail to meet a social need, which is often caused by the inability of those affected to pay for the services they need (Austin et al., 2006). Subsequently, **government failure**, also known as non-market failure, which is defined as the failure to correct market failure, also plays an important role. Keech et al. (2012) distinguish between the two types of government failures: the passive government failure where government inaction results in worse outcomes and active government failure where government action yielded worse outcomes than if nothing had been done. Consequently, both lead to misallocation of resources. As Austin et al. (2006) put it; market failures create differing entrepreneurial opportunities for both business entrepreneurship and social entrepreneurship, in which case social entrepreneurship especially stems from non-market failures.

On the other hand, the rise of **social innovation**, defined as a novel solution to a social problem that is more effective, efficient, sustainable, or just than current solutions, which creates value primarily to society rather than to private individuals (Stanford Graduate School of Business, 2015), offers a resourceful playground where social entrepreneurship could have a lot to offer, through which new approaches to aid and development can be developed. This is also a result of a consensus on the significance of innovation in social services and education as a result of such sectors growing faster and contributing more and more to GDP growth and employment creation (European Commission Regional and Urban Policy, 2013). It is especially true since social innovation is seen as often emerging out of private initiative, in contrast to efforts undertaken by the public sector (Groot and Dankbaar, 2014).

The US provides a localized yet systematic analysis of social entrepreneurship’s origins, mainly from three aspects: the change in the social redistribution mechanism; the growing number of non-profit organizations and the subsequent competition for available grants; and the diminishing boundaries between sectors (Hu, 2006). Firstly, Johnson (2000) points out that the US government experienced the transition from a social welfare state to a liberal market-driven economy mechanism, which resulted in a sharp cut of the government’s subsidies on welfare. Secondly, tax reduction policy encouraged individuals to donate to non-profit

organizations, thus making the funding of welfare services to be handed over to the market rather than being strictly controlled by the government, which provided more space and freedom for private individuals to participate in improving society. As a result, the number of non-profit organizations increased dramatically and the competition for funding became so fierce that it was necessary for non-profit organizations to also consider utilizing commercial operation techniques and market-based mechanisms used in the business sector to improve their efficiency and provide better social services, and the terms of ‘entrepreneur’ and ‘entrepreneurship’ started grabbing attention around this time (Reis, 1999). The desire to gain freedom from constraints of the government and philanthropic sources is also cited as a driving force (Bielefeld, 2009) Lastly, the diminishing boundaries between sectors also contributed by signaling that in order to solve social problems, cooperation between different sectors is vital.

Despite prevailing consensus that market and institutional failures that are typically associated with lower levels of economic development are the triggers for the development in social entrepreneurship and can create more opportunities for social entrepreneurship to flourish (Dees, 1998; Seelos and Mair, 2005), Lepoutre et al. (2013) disagree by pointing out that actually the opposite is more likely the real reason for the uprising of social entrepreneurship: high levels of economic development create higher levels of security for individuals, and such security indeed catalyzes their moral codes to pursue more post-materialistic values of subjective notions and consequently, this leads to a focus back to creating social good.

2.4 The Boundaries of Social Entrepreneurship

Although social entrepreneurship is a relatively new area of interest for academics, many other forms of social activities have had a much wider presence, many of which bear some similarities with social entrepreneurship. This in return raises the issue of boundaries of social entrepreneurship. In other words, we need to be able to tell what belongs to the social entrepreneurship domain and what doesn’t, because without clearly identified boundaries, the term social entrepreneurship would be left essentially meaningless (Martin and Osberg, 2007). For instance, both social movements and social entrepreneurship are concerned with social transformation and knowledge of several social movement tactics can be enlightening and helpful in studying social entrepreneurship (Abu-Saifan, 2012).

To start with, the context of social entrepreneurship is very unique. Social entrepreneurship can occur both in newly created and established organizations, where it might be labeled ‘social intrapreneurship’, and this provides an organizational context for it. Having an organizational context can be a differentiating factor in distinguishing social entrepreneurship from other loosely structured social change initiatives such as social activist movements (Abu-Saifan, 2012; Mair and Marti, 2006). Martin and Osberg (2006) further elaborate that social activists’ strategic nature of action is usually emphasizing on influence, which is a form of create change through indirect action; rather than on taking direct action, which is the case with social entrepreneurs. The second factor to consider here is the scale of the initiative. Many organizations exist around the world that are aiming at solving a particular social issue, however most of those initiatives do not qualify as social entrepreneurship because of one simple reason: they cannot achieve huge impact with their limited scope and so often they are constrained by resources (Nicholls, 2006; Martin and Osberg, 2007). Those organizations remain highly localized and inherently vulnerable to disruptions and it is more accurate to call them social service provision rather than social entrepreneurship.

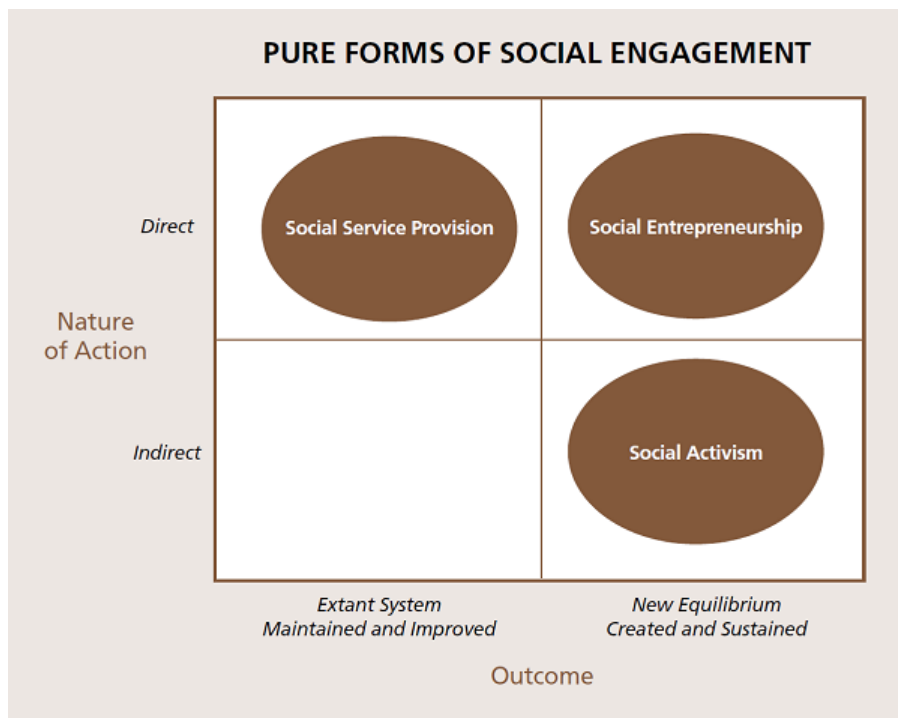


Figure 3. Pure Forms of Social Engagement

Source: Martin and Osberg (2007)

Figure 3 above illustrates the three forms of social activities in its pure forms. Let’s take some examples of each of those forms to better understand their differences: Martin Luther

King would be a classic example of social activism, where he utilizes his influence to encourage other people to make the change; Project Hope, whose mission is to bring schools into rural poverty-stricken areas in China would be a perfect example of social service provision, where the schools are built to provide basic education to poor local children and is certainly beneficial for the local community but do not have scalability to reach a wider impact; and Institute for OneWorld Health serves as a good example of what constitutes as social entrepreneurship, as it works on developing and ensuring availability and accessibility of safe and effective new medicines for diseases that are disproportionately affecting those in poor and underdeveloped regions around the world (PATH, 2015). It works directly with its set of partnerships involving many players such as biotechnology companies, scientists, volunteers and large philanthropic organizations, which all contribute together to value creation (Seelos and Mair, 2005).

Nevertheless, in reality, despite the above-mentioned pure forms, many organizations do adopt a hybrid model that combines different forms of social engagement (Martin and Osberg, 2007). For instance, in the case of social activism and social entrepreneurship, Muhammad Yunus's efforts of promoting microcredit as a change maker are a classic example. Following the accomplishments of the Grameen Bank, a famous social entrepreneurship success, Yunus uses social activism to amplify its impact and achieve greater scalability. Other forms of combination also exist, such as social activism and social service provision. With the main issue being scalability, social service provision can overcome this limitation to achieve similar impact through taking advantage of social activism (Nicholls, 2006; Drucker, 1985). For instance, let's go back to the Project Hope example. While building several schools in one localized area does not create much of a difference in shifting the subpar equilibrium of education for the poor, one could use the localized success as a leverage to raise more awareness from different angles, such as bidding for more government support and donations from philanthropists to provide more funding; spreading the word to reach more potential teachers; and even collaboration opportunities with agencies to provide study materials – through all these activism activities one might manage to increase the scale of the initiative and achieve a wider impact.

2.5 Social Entrepreneurship and Corporate Social Responsibility

Before the concept of social entrepreneurship started catching people's attention, commercial corporations and businesses had been seeking ways to contribute to the society and serve the public good, supporting sustainable development. One of the most common approaches of such is Corporate Social Responsibility (CSR) programs. The European Commission (2015) defines corporate social responsibility as 'companies taking responsibility for their impact on society'. Companies take into consideration the social impact of their actions and promise to aim for social contributions at the same time while pursuing monetary profits. However, interpretation of what counts as CSR differs a great deal depending on what focus one puts on (Baron, 2007). For example, while some consider producing and providing good products and services for customers as being socially responsible, others might consider treating its own workers fair and offering employee support as an example of a socially responsible company, and some others would look at the amount of waste and environmentally harmful byproducts produced as a measure of corporate social responsibility.

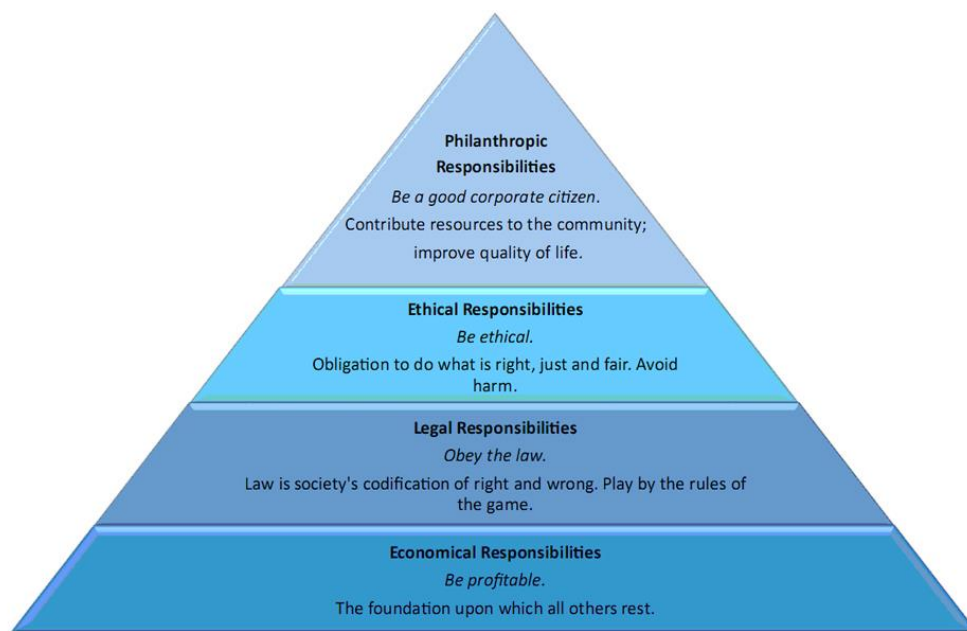


Figure 4. The Pyramid of Corporate Social Responsibility

Source: Carroll (1991)

According to Carroll (1991), who developed the pyramid of Corporate Social Responsibility, there are four levels of responsibilities within CSR: Philanthropic, Ethical, Legal and

Economic. This is illustrated in Figure 4 above. The first level is economic, simply put, to be profitable. The economic responsibilities also serve as the foundation of all other levels; the second level, legal, calls for companies to obey the law and play by the rules. This is not only referring to how the company operates, but also to make sure that the products and services it provides fulfill legal requirements as well. The next level, ethical, requires companies to act in accordance with society's moral standards and expectations. The key here lies in that companies should not compromise its ethical responsibilities in pursuit of profit. It is also important to note that fulfilling ethical responsibilities does not mean simply obeying the law. The top level, philanthropic, requires the highest level of commitment from companies. In order to fulfill philanthropic responsibilities, companies are expected to contribute resources to the community; this can include assisting in education, environment, and fine arts development. Good corporate citizens fulfill this level of responsibilities not only at the corporate level but also require their employees to act accordingly, involve in voluntary activities in local communities. The ultimate goal for this level is to improve the community's 'quality of life'.

With the definition of social entrepreneurship being vague, it is of certain interest to explore the relationship between social entrepreneurship and corporate social responsibility. More specifically, what makes the difference between the two? One simple way to look at the difference lies in the scope of the initiative (Hart and Christensen, 2002): social entrepreneurship usually starts with a single entrepreneur, and is very sensitive at identifying new opportunities and foreseeing the unmet needs, while corporate social responsibility are often associated with established big corporations that is looking for ways to contribute in the social sector. Another way to look at the two is to look at the aim of the initiative (Baron, 2007). Social entrepreneurship emphasizes on achieving social good, while monetary profit is not mandatory and when achieved, serves as a byproduct of its main mission, corporate social responsibility can be seen as the opposite: corporations pursuing a corporate social responsibility agenda does not shift its main goal from generating revenue for its stakeholders, it focuses on creating a good social impact while doing so.

Nevertheless, one common issue with corporate social responsibility is that most CSR projects are carried out in developed countries as a result of the rise of notion of corporate citizenship in recent decades and the fact that most corporations do principally operate in developed countries, making the developing countries seldom benefit from such efforts (Seelos

and Mair, 2005). This creates a potential opportunity for collaboration between social entrepreneurship initiatives and companies pursuing a corporate social responsibility agenda.

Baron (2007) pointed out that while the traditional view on corporate social responsibility efforts taken by corporations in less developed areas sees it as a for a pure social cause, it might be a smart way for companies to think it as a chance to further expand its market to serve those in developing countries. This expands a fairly lucrative area of exploration for us. When we consider social entrepreneurship initiatives, most part of the challenges come from securing a stable funding source. Most commonly it comes from philanthropic cause, such as in the form of donations, or in other cases, government support. If brought together, social entrepreneurship and corporate social responsibility can create a win-win situation for both sides: social entrepreneurship gets the money to address the right issue and corporation fulfills its social mission and when executed well, even expands its market to include those who initially needed help satisfying basic needs and turn them into customers (Seelos and Mair, 2005). Corporations that are actively engaged in corporate social responsibility programs can further support social entrepreneurship initiatives by providing management expertise and other forms of corporate resources (Hart and Christensen, 2002).

3 Understanding Social Entrepreneurship

As a concept still in development without exact clarifications on its strict definition, social entrepreneurship spontaneously demands a closer examination, specifically a dissection on its two components: social, and entrepreneurship, to facilitate understanding. In this section we will start by doing just that. The aim is to look at the two elements closely and separately so that one can achieve a comprehensive understanding over what is required to qualify as social entrepreneurship and why it is important and innovative. As much of the existing research done in the field is drawn from that of traditional commercial entrepreneurship, it is necessary for us to investigate the relation between the two, and the fundamental differences. More importantly, we are digging into the territory of theoretical frameworks in this section, which is the major guiding tool to guide our evaluation of development environment for social entrepreneurship in China and specific social enterprise case in later sections.

3.1 The 'Social' Element

One of the biggest challenges faced by academics while trying to define social entrepreneurship comes from the fact that the 'social' element is very hard to be precisely defined. Indeed the boundary between social and other forms of corporate activities is very often blurred; simply because what the term 'social' means differs a great deal to different people, depending on their personal and cultural backgrounds (Seelos and Mair, 2005; Dees, 1998). The word 'social' itself lacks a standardized definition and is used in many different contexts. The two definitions of 'social' closer to the theme of social entrepreneurship can be found in Cambridge English Dictionary, which defines it as 'relating to society and living together in an organized way' and Macmillan Dictionary defines it as 'relating to society and to people's lives in general'.

It is relatively easy for most people to assume that social entrepreneurship must be created with an altruistic motive, which sets it aside from Corporate Social Responsibility (CSR) endeavors by established corporations and also from the other much better known form of conventional entrepreneurship. Mair and Marti (2006) argue against this view by asserting that while social entrepreneurship is often associated with ethical and moral motives, it could also include less altruistic motives such as personal fulfillment; and even business entrepreneurship can have a social impact as well. They further provided their understanding of the 'social' element in social entrepreneurship as having a focus on social value creation, while 'economic value creation serves as a necessary condition to ensure financial viability'. Dees (1998) examines that social entrepreneurs 'make fundamental changes in the way things are done in the social sector' and their social mission 'cannot be reduced to creating private benefits for individuals'. Seelos and Mair (2005) identifies that the products and services social entrepreneurs develop 'cater directly to basic human needs that remain unsatisfied by current economic or social institutions'.

As the ambiguity lingers over the boundaries of what 'social' means, it is necessary to adopt certain standards to facilitate research to have a clear focus. A widely recognized global set of goals in pursuit of creating and improving social welfare is the sustainable development goals, the most widely known ones being the Millennium Development Goals (MDGs) set by the UN, which is also what I have chosen to base this thesis on.

3.2 The ‘Entrepreneurship’ Element

Unlike ‘social’, the ‘entrepreneurship’ element in social entrepreneurship has been given a considerable amount of research focus, with some scholars emphasizing that entrepreneurship is the core of social entrepreneurship, and ‘social’ simply modifies it (Martin and Osberg, 2007).

One naturally develops the curiosity to ask the question ‘where does social enterprises get the money to operate?’ In fact, this is an area within social entrepreneurship research that is gaining more and more attention because it is strictly tied to any social entrepreneurial entity’s survival and sustainability. With a market logic being present (Wallace, 1999), social enterprises, just like conventional commercial enterprises, also have their fair share of dependence on the market for generating revenues. Earned income, which is defined as the revenue generated from the sale of goods, services rendered, or work performed (Grant Space, 2015), is probably one of the most common funding models for social enterprises. In fact, privately derived earned income is the single largest source of revenue for the entire non-profit sector (Tait, 2011). As mentioned in earlier sections, as a response to government cuts on funding and the increasing competition in the philanthropic market, it seems a natural cause for socially oriented ventures to consider adopting a commercial business model in order to sustain enough cash flow to keep their main functions running (Reis, 1999). In this sense, ‘entrepreneurship’ is equally important a constituting block as ‘social’ in understanding social entrepreneurship.

The history of entrepreneurship dates back to as early as the 19th century. The first widely acknowledged definition of the word ‘entrepreneur’ came from the famous French economist Jean Baptiste Say, who famously pointed out that ‘the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield’, which clearly marks the value creation capability of an entrepreneur (Dees, 1998). In the 20th century, the most famous attempt to define entrepreneur were made by Austrian economist Joseph Schumpeter, who coins entrepreneurs as people who identifies a commercial opportunity and organizes a venture to implement it, and successful entrepreneurship would stimulate other entrepreneurs to act as well, propagating towards a point that he calls ‘creative destruction’, and in this way, the entrepreneurs, as the change drivers, propel the economy forward (Dees, 1998; Martin and Osberg, 2007). Although the earliest attempts to define entrepreneurs made by Say and Schumpeter seem to focus on their abilities to make changes, other scholars,

especially those in contemporary literature emphasizes the ability of entrepreneurs to spot opportunities, not necessarily to act on them themselves. Israel Kirzner identifies in his entrepreneurship theory that *alertness to and discovery of profit opportunities* as an entrepreneur's most critical ability (Foss and Klein, 2010). Drucker (1985) famously asserts that an entrepreneur is always on the look for change, responding to it and exploiting it as an opportunity but entrepreneurship does not equal to starting a new business. Lepoutre et al. (2013) offered a bilateral examination of the 'entrepreneurship' term in social entrepreneurship as possessing two main ingredients: an *emphasis on innovation* and the *role of earned income*. They argue that an innovative delivery of products and services is essential in social entrepreneur's successful pursuit of its mission; at the same time the exposure to market logic is expected for one to be considered a social entrepreneur, whether or not they adopt a 100% earned income strategy. The ratio of earned income is debatable as to what extent is one expected to have earned income in order to qualify as social enterprise, however, many scholars have agreed on defining social entrepreneurship as long as it remains economically sustainable (Lepoutre et al., 2013).

Martin and Osberg (2007) argue that for entrepreneurship to happen there needs to be **three components**. Firstly, *an entrepreneurial context* is the starting point for entrepreneurship. The entrepreneurial context often stems from a subpar equilibrium, when neither the potential buyer nor the seller of a potential service or product can get the best standard they have hoped for but have to settle for a less than optimal option, in which case most people choose to live with the inconvenience. An entrepreneur then comes into the picture to exploit the suboptimal equilibrium as an opportunity to develop a new product, service or process to solve the problem it was presented in the first place (Drucker, 1985).

Here comes the second component, *entrepreneurial characteristics*, which are often possessed by the doer, thus the entrepreneur. To start with, the ability to spot an inconvenient incident as an opportunity for improvement and change is essential (Foss and Klein, 2010). As innovators, entrepreneurs also think creatively - they don't look for minor adjustments to improve the current system, but rather they are always looking for completely new ways to do things and overturn the status quo. Once equipped with a solution to the problem at hand, entrepreneurs take direct action instead of expecting and relying on someone else to solve the problem. This does not mean, however, that they have to take the action alone, because they still have to influence key people to work with them during this process to achieve their goals.

The other two essential characteristics of entrepreneurs are courage and fortitude. Because they are usually bringing about drastically new approaches to problems, they have to bear huge risks and be daring enough to convince people of their beliefs (Leadbeater, 1997). Lastly, they have to have the resilience and determination to push through setbacks and initial failures to see success in the market (Drucker, 1985). All of these characteristics they possess are fundamental to the process of innovation.

The last component is the *entrepreneurial outcome*. Through the whole process of innovation and execution, entrepreneurs succeed in creating a new equilibrium that offers a considerably higher level of satisfaction from both the seller and the buyer. Once the new equilibrium is reached, its success and long term survival is then extended to fall beyond the entrepreneur's direct control (Martin and Osberg, 2007; Foss and Klein, 2010).

Although many argue that one of the major distinction between entrepreneurship and social entrepreneurship lies in motivation, characterized by associating entrepreneurship with financial profit as the main motive and social entrepreneurship with altruism, Martin and Osberg (2007) disagree by asserting that both entrepreneurs and social entrepreneurs are not motivated by financial gains because the prospect of receiving huge monetary compensation for their work is nothing but bright because of the risks associated with unstable market and novel nature of their proposed solution and in reality, most entrepreneurs and social entrepreneurs are never fully compensated for what they have gave up in order to achieve success. Rather, they propose that the motivation behind both entrepreneurs and social entrepreneurs lie in the opportunity they discovered and they are driven by the reward of accomplishing their goals.

3.3 Entrepreneurship and Commercial Entrepreneurship

Ever since its introduction as a new area of academic inquiry, much of the research efforts dedicated to social entrepreneurship have focused on comparing it with conventional commercial entrepreneurship. Some opinions view social entrepreneurs as one species in the genus entrepreneurs (Dees, 1998; Austin et al., 2006). Earlier research done on entrepreneurship certainly provided a lot of groundwork for the study of social entrepreneurship, given the similarities the two share. In fact, much of the current research done on social entrepreneurship has its roots back in studies of conventional commercial entrepreneurship.

Many researchers emphasize on the non-profit nature of social entrepreneurship as its most distinctive feature compared from conventional commercial entrepreneurship. However, Mair and Marti (2006) and Dees (1998) disagree by stating that the non-profit nature is not the distinct feature of social entrepreneurship because social entrepreneurship can take place equally on a for-profit basis. Instead, they argue that the main difference between the two lies in the relative priority given to social wealth creation versus economic wealth creation: in commercial entrepreneurship, social value creation is often the byproduct of the main activities, which focuses on financial gains, whereas in social entrepreneurship social value creation is the primary objective and the financial gains, often in the form of earned income, is necessary to ensure sustainability of the initiative. In addition, Mair and Marti (2006) point out that the limited potential for social entrepreneurship to capture the economic value it created is another one of its distinctive features. Austin et al. (2006) view the two should be conceptualized as a continuum ranging from purely social to purely economic. Dees (1998) conclude that the two differ largely in two domains: mission and markets. He proposed that the social mission is explicit and central for social entrepreneurs and the mission-related impact becomes the main criterion, instead of wealth creation, which is in the case of commercial entrepreneurship. He further explains the reason for this, which draws out the second domain, which lies in the market condition: markets for commercial entrepreneurs is not perfect, but working reasonably in the long run, with the financial profit a venture generates being a good indicator of the value it has created; for social entrepreneurs, markets do not work so well – markets often fail to value social improvements and justify the resources used to create social value, thus the survival of the social enterprise does not serve a good indicator of the social value it manages to create (Hu, 2006). This in turn creates the question of social value measurement, which will be discussed in later sections of this thesis.

Martin and Osberg (2007) agree with Dees by stating that the critical distinction between the two lies in the value proposition itself – for commercial entrepreneurship, the entrepreneurs anticipate to serve the market that can comfortably afford the service they offer and thus have set its goal on financial gains (Seelos and Mair, 2005); while in the case of social entrepreneurship, the entrepreneur has expected that he or she, together with the investors will have to derive some personal financial gains and instead aim for a large-scale transformative social improvement, meaning that their value proposition is based on a market that is underserved and disadvantaged.

Bielefeld (2009) agrees with Austin et al. (2006), who summarizes that in order to make a systematic comparison between the two, four major variables have to be considered: **market failure, mission, resource mobilization and performance measurement**. As stated in the earlier section, market failure creates different opportunities for commercial entrepreneurship and social entrepreneurship; the mission of social entrepreneurship lies in creating social value while commercial entrepreneurship's fundamental purpose is to create a profitable organization; social entrepreneurship is often restricted from tapping into the same capital markets for commercial entrepreneurship due to its non-distributive nature and in the same way they are often less likely to compensate their employees financially; social entrepreneurship faces greater challenges in performance measurement due to two factors: the lack of tangible and quantifiable measures, and the fact that social entrepreneurship is often found to be accountable for a wider stakeholder group, both financial and non-financial, when compared to commercial entrepreneurship (Austin et al., 2006).

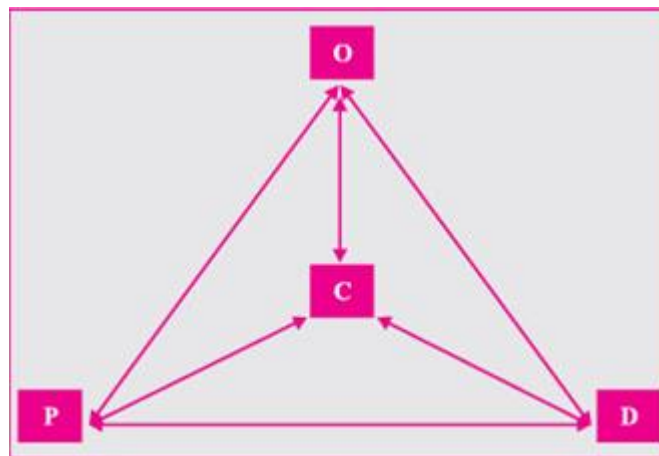


Figure 5. The PCDO Framework

Source: Sahlman (1996)

Figure 5 here illustrates one of the most widely used analytical framework for commercial entrepreneurship, developed by Sahlman (1996), which is characterized by creating a dynamic fit among four interrelated components: **the people, the context, the deal, and the opportunity (PCDO)**. Austin et al. (2006) made a thorough comparison of the two concepts by examining each of the four components separately, which is addressed as follows:

Firstly, it is important to keep in mind that the '*people*' component in the model is considered to include relevant resources that the person brings into the organization as well. For both commercial entrepreneurship and social entrepreneurship, the human capital required

for success is comparable in many levels. One key difference in how the human capital issue is perceived in the two lies in that social entrepreneurship has a much larger dependence on volunteer workers because they are most likely not able to afford competitive rates and compensation for its employees (Hu, 2006; Reis, 1999). Commercial entrepreneurs, however, are less likely to have this issue due to the market mechanism that ensures a good number of quality workers are attracted to well-paying employers, in addition to the fact that many financial institutions are also available to help with a number of financial instruments to assist commercial entrepreneurs (Seelos and Mair, 2005). For social entrepreneurs, the lack of resources further manifest in limiting the organization's freedom to make changes to its goal, people and market due to the fact that the limited amount of funding it does manage to secure is strictly tied to the social change it is to address, thus making the organization highly rigid. This requires the social entrepreneur to: 1) develop a network of strong supporters, 2) be able to communicate the mission and impact of the initiative to people outside organizational boundaries, 3) be skilled at managing a wide range of relationship types, including those with its competitors, because collaboration can often ensure execution of its goals on a wider, sector level, and 4) have and require its employees to have excellent political skills that can benefit fundraising (Austin et al., 2006).

Secondly, the '*context*' component also sees a considerable amount of overlapping in both commercial and social entrepreneurship, due to the fact that even though social entrepreneurship might work within the social domain, philanthropic capital comes often from commercial enterprises (Leadbeater, 1997; Munoz, 2009). One key difference comes from the adverse contextual elements, to which social entrepreneurs often respond in a fundamentally different manner from its commercial counterparts. In other words, where commercial entrepreneurs see a contextual adversity, a social entrepreneur takes it as an opportunity to change the context itself (Foss and Klein, 2010), because more often than not, social issues are embedded in contextual factors. In fact, social entrepreneurship might altogether pay less attention to contextual factors as opposed to commercial entrepreneurship due to one simple reason: they are less likely to be affected by it. Reason for this can be attributed to the distinct feature of the social factor: while those that perform extraordinarily do not often get rewarded for their work, those with poor performance do not get punished readily either. This is very different from commercial entrepreneurship, where bad performance usually leads to bad outcome in a straightforward way – the poor performing venture goes out of business.

Next, we take a look at the *'deal'* component. Austin et al. (2006) further lay out five dimensions of the *'deal'* that are different for commercial and social entrepreneurship: **kind, consumers, timing, flexibility and measurability**: defined as the exchange of value between the entrepreneurial entity and its resource providers, the *'deal'* component leverages significant responsibilities on the social entrepreneur, who has to find his way in creative strategies to offset its limited capabilities to offer financial incentives by offering other kinds of value (Martin and Osberg, 2007); because of the fact that most of the consumers of the social market cannot afford the services/goods that are being provided to them, the transactional relationship between social entrepreneurs and their consumers does not obey the basic market mechanism applicable to commercial entrepreneurship (Mair and Marti, 2006; Seelos and Mair, 2005), where the consumers possess the right to select among alternatives; the duration of funding is significantly shorter in the case of social entrepreneurship and often they come with strict restrictions over the usage of those funds while for commercial entrepreneurs funds are secured for longer periods of time and flexible discretion over the usage of the funds are usually granted; and last of all, social entrepreneurial investments face a bigger challenge due to the complexity of measurability, whereas for commercial enterprises most of the evaluation is done using financial return as a standard as the measure (Dees, 1999). From the provider's perspective, the measurability also remains a complex issue due to the fact that different investors have different expectations from the social entrepreneurs as a means to fulfill their own objectives.

Last but not least, let's examine the *'opportunity'* component in the PCDO framework. To start with, social entrepreneurship and commercial entrepreneurship differ from the source of opportunity: commercial entrepreneurship focuses on new needs and serving new markets, whereas social entrepreneurship focuses on existing basic needs and serving the disadvantaged and underserved market (Austin et al., 2006; Seelos and Mair, 2005). This in reality results in the vast scope of opportunities for social entrepreneurial initiatives: for social entrepreneurs, wherever there is a social need there is an opportunity, regardless of its financial sustainability (Drucker, 1985). This differs a great deal from commercial entrepreneurship, because commercial entrepreneurship is often only able to target financially viable and profitable initiatives. However, this poses certain danger to social entrepreneurs, because the need for social purpose entrepreneurial activities far exceeds the capacity of any social enterprise to solve those problems, this can drive social enterprises to pursue massive growth and expansion,

often including services and operations outside of its specialty and resource capabilities (Wallace, 1999). The result of this can be devastating for social enterprises, because it takes the emphasis away from its main mission and purpose, and they are often struggling with obtaining enough resources to keep its core functions running already. Lastly, another major difference between the two lies in the fact that for social entrepreneurship, it is often vital to encourage sector-level collaboration and knowledge sharing in order to achieve the social mission while in commercial entrepreneurship the major goal is to capture more value through gaining market share for one's own organization.

It is important to keep in mind that in order for the PCDO framework to work, one has to look at it through a dynamic perspective. The four components do not stand independent of one another, but rather they intertwine with one another and have to be viewed as a whole with the 'context' component being central to all other three. What this means in practice is that even a slight alteration of one component could have tremendous impact on the other three. It is asked of the entrepreneur to be fully aware of the dynamics among the components and act accordingly if such alteration occurs Austin et al. (2006).

3.4 Social Entrepreneurship Frameworks

After reviewing social entrepreneurship using the PCDO framework, which was initially designed to evaluate conventional commercial entrepreneurship (Sahlman, 1996), we could see that while many elements are analogous between the two, considerable differences exist, which calls for a separate framework that is more tailored towards characteristics of social entrepreneurship. Austin et al. (2006) propose a revised social entrepreneurship framework, which centralizes on a Social-value Proposition (SVP) that bonds with all the other elements: opportunity, capital, people, and context, as illustrated in Figure 6 below:

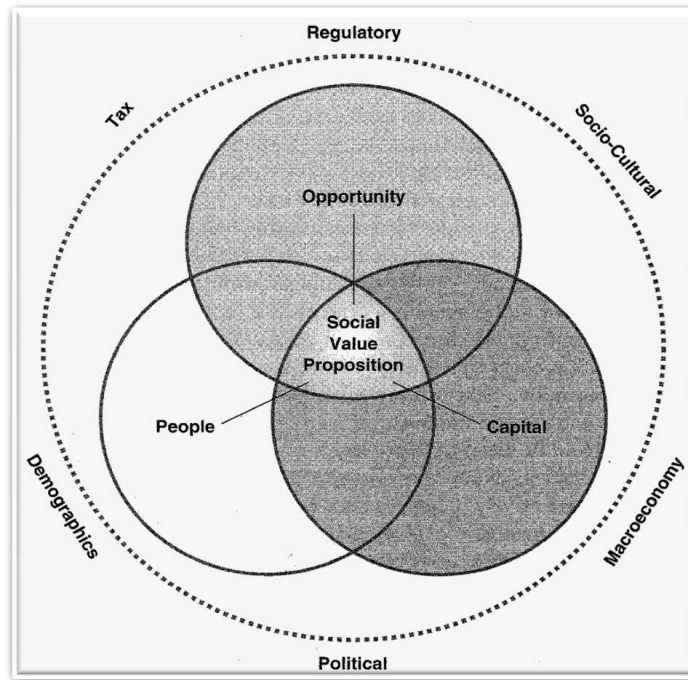


Figure 6. The Social Entrepreneurship Framework

Source: Austin et al. (2006)

The revised framework differs from the original PCDO framework mainly from three aspects: the introduction of the Social-Value Proposition (SVP), the separation of the people resources from financial capital resources, and the segmentation of the contextual factors into six different aspects. Spontaneously, the distinctive nature of social entrepreneurial activities, namely the social mission it carries, undoubtedly gives SVP its core position in the framework, since it is the unique social purpose that keeps pushing the organization forward and SVP should be where any social entrepreneurial activity starts from and bonds all other elements (Austin et al., 2006; Dees, 1998; Reis, 1999). Unlike the PCDO framework which categories human capital and financial capital together, the revised framework separates the two, based on research that shows the mobilization of the two types of capital for social entrepreneurship is inherently different that it requires to be looked at independently (Austin et al., 2006). Lastly, the context element is explored more thoroughly, with six major factors identified: **tax, regulatory, sociocultural, macroeconomy, political, and demographics**.

The central position of SVP also acts as a reminder to social entrepreneurs, who tend to make the mistake of paying too much attention to further organizational interests, which is essentially a way to achieve its social mission, that it pays the price of overlooking the actual social mission: growing for the sake of growing is going to work against social enterprises as

it scatters thinly the valuable resources (Austin et al., 2006). Just as in the case of the PCDO framework, the SVP centered framework sees its major elements intersecting with one another, which is consistent with the interdependent nature of all the variables in practice (Sahlman, 1996). Another important indication of the revised framework is that the contextual factors serve as the overall background of all other factors; this in practice requires the social entrepreneur to keep a close eye on any changes or developments in any of the contextual factors, because it could affect and even create new *opportunities* under which the *people* and *capital* elements interact (Weerawardena and Mort, 2006). However, social entrepreneurs should not become overly obsessed with capturing new opportunities, especially not those opportunities that run outside of the organization's scope and capabilities. What this means in reality is that in the case of solving social issues, seldom any single organization is able to handle it all on its own: the success of any social entrepreneurial initiative very much depends on the level of collaboration among peer organizations, sometimes even competitors, simply because it requires social entrepreneurs to combine resources that they do not possess in a creative way to solve problems. As a result, it might be worthwhile for social entrepreneurship to be conceived as a vehicle for creating social value (Dees, 1998), rather than independent ventures aiming to maximize its own benefits.

Weerawardena and Mort (2006) also propose a multidimensional model for conceptualizing social entrepreneurship, which involves the three dimensions of **innovativeness, proactiveness and risk management**. Please refer to Figure 7 below:



Figure 7. Multidimensional model of social entrepreneurship

Source: Weerawardena and Mort (2006)

The main argument behind this model is that because social entrepreneurship strives to achieve social value creation, it is required for the social entrepreneurial organization to display the three above mentioned attributes: the increasingly competitive landscape has forced social enterprises to think of new innovative ways of doing things along the entire spectrum of working, both in their core activities of producing social value, but also, sometimes more importantly, in fundraising (Reis, 1999; Weerawardena and Mort, 2006); social enterprises need to be proactive in order to stay in the game – they need to be equipped with skills of analyzing where things are going into, developing forecasting models and planning strategically; last but not least, risk management is extremely vital for social entrepreneurs, much more than their commercial counterparts, because of the unstable nature of their financial sources, together with the fact that the investments do not usually yield a monetary return, which demands social entrepreneurs to be highly cautious with resource commitment (Mair and Marti, 2006). Furthermore, social enterprises often find themselves struggling between pursuing its social mission and achieving sustainability for the organization, which means that social entrepreneurs have to be all the time aware and responsive to the environmental dynamics and constraints. In a similar manner, social entrepreneurship is both responsive and constrained by its social mission. For these reasons, social entrepreneurial behavior can be highly pragmatic despite its striving for innovation (Weerawardena and Mort, 2006).

Later on in this thesis, we choose to adopt the combined analytical frameworks proposed by Austin et al. (2006) and Weerawardena and Mort (2006) as a guiding tool to aid our examination of social entrepreneurship development case in China. The framework by Austin et al. (2006) has its focus on the ‘social’ element of social entrepreneurship, covering circumstantial factors such as the regulatory environment, societal and people interactions, thus are more externally oriented while Weerawardena and Mort (2006) has their focus on the ‘entrepreneurship’ element and thus offers more of a ‘within’ angle. Specifically, their model serves as a complimentary set to add three essential attributes to be taken into consideration when analyzing an social enterprise: risk management, proactiveness and innovativeness - all three of which fundamentally set social enterprises apart from conventional enterprises.

3.5 Revised Social Entrepreneurship Framework

In later sections, I conduct an analysis of Golden Sun Elderly Care as a social enterprise, according to an revised analytical framework based on two frameworks proposed in two

previous research, as mentioned earlier in this thesis. As discussed in the section of framework introduction, the frameworks chosen to be used for the case studies are distinguished from each other by their focus: one focuses on the external environment of the social enterprise including elements such as regulatory and political aspects, the other adopts an internal focus: on the social enterprise itself, including elements such as its mission and operating mechanism. However, using either one of the two does not offer a complete enough angle to see the whole picture. Therefore, we will introduce a revised version, which serves as the main tool for our case study.

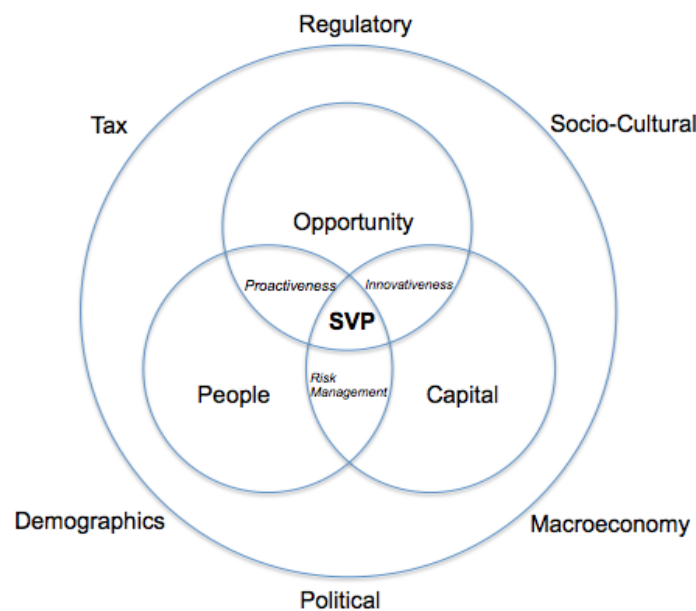


Figure 8. Revised framework of Social Entrepreneurship

As illustrated by Figure 8 above, the revised social entrepreneurship framework is constructed through combining the previous two frameworks. By adding the three dimensions of ‘**proactiveness**’, ‘**innovativeness**’ and ‘**risk management**’, it achieved a more overall reach. Specifically, when ‘people’ decide to take on ‘opportunity’ in a social entrepreneurship context, ‘proactiveness’ is the key to transfer the opportunity into actionable plans; while combining ‘opportunity’ and ‘capital’, this is where ‘innovativeness’ comes in because it is the key step where value is created as a result of innovative ways of combining the resources i.e. capital; careful utilization of ‘people’ and ‘capital’ requires rigorous risk management procedures and careful planning.

In order to have a thorough understanding of social entrepreneurship, it is extremely important that we take insights from both internal and external angles. Therefore, it is

necessary for us to build upon the existing wisdom of the two frameworks altogether in order to provide a comprehensive angle to examine any social entrepreneurship endeavors. A revised version of the frameworks introduced here will certainly assist our understanding of social entrepreneurship in practice, as well as providing guidance for our case study of the selected Chinese social enterprise in later sections.

4 Social Value and Impact Assessment

Ever since the need to capture of social value emerged out of society, the issues of how to measure such social value and the actual impact of social activities carried out by social enterprises have remained an area of constant confusion and ambiguity. The language varies, with uses of words such as ‘social return’, ‘social benefit’, ‘social value’ and ‘social impact’ being among the most frequently cited ones, whereas the essence of those term all boiling down to the core issue - how do we measure how much of a difference has been made through social entrepreneurial activities (Arvidson et al., 2010)? In fact, both the scaling and measurement of social value have been raised as critical issues in advancing the field of social entrepreneurship (Nicholls et al., 2009).

A need for social impact measurement is pressing due to many factors, notably: as the recognition of social needs in our society has been increasing as a result of global recession, the funding and commissioning landscape evolves and grows more and more competitive, and the development of certain legislation in areas such as public procurement in countries such as the UK is requires proof of social impact (Clifford et al., 2013). With our goals being consensual on creating a standardized method to measure social value and impact, it is important that we set the definition of measurement straight. Here we adopt the definition put forward by Clifford et al. (2013), which defines social impact measurement as ‘the measurement of the impact of changes (outcomes) intentionally achieved in the lives of beneficiaries as a result of services and products, delivered by an organization, for which the beneficiary does not give full economic value, with a focus on social enterprises where social sector providers delivering services for value by way of trading’. Clearly, as opposed to conventional commercial entrepreneurship activities, social entrepreneurship faces a much harder challenge in measuring its value, due to the fact that much of the value social enterprises are targeting at is intrinsically intangible (Nicholls, 2006).

Smith and Stevens (2006) offered some concrete and enlightening views on social value measurement by contending that in order to measure social value creation effectively, one must first distinguish the three different types of social entrepreneurship because each type is related to different approaches of measurement and scaling of social value. According to them, there are **three types of social entrepreneurship**: the *Social Bricoleur*, which is characterized by largely localized undertakings and a focus on local concerns, is highly dependent on proximity to the problems being addressed and therefore has limited but very specific-to-locality resources to work with; the *Social Constructionists*, identifies opportunities by staying alert to such opportunities and thus has a wider market focus and is characterized by identifying problems that do not only affect a certain area but can be seen in a variety of populations and seeks to develop one-size-fits-all type of solutions to address them; the *Social Engineers*, who seek to replace currently in-place solutions to problems and focus on large-scale issues with mass appeal, and the mass appeal tends to be the most important resources to them, because it enables them to acquire other physical resources needed to achieve their society-wide goals.

Next, they propose that in order to further understand the complexity of the issue of social value measurement scaling, one has to incorporate the concept of **embeddedness**, specifically the concept of structural embeddedness (Mair and Marti, 2006), in the case of social entrepreneurship. Structural embeddedness implies that actors' motivation and behavior draws opportunities from and also bears limitations imposed by social structural patterns and the specific types of relationships actors develop with them, and when social entrepreneurship is concerned, the interactions occur between the provision of various resources and the creation of social value. More specifically, there are **two types of relationships: arm's length ties and embedded ties** (Uzzi, 1997). The former refers to typically rule-based relationships where interactions between actors usually occurs only from time to time and last for a short time, and the latter refers to ties established among a restricted number of participants over often a lengthy period of time and due to the history of exchange, other mechanisms such as trust and group solidarity serve as the basis of relationships, rather than rules (Portes and Sensenbrenner, 1993). As the geographical area of activities carried out by social entrepreneurs grow larger from Social Bricoleur type of social entrepreneurship towards Social Engineers type of social entrepreneurship, the structural embeddedness each of them is situated within decreases (Mair and Marti, 2006; Uzzi, 1997).

Based on the discussions centered on the types of social entrepreneurship and the different types of structural embeddedness ties they form with the geographical context they are in, Smith and Stevens (2006) further go on to elaborate on their effects on social value measurement. For Social Bricoleur, as the interactions among actors occur in very close proximity, the relationship between the investor and the social entrepreneur is likely to be closer, which means that a frequent exchange of information is ensured and thus no sophisticated indicator and measurement tool is needed in order for the investor to evaluate the social value created; while for the case of Social Engineer, because of the high level of independence from any locality, increased levels of monitor and more substantial methods and documents are needed to ensure that social value is being created through the social venture's activities. Consequently, the time and money spent on the measurement of social value also increases substantially (Portes and Sensebrenner, 1993).

The next issue to be considered is the scaling of social value, which is defined as 'how to grow and expand the social value of the organization'. Commonly there are **two types of scaling identified: 'scaling up' and 'scaling deep'**. Scaling up refers to expanding a current program to other geographic locations to achieve a wider impact, namely to try to replicate success of one program to other areas by exporting common methods and approaches. Scaling deep, however, refers to a more vertical type of scaling that focuses on deeper penetration of the current market/area served, through means such as developing new ways to serve clients and improving quality of services/products (Smith and Stevens, 2006). For Social Bricoleur, the higher levels of structural embeddedness, i.e. the tighter ties with the local networks often manifest itself by limiting the social entrepreneur to aim for a scaling deep, in order to benefit the local community further, however for Social Engineers, the lower levels of structural embeddedness provide them with a higher degree of freedom to choose whether to scale up or scale deep, because the stakeholders in this case are more geographically dispersed and thus exercise less control over the social entrepreneur's decision (Mair and Marti, 2006).

Other than the types of scaling, understood as 'where to scale', the issue of 'how to scale' i.e. the scaling strategy is also of vital importance to organizations. Again, the authors identified **three types of scaling strategy: dissemination, branching and affiliation**, which is a type of method that combines a bit of the two other. With dissemination, the social entrepreneur shares information with organizations that are interested in adopting the concept and leaves the implementation up to the receiving organization, exercising little centralized control.

Branching, on the other hand, rely on the social entrepreneur to expand its organizational structure and legal ownership to serve new markets – this approach naturally requires a higher degree of control and formal procedures to facilitate the actual implementation of scaling (Smith and Stevens, 2006). For Social Bricoluer, dissemination is the most sought after scaling strategy due to their limited resources, while for Social Engineer type of social entrepreneurship a branching strategy is more often pursued (Clifford et al., 2013; Smith and Stevens, 2006).

A wide range of measurement tools and methods have been developed for the purpose of social impact assessment and utilized by social enterprises (Millar and Hall, 2012). In the for-profit world, the B Corp (B Impact Assessment) is one of the well-known certification systems that grants the B Corporations certification to for-profit organizations that score at least 80 out of 200 on the B Impact Assessment for meeting comprehensive and transparent social and environmental performance standards, specifically in the following four areas: governance, workers, community and environment (MaRS, 2015). The assessment includes three inseparable components: standards, benchmarks and tools, which aim to help companies in the three different processes: assessing one's own impact, comparing one's own impact with others' and improving social impact performance (B Impact Assessment, 2015). Apart from readymade performance measurement methods and rating systems, some tools work as guiding aid for organizations to perform their own impact analysis. The International Organization for Standardization launched an International Standard that outlines the key guidance on achieving greater social responsibility for businesses and organizations - the ISO 26000 (ISO, 2010). The Impact Reporting & Investment Standards (IRIS), managed by the Global Impact Investing Network (GIIN), provides a catalogue of performance indicator metrics for organizations to use to assess their performance in social, environmental and financial aspects (GIIN, 2015). Unlike a methodology, IRIS works as a library of different indicator metrics from which organizations are expected to choose individualized set of indicators to measure their own performance. In this way, it creates a standardized platform for organizations of different types to evaluate their performance in the three given areas. Out of all available tools and methods, Social Return on Investment (SROI) emerged to be one of the most encouraged social value measurement method for social enterprises to adopt (Millar and Hall, 2012). In the next section, we discuss in details the Social Return on Investment (SROI) method and its implications for organizations.

4.1 Social Return on Investment SROI

One of the most widely used methods in impact measurement is the Social Return on Investment (SROI), a principles-based framework mainly used in extra-financial value measurement. It stems from accountancy and classical cost-benefit analysis (CBA) and aims to capture the part of value that is not usually reflected in financial statements by incorporating social, environmental and economic costs and benefits into its analysis (Nicholls et al., 2009). Just as in the case of traditional CBA, SROI combines, in the form of a cash flow, the ratio of the tangible and intangible discounted costs and benefits (Arvidson et al., 2010). As the formula below shows:

$$\text{SROI} = \frac{\text{Net Present Value of Benefits}}{\text{Net Present Value of Investment}}$$

The main activities of utilizing the SROI method can be broken down into three stages: first, it takes a systematic review of the whole process of the organization's activities in question, including inputs, outputs and the impacts experienced by its stakeholders; secondly, it aligns all the economic and social inputs and outputs into a unified format by assigning a monetary value on each one of them, which indicates the benefits and costs of the organization's activities have brought on the society and environment; and lastly, it presents the overall value created through the activities of the organization in question. In the process, financial proxies play a large part in providing value estimates of social value to non-market goods (Arvidson et al., 2010). Specifically, a set of databases containing information regarding financial proxies have been established which provides aids and guidance over how to value intangible 'soft' benefits and impact (SROI Canada, 2015). There are two types of SROI analysis: **evaluative SROI** and **forecast SROI**. Evaluative SROI is done retrospectively using past data and outcomes that have already taken place. It is mainly for the purpose of self-evaluation on past activities and how successful those activities were. Forecast SROI, as the name entails, is performed as an attempt to predict how much social value can be created if the anticipated outcomes are achieved as a result of the activities. It is mainly done while planning new activities or projects. Nicholls et al. (2009) put down the six stages of carrying out an SROI analysis in the Guide to Social Return on Investment, as illustrated by Figure 9 below:

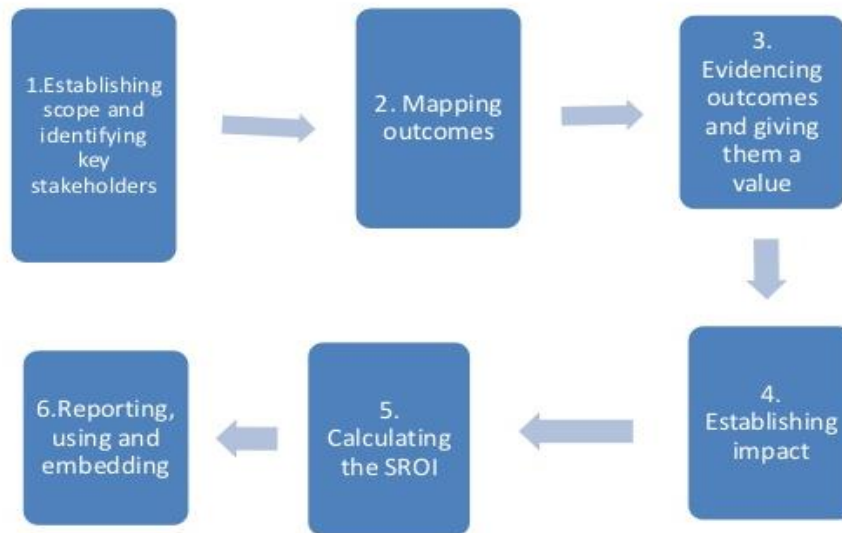


Figure 9. Six stages of an SROI analysis

Source: Nicholls et al. (2009)

The outcome of an SROI analysis is often expressed as a numeric ratio, which compares the relative input and output values exchanged. As an example, an SROI result of 3:1 indicates that every investment of 1 euro delivers an amount of 3 euros worth of social value. However, it is important for one to distinguish the ratio as representing financial value of the organization's undertakings, but rather a holistic view on the overall social value.

4.1.1 SROI's principles

The SROI framework has a set of important principles that which guides organizations in implementing SROI measures, which are as follows:

- **Involve stakeholders**
- **Understand what changes**
- **Value the things that matter**
- **Only include what is material**
- **Do not over-claim**
- **Be transparent**
- **Verify the results**

The seven principles are listed so that the first four engage in the implementation of the assessment and preparation of SROI analysis, and the last three focus on the interpretation of the data and information collected and results.

One crucial indication of the use of SROI lies in the emphasis it puts on *stakeholder engagement*, which calls for a close examination of different groups of stakeholders and their stake in the projects carried out by the organization in question. In order to perform a SROI analysis successfully, one of the foremost preparation work to do is identify all the potential stakeholders because it is the subsequent interactions among them that create the value SROI is trying to evaluate. In the case for social enterprises, their activities can have a far wider spread of impact than they originally aim for, and the impact can be positive to one group of stakeholders while being harmful to another, thus a comprehensive overview of the stakeholders involved is absolutely necessary. This also resonates with the next principle: *understand what changes*. This principle points out that changes are brought on as outcomes achieved through social entrepreneurial activities and it is required that the changes expected and how they can be achieved to be recorded and backed by evidence. It is important to keep in mind that those changes are only made possible by the contribution of certain group of the stakeholders. Due to the intangible nature of most of the outcomes of social entrepreneurial activities, it is important to adopt a mechanism that transfers those often-abstract measures into quantifiable values (Ryan and Lynne, 2008). The third principle ‘value the things that matter’ specifically deals with this aspect. The use of financial proxies is introduced as the main instrument to assign values to outcomes. However, the balance of power among stakeholders might be altered as a result (Nicholls et al, 2009). In order to avoid taking into consideration unnecessary elements while making assessment, it is important for organizations that practice the SROI approach to stick to the principle of ‘*only include what is material*’, which demands a careful selection of information and evidence to be included in the assessment process to eliminate unnecessary disturbances. Information that one group of stakeholder finds essential can be irrelevant to another, and the judgment of what is relevant and material is done based on each organization’s situation and the general context of the sector the organization operates in.

The fifth principle ‘*do not over-claim*’ calls for organizations to keep an eye on ‘what would have happened’ through means such as benchmarking in order to clarify whether the changes are achieved through the activity or through other factors and only claim the part of the value created through the activities. Contributions made by people outside of the stakeholder group or organizations should be excluded as well. Next comes the principle of ‘*be transparent*’, which demands everything involved in any decision making, including

information collection, benchmarking, analyzing be documented. The aim of this is to provide a high level of transparency so that decisions made can be backed up and monitored at all times. The last principle, calls for verification of the result, which is often done through a third-party independent assurance entity. It can bring comfort to both stakeholders and outsiders that the analysis is creditable.

4.1.2 The benefits of the SROI approach

The SROI method holds many benefits due to the systematic and consistent approach it adopts and therefore is recommended by many academics and professionals. The essence of the SROI lies in its focus on engaging stakeholders and putting on quantifiable values to impacts that often do not possess a market value. It is not only just a tool, but a project with visions and goals in itself, because it not only delivers a fair measurement of social, environmental and financial value created, but also provides organizations and stakeholders a platform to deepen their understanding of the activities carried out in order to achieve the value created (Arvidson et al., 2010).

One important issue with social enterprises often comes from the fact that many stakeholders, including the investors, do not actually possess sufficient knowledge of the organization’s activities – in other words, they often do not know what they are giving money for and whether or not the purpose has been fulfilled. Thus, the SROI approach solves this problem because it involves stakeholders in a deep level while performing value measurement analysis while at the same time, it gives the social enterprises an opportunity to prove to the stakeholders that what they are doing is actually delivering results of what they have set out to promise. The relationship between organizations and their stakeholders is thus strengthened and trust is built for both sides. This assurance can guide commissioners towards making better decisions, especially when they are tendering for public sector service contracts (Ryan and Lynne, 2008). In addition, performing an SROI analysis is also beneficial to the organization in the way that through the analysis, workers of the organization can identify their problematic areas, learn from their work and improve their service when necessary (Millar and Hall, 2012).

4.1.3 The challenges of the SROI approach

However, despite bearing a large set of advantages, the SROI approach does have its limitations. Specifically, its heavy emphasis on stakeholder engagement can be a double-edged sword. There are several challenges associated with involving stakeholders closely because

stakeholders of social entrepreneurial activities cover a wide range of people divided into groups, which leads to a certain high degree of diversity among them. The different groups of stakeholders each have their own interests to look after and priorities of urgency. Some of these interests can indeed be conflict with each other and the power distribution of stakeholder groups is highly asymmetrical. Just like in any organization or in the society at large, it is very challenging and even virtually impossible to make sure that everyone's voice is heard and taken into account while making decisions that concern them with many voices being unheard or neglected. The current SROI method does not address this issue and it is therefore very ambiguous to tell which stakeholder is more involved in decision making and which isn't. In addition, the issue of how different stakeholders interpret the results of SROI analysis remains largely unattended also (Millar and Hall, 2012). The other source of controversy towards adopting the SROI method to measure social impact and value focuses on the method and data integrity issue. The fact that despite attempting to monetize intangible measures such as wellbeing, self-esteem and confidence, the difficulty of assigning an appropriate financial value on such 'soft' outcomes remains rather challenging (Sheridan, 2011). In addition, the SROI method clearly requires a successful selection and use of financial proxies so that it can deliver adequate value estimations, however, the base for finding good financial proxies that's suitable and have good evidence backup to it is very difficult task, often rendering SROI reports of very poor quality (Millar and Hall, 2012). Having incompatible data makes the SROI method even less appealing, because comparison of performance denoted by SROI ratios across different organizations is almost impossible (Ryan and Lynne, 2008), which also signals that the SROI might be weak in representing the heterogeneity of organizations. On the practical side, embracing the SROI method demands a huge amount of resources from the adopting organization, both monetary and time-wise, as well as commitment, which can be perceived as a burden to many social enterprises. Very often those enterprises would rather spend those valuable money and resources to attend more social needs. In reality, the SROI method may seem to be a viable option only for organizations with large capacities and resources available (Millar and Hall, 2012).

With the above mentioned issues being present, it is understandable to many why although encouraged by many as an effective method to quantify social impact and assess social enterprises' performances, the SROI method has still not reached a wide adoption stage. Even among those who have used the SROI method, many consider it an overly complicated, time

and resource consuming process that yields very little benefits and assistance to the organization. Questions regarding the mechanism used to understand stakeholder involvement and transparency, the selection of data and how accurate they are in the assessment process have been raised, which calls for more in-depth qualitative methods of investigation to look into exactly how the SROI approach has been used by different organization types (Arvidson et al., 2010). Clearly, without more concrete validation work, it is still hard to tell if the adoption of SROI method can really benefit the organization.

4.2 Current Situation of Social Value and Impact Assessment

Many researchers and governments have identified and also agreed that in order for social enterprises to run more efficiently, their performance needs to be properly assessed and measured because it can yield benefits for the organization in two ways: as an internal indicator that promotes better work from employees and facilitates organizational learning, and externally offering assurance and confidence to investors and commissioners to attract more resources and funding by providing strong evidence that value is being created through their contributions. The consensus on the necessity of social value measurement has been reached. A wide range of different tools, frameworks and guidelines has been developed for this specific purpose, including the SROI method. However, the reality of organizations that actually take the effort to evaluate their social impact is much less than ideal: according to a survey conducted by Millar and Hall (2012), only 59% of the social enterprises responded that they have done some form of social impact measurement and among those exist a wide range of different approaches, with a heavy preference on tailored performance measurement tools that fit the individual organization's contextual and operational dynamics, over more generic systematic tools such as the SROI method. This corresponds to the previous research that reveals one potential weakness of SROI being its neglect of organizational heterogeneity. A lot of organizations also opt for the traditional Key Performance Indicators (KPI) as their main tool to evaluate the social impact of their work, which is also accepted by many funders as the basis of decision-making, which indicates a tendency for social enterprises to align their performance measurement goals to meet funders' expectations.

Many attribute the reason for social enterprises' reluctance towards embracing social impact valuation stems from the fact that the actual requirement to do such work is relatively low, which is disproportional to the amount of money and resources it drains from

organizations. Social entrepreneurs are less inclined to perform social impact measurement work unless their investors or commissioners demand it, while in fact funders often make decisions on other basis than social value expressed in financial terms (New Philanthropy Capital, 2010). Furthermore, the fact that many of those measurement tools are developed for different purposes and follow different guidelines further complicate the picture because it has been argued that the exact field of social enterprise cannot be accounted for using any standardized analytical tools (Hart and Houghton, 2007). This view stems from the fact that many of the measurement tools, including the SROI method, which has its origins back in the private commercial sector (Millar and Hall, 2012). Additionally, the current stage of social impact measurement tools is still in development stage, which is also why reports generated by highly systematic methods such as SROI can be inaccurate and offers little value. Thus, it can be rather unconvincing to social entrepreneurs that the act of spending that amount of resource and money in conducting the assessment is actually worthwhile.

5 Case: Grameen Bank

The Grameen Bank is a microfinance organization established in 1983 in Bangladesh by Muhammad Yunus, a professor from University of Chittagong. Grameen's main activity is offering small loans to the under-privileged people, with an emphasis on women, without requiring collateral. Professor Muhammad Yunus, together with the Grameen Bank were the recipient of the 2006 Nobel Peace Prize for 'their efforts to create economic and social development from below', particularly for developing microcredit into a higher level as an effective tool in the fight against extreme poverty and offering experiences and inspiration to other purpose-alike organizations around the world to learn from.

Grameen Bank was established under two assumptions: first of all, access to credit is a human right, and providing credit to the poor could inspire them to take up entrepreneurial activities to transform their lives for the better; and secondly, it is with their own hands that can the poor lift themselves out of poverty because no one else is better aware of their situation, thus the poor should be able to initiate changes to better their own lives (Yunus and Jolis, 1999; Hossain, 1988). Loans provide borrowers a chance to embrace their potential and stir upward changes and innovations in local communities that can not only benefit the borrower but also to have a positive externality effect to those around them. This principle ensures that instead of remaining on the passive side of beneficiary of charity, the poor is granted freedom to utilize

skills they already possess to make economic profit and transform their lives. The sense of accomplishment could go on to serve even greater good because it boosts their confidence and thus promotes emotional wellbeing among the poor, which is another major improvement to their quality of life.

5.1 The Start of Grameen Bank

Professor Muhammad Yunus got inspiration of lending small amount of money to poor people from an encounter with a young woman in the Bangladesh village of Jobra during the devastating famine in 1974, who borrowed 25 cents from moneylenders with a ridiculous daily interest rate as high as 10% to make bamboo stools, which are then sold back to the moneylenders at a price that's much lower than the market value, and the whole process yielded about 2 cents of profit (Mainsah et al., 2003). Yunus believed that poverty in Bangladesh could be addressed much better with loans, rather than being dependent solely on charity. He went on experimenting by loaning 27 dollars to a group of 42 people as startup money to found a small business of their own, without leveraging heavy interest or requiring collateral. As a pleasant result, all the borrowers managed to pay back their loans on time and even managed to make a small profit. The success reassured Yunus that making loans accessible to the poor, the group that is usually rejected by traditional commercial banks as clients because they possess too high risk, could make a huge difference both in improving their life quality and also at pushing forward the poverty alleviation progress in the entire Bangladesh.

Yunus first tried to approach commercial banks with his idea and gain support from them after demonstrating the viability of his plan. However, although success is proven by Yunus's experiment, the scale of the experiment was so small that it failed to convince traditional commercial banks, which instead insist that Yunus's plan could never work on a large scale because the proceeds of those loans are so small that it is not economically attractive to large commercial banks (Mainsah et al., 2003; Hossain, 1988). Unable to obtain support from traditional banks, Yunus then decided to create the change on his own. He started with a research project together with the Rural Economics Project at the University of Chittagong targeting the nearby area including the Jobra village. The project experimented with providing credit and banking services to the poor, which proved to be successful. The project eventually gained support from the Bangladesh bank expanded to cover other larger areas in Bangladesh. In 1983, the bank was authorized and established as an independent bank under a Bangladeshi

government ordinance. Named ‘Grameen Bank’, after the Bengali word ‘gram’ which means ‘village’, it has spread out a network of over 2100 branches by 2006 and over 2422 as of today. Ever since its establishment, it has loaned over 6,25 billion US Dollars to the poor and inspired numerous organizations around the world to take up similar projects and the World Bank to issue an initiative to finance Grameen-type schemes (Grameen Bank, 2015). Each of the 2422 branches is lead by a branch manager and several center managers, who work together to oversee the day-to-day operations of the branches and at the same time keep a close relationship with the community of villages where more prospective clients are living in so that they can have their needs identified.

5.2 Financial Structure and Revenue Model

Grameen Bank is owned together by its borrowers and the Bangladesh government, with the vast majority being its borrowers (as much as 94%), and the rest 6% representing the government. The structure of Grameen Bank’s funding source has changed over the years. During the beginning years, donor agencies have played the essential role of providing the most capital to the Grameen Bank. Gradually, after showing initial success and winning support from the central bank of Bangladesh, the main contributor that provides capital for Grameen Bank became the central bank. In recent years the funding source has further diversified to include instruments such as bond sales. Since its starting point, Grameen Bank has stick to its philosophy of encouraging the poor to strive for financial independence, thus all the borrowers of Grameen Bank are advised to put in deposits so that their own capital can further fund their future loans. During its initial years, Grameen Bank relied mainly on loans from the Central Bank of Bangladesh to provide capital for new branch openings, and the branches went on to repay the loans once they receive deposits from clients, made up of both borrowers and non-borrowers. Recently, this old routine was replaced by a new system where new branches receive no loans or support, but instead go directly to approach its potential clients to market their services and try to attract as much deposits as possible. With the deposits received on the first day, the bank can literally start providing loans on the second day already. Other non-borrowers also deposit money into Grameen Bank. This is the main source of income for Grameen Bank nowadays. As a matter of fact, Grameen Bank has relied on deposits and interest income to fund its major operations since 1995, topping 90% of all its loans (Mainsah et al., 2004). Also since 1995, Grameen Bank has stopped receiving donor funds completely.

Grameen Bank can be seen as a bank that is owned by its borrowers and its borrowers can receive dividends from the bank (Grameen Bank, 2015). The practice of promoting savings has indeed changed the perceptions Bangladesh people in rural areas hold towards savings. At the moment Grameen Bank is a self-sustaining financial institution which holds over 3 billion US Dollars' worth of assets, over 90% of which is made up of deposits, which is held mostly by its borrowers (Mainsah et al., 2004). Whenever a borrower reaches a certain amount of deposits, he/she becomes eligible for a share purchase in Grameen Bank, which will in turn grants the depositor to make investments within the entire Grameen portfolio. Through this means, borrowers are transformed into investors and shareholders of the bank, all parties involved can have their share of interests ensured and the common goal of poverty alleviation is being approached from all angles.

5.3 Client Selection and Risk Management

The structure of Grameen Bank determined that trust is indispensable in order to keep the system running and for growth to be achieved. In reality, an overwhelmingly high number of women (over 96%) mark up Grameen's client profile (Grameen Bank, 2015). Clients are selected primarily according to their own financial situation and their credit record (i.e. past loan repayment record), if exists. However, the bottom line remains that only the poor is eligible to receive a loan from Grameen Bank. Grameen Bank also developed 10 Indicators, which is used to evaluate the poverty level of its borrowers. Generally speaking, the more indicators a borrower fulfills, the better off she/he is. If all of the 10 indicators have been fulfilled, he/she is considered to have moved out of poverty. The fewer indicators a borrower fulfills, the more likely he/she is qualified to obtain a loan from Grameen Bank. The 10 Indicators used by Grameen Bank are as follows:

1. The family lives in a house worth at least Tk. 25,000 (equivalent to 320 US Dollars) or a house with a tin roof, and each member of the family is able to sleep on bed instead of on the floor.
2. Family members drink pure water of tube-wells, boiled water or water purified by using alum, arsenic-free, purifying tablets or pitcher filters.
3. All children in the family over six years of age are all going to school or finished primary school.
4. Minimum weekly loan installment of the borrower is Tk. 200 (equivalent to 2,5 US Dollars) or more.
5. Family uses sanitary latrine.

6. Family members have adequate clothing for everyday use, warm clothing for winter, such as shawls, sweaters, blankets, etc, and mosquito-nets to protect themselves from mosquitoes.
7. Family has sources of additional income, such as vegetable garden, fruit-bearing trees, etc, so that they are able to fall back on these sources of income when they need additional money.
8. The borrower maintains an average annual balance of Tk. 5,000 (equivalent to 65 US Dollars) in her savings accounts.
9. Family experiences no difficulty in having three square meals a day throughout the year, i. e. no member of the family goes hungry any time of the year.
10. Family can take care of the health. If any member of the family falls ill, family can afford to take all necessary steps to seek adequate healthcare.

Group lending, later formalized as solidarity lending, is a major mechanism for women to obtain loans. No formal written contract is necessary between Grameen Bank and its borrowers. No legal instrument is needed either, so that courtroom handling of any default related incidents can be avoided as much as possible (Grameen Bank, 2015). The group lending system works as a lending group comprised of 5 to 10 self-selected members, who are then ranked according to their individual financial capability and situation. The ranking decides who out of the group receives loans first and the order follows so that the person with the most desperate needs is the first one to obtain a loan. A person in charge called the chairperson is also selected in each group, who supervises and oversees other group members' situation and she herself is the last one in the group to receive a loan, only after confirming that the member on the lower end of the group has fulfilled her obligations of the loan. Members are well aware of the rule that their own failure to meet terms of their loans can cost another member her opportunity to obtain loans once and for all and thus remain very prudent while making decisions. In this manner, both group responsibility and peer pressure act as a double guarantee to motivate borrowers to work hard towards repaying loans and the risk of default is minimized. Although everyone has to be a member of a group in order to qualify for loans, there is no joint liability on group members in case of repayment failure. In other words, members belonging to the same group do not have the obligation to take responsibility of another member's default. However, in reality, due to the rule that loans can only be extended if complete payback is achieved, group members often cooperate together if default problem arises, with their individual contributions due to be paid back at a later time (Hossain, 1988). The group system automatically serves as a strong risk management scheme, which has proven to be an effective one as well. Additionally, the assigned center manager and branch managers serve as another guarantee to safeguard loan repayment. They have to keep a close eye on every step along the

entire process, including tasks from selecting the borrowers initially, forming lending groups, managing the responsibility distribution of group members, and overseeing income-generating activities to ensure that complete and on-time repayment is realistic (Mainsah et al., 2004). The track record of Grameen Bank's loan recovery rate has been outstanding, reaching more than 98% (Grameen Bank, 2015).

5.4 Growth and Expansion of Operations

After its inception, Grameen Bank has worked its way to diversify its offering of microcredit services and products with an aim to serve more people better. In addition to its classic traditional loan in the form of supporting entrepreneurial activities of the borrower, Grameen Bank offers loans in education and housing.

In 1984, housing loan program was introduced after being rejected three times by the Central Bank, which insisted that borrowers could not possibly repay non-income generating loans. As of 1999, more than 560,000 houses had been constructed for housing loans. A typical housing loan from Grameen Bank carries an interest rate of 8% and requires payments to be made weekly. In 1989, Grameen Bank received the Aga Khan International Award for Architecture for its housing program (Yunus and Jolis, 1999). Education loans are available for students who successfully reached the level of tertiary level of education, which can cover tuition and other types of school expenses. By early 2007, more than 16,000 students received education loans from Grameen Bank to continue studies in various higher-level education institutions. In addition, high performing children of Grameen borrowers at various levels of schools and education systems are also eligible to receive scholarships from Grameen Bank, which encourages them to devote themselves more to education and equip themselves with knowledge and skills (Grameen Bank, 2015). In addition to loans, various programs have also been developed to bring new technology into the lives of the rural poor, with the Village Phone program being the largest. The Village Phone program offers a mobile phone device to selected villagers, mostly women, who later on use the phone to make a living by providing wireless telephone services to other villagers. The phone charges very low rates and can be also obtained through easy loans from Grameen Bank. Nowadays, many women in rural areas have succeeded in making a profitable business out of owning a Village Phone. The Village Phone program won the 100,000 Euro Petersberg Prize for Contribution of Technology to Development in 2004.

In addition, starting from Grameen Bank, a wide range of Grameen family organizations have been developed, consisting of multi-faceted non-profit ventures. Those organizations were established to attend to more diversified needs of the rural poor. Some of the notable examples of which include: Grameen Fund, established to facilitate small and medium enterprises (SMEs) expansion by providing assistance to raise risk capital, as an extension to Grameen Bank's conventional service portfolio of providing for the extremely poor: Grameen Communications, which specializes in Information Technology products and services to other Grameen family organizations, as well as to rural people living in remote villages; Grameen Shakti, established in 1996, specializing in developing and promoting renewable energy technologies in remote rural areas, has received widespread acclaim and recognition for its work, including one Right Livelihood Award, and two Ashden Awards.

5.5 Learnings from Grameen Bank

Yunus's Grameen Bank is a classic example of social entrepreneurship that achieved a win-win for both the society and the enterprise. Grameen Bank was created in order to help everyone, regardless of his or her social status or financial capability. It carries a social mission, which is caring for and trusting the poor, and assists them to undertake entrepreneurial activities and therefore targets poverty alleviation. On the other hand, it differs greatly from traditional non-profit organizations, because Grameen Bank operates under a commercial model, which results in not only sustainability, but also brings a considerable amount of profits for growth and expansion. From the case of Grameen Bank, three important take-aways are:

First of all, the most distinguishable element in social entrepreneurship is the existence of a social mission as it searches for ways to solve a social problem, or more precisely put, an entrepreneurial way to solve a social problem. One of the triggers in the very beginning that inspired Yunus to establish Grameen Bank was that Yunus believed that the poor possess skills that could not be exercised properly to create value, because the existing institutions and policies are not providing enough support for them. The needs of the poor are not being met and social welfare is not being maximized. Grameen Bank's goal is fairly simple: to provide small amounts of loans to help lift the poor away from poverty and therefore to contribute to growth of economy and society. More than half of the poor beneficiaries of Grameen Bank have managed to get out of poverty, and the majority of poor borrowers managed to transfer

from beggars to own their own small businesses. Solving social problems has remained not only the starting point, but also the objective all along, for both Yunus and his Grameen Bank.

Promoting social improvement through innovative ways is another characteristic of social entrepreneurship. Before Grameen Bank, offering loans to the poor without any collateral is an impossible idea. However, Yunus found a method to solve this social problem in a creative way. During the initial phase of his social entrepreneurial activities, he put much effort into designing a mechanism through which loans could be paid back. Through group lending, which ensures a shared responsibility among members, he divided borrowers into small groups of 5 people, bigger centers of 40 people, hold weekly meetings and gather loan payments. All members in the same group have to be responsible for one another's loans, and it is the group that conducts the initial evaluation about giving loans, not the bank. If one member has trouble repaying his/her loans, the entire group would have to bear the consequence, and thus people are extremely cautious when choosing their group members. Yunus utilized this mentality of village people that values friendship and avoids embarrassment to set up the mechanism of mutual supervision among people in the same community. If one person experiences difficulty repaying his/her loans, all other members in the group think of ways to help them. This innovative approach became the key to Grammen Bank's success and at the same time achieved large-scale social improvement. Right now, hundreds of countries start copying Yunus' experiences. From extremely poor and under-developed African countries, to highly developed countries such as the United States, Canada, or the United Kingdom, wherever there are poor people, there are attempts to copy Yunus' Grameen Bank. Microfinance has become one of the most key tools to combat poverty on a global scale. There are roughly 17 million people benefiting from microloans around the world. In social entrepreneurship, social entrepreneurs like Yunus play an extremely important role. They are keen on identifying social problems that the existing mechanism fails to solve, idealizing innovative ways to solve problems, and scaling the solution to impact a wide audience, eventually improving the world that we live in.

The third characteristic of social entrepreneurship that the Grameen Bank case has illustrated is that it adopts a commercial operational method and management model and pursues a monetary profit in order to attain sustainability. Grameen Bank itself implements commercial management and one of the keys to its success lies in it having a carefully designed management model. Although the mission of Grameen Bank is its social mission of alleviating

poverty, it has managed an interest rate of as high as 20%, which is compatible to the market rate. It has proved that only through marketization of interest rate can microfinance manage to earn profits, attain sustainability and eventually achieve its poverty alleviation goal. Even when providing loans to beggars, Grameen Bank still maintains a thorough commercial plan in order to ensure profit, and re-invests the profits into new social investment. Accordingly, although the biggest difference between social entrepreneurship and commercial entrepreneurship lies in the priority social entrepreneurship gives to creating social value over creating economical value, social entrepreneurship still has to adopt a commercial enterprise's operating model to earn profits in order to stay sustainable.

6 Social Entrepreneurship in China

As a novel concept to embrace the Chinese society, the smooth introduction of social entrepreneurship requires a precise definition to be put onto it. As introduced in earlier sections, even in a global context, a unified definition of what social entrepreneurship encompasses still remains missing while most research attempts made by scholars are mainly phenomenon-driven and targeted on individual cases (Mair and Marti, 2006). Before we dive into the examination of the specifics of the social entrepreneurship scene in China, it is necessary for us to take into account the fact that in the Chinese context, the challenge of defining social entrepreneurship is even harder to address, due to the inevitability to face a puzzle in translation.

6.1 Definition of Social Entrepreneurship in the Chinese Context

According to Zhao (2012), linguistically the term Social Enterprise in Chinese have three manifestations: 社会企业 (the social enterprise), 社会创业 (the social startup), and 公益创业 (the startup for public good), due to the fact that the Chinese words 'social' and 'enterprise' have very distinctive meanings than in English: the word 'social (社会)' barely connotes non-profit or philanthropy, and the word 'enterprise (企业)' bears no inference to correspond to innovation or venture. Zhao (2012) pointed out that in order to convey the implication of 'social entrepreneurship' in English, the direct translation of 'social enterprise (社会企业)' might not be the best idea, as it narrowly conveys the idea of an 'enterprise in society', literally any private sector enterprise, rather than an 'enterprise for society'. Consequently, the Chinese

general public is more accustomed to associating non-profit initiatives with the word ‘public good (公益)’ or ‘charity (慈善)’, rather than ‘social’. The word ‘entrepreneurship (企业家精神)’ or ‘enterprise (企业)’ in Chinese has its focus on the profit making nature of it, rather than the innovativeness or the notion of ‘creating something new’, which is probably better conveyed with the word ‘start-up (创业)’. As a result, currently in China, the interpretation of the word ‘Social Enterprise’ might be better expressed through the words ‘start-up for public good (公益创业)’. We can see that although officially introduced into the country under the name of ‘Social Enterprise’, there is still a long way to go for the essence of it to penetrate the Chinese context and reach a widespread understanding of it.

As to what degree does one qualify to enter the pool of being labeled as ‘Social Enterprise’ in China is another area of debate, mainly resting on two factors: organizational nature and income generation mechanism (FYSE, 2012). The presumption here is a separation from government-run public sector organizations, such as party agencies and state-owned enterprises (Zhao, 2012). Thus, social enterprises in China mainly take on two registered forms: as non-governmental organizations, or as business entities (FYSE, 2012). However, the distinction between the two requires further exploration. The second key factor here, rests on whether social enterprises in China can engage in diversified funding sources such as government contracts, subsidies and social donations or should it be strictly limited to only rely on its own revenue generating activities. Consequently, some organizations are currently ‘stuck’ in between the status of a conventional NGO and a completely self-reliant commercial enterprise (FYSE, 2012). For the purpose of this thesis, I believe it is wise to adopt the ‘grounded theory’ approach proposed by Yu (2011) that broadly defines social entrepreneurship in China as ‘business ventures driven by social objectives’, free from limitations posed by organizational structure or income generation mechanism.

6.2 Drivers for Social Entrepreneurship in China

China’s rapid economic development has brought on a series of social issues, some of which are new byproducts of the economic development, while some exist before already but are aggregated even more as a result of the country’s pursuit of economic output. The government’s role is also changing towards more of a decentralizing approach to deal with social affairs and slowly starting to acknowledge the role of the private sector. Other factors especially in terms of support and promotion from social entrepreneurship organizations

overseas have propelled the introduction of the concept. Specifically, five groups of factors have been identified.

6.2.1 Aggregated wealth gap between the rich and poor

Since opening up to embrace a market economy in 1978, China has let on a blast of one of the most remarkable economy growth in the world. Consequently, the concept of entrepreneurship gained much more support than ever before and civil society organizations have developed a great deal (Zhao, 2012; Yu, 2011). As a result, millions of Chinese shrugged off the chains of poverty and went on to live an abundant life. Many of those people eventually became extremely wealthy. The number of Chinese people with net worth assets of at least one million US Dollars rose by 18% in 2013, compared to the 14,7% of the global average (Rapoza, 2014).

The economic boom, however, is extremely localized, essentially mainly targeting the privileged urban citizens. Poverty and other forms of social issues regarding living standards and basic human needs still influence large portions of the population, especially in rural locations. The negative consequence of the phenomenal economic prosperity, however, is the ever widening of the wealth gap between the rich and the poor, especially in more inland rural areas (Munoz, 2009). It has been widely reported and observed that China has one of the highest wealth gaps in the world (Zhao, 2012; Rapoza, 2014). The huge income disparity directly contributes to the worsening living standards for those that still struggle below the poverty line. For society, this is surely nothing to be cheerful about - China's Gini coefficient was revealed to be over 0,46 in 2012, which is way over the 0,4 threshold, whereas it is widely believed that anything higher than 0,4 indicates a dangerously instable society with high probability of societal unrest (Ramzy, 2012). The extensive wealth gap also brought about many new disadvantaged groups, notably the increasing number of unemployed.

6.2.2 Large number of 'floating' workers

China has a huge number of internal migrants, as a result of many people moving from rural areas to cities in pursuit of a better life. Within the domain of those migrants, many belong to the segment of a 'floating' population, namingly people that move across cities or provinces without an official household registration (the Hukou system) in China. In 2012, the number of internal migrant population reached 221 million, most of which are made up of migrant workers, accounting for over 160 million, with an expected 300 million more to move to urban areas seeking employment in the next three decades (China Daily, 2011). The distinction

between urban and rural is being aggravated synchronously with the economic development and felt by the people (FYSE, 2012).

Those ‘floating’ workers are one of the most painfully disadvantaged groups in contemporary Chinese society, for they often end up taking jobs with the highest risk but yields the worst scenario of compensation with next to none social welfare protection. Thus, the high number of ‘floating’ workers further raises a series of serious social issues to be addressed, including work safety regulations, education attainment issues for their children, senior care issues, especially regarding the empty nesters, inequality and discrimination. All those above-mentioned issues are exactly the kind of problems social entrepreneurship has the potential to tackle.

6.2.3 Transition of government’s role and attitude towards social welfare

As a result of the market reform in late 1970s, the Chinese government initiated several major reforms of the country’s economy structure, including privatization of formerly state-owned enterprises (SOEs) on a national scale and abolishment of collective economy practices, especially in rural areas. Consequently, the Chinese government was pushed forward to take up the task and played a much bigger role in re-organizing and developing a new social welfare regime and provide public services (Yu, 2011). This has posed significant pressure on the government, which had not been handling well in its newly transitioned roles and struggled both financially and managerially to maintain its authority (Lu and Feng, 2008).

The government has consequently adopted a decentralized approach in addressing these pressing social issues by loosening its control and granting freedom to local authorities to decide on certain social welfare arrangement matters and direct implementation locally (Yu, 2011). At the same time, the Chinese government has also started to acknowledge the significance of the private sector in addressing social issues and enabling social improvement. This has given a chance for social entrepreneurship to flourish because the essence of it is thriving to combine business thinking and strategies to tackle social problems. The Chinese government has also taken action to welcome this new concept (Yu, 2011).

6.2.4 Struggling non-profit sector

The sector boundaries between ‘non-profit’ organizations, non-governmental organizations, and civil society organizations have always remained a blurred area, especially in the Chinese context, where clear distinctions have not been set. Non-profit organizations are defined as an

umbrella term that host many different types of organizations established for purposes other than profit generation and instead utilizes its revenues into furthering its purposes and missions, rather than distributing it to people within or outside the organization in any form (Legal Information Institute, 2015). Non-governmental organizations, as a member of the non-profit landscape, refer to organizations that operate independent from government. The term ‘civil society organizations’ is used synonymously with non-governmental organizations (United Nations Rule of Law, 2015). In China, the term ‘social organizations’ started replacing the term ‘civil society organizations’ since 2006 to appear in official regulations and policies and the two terms have been used interchangeably on most occasions (Feng, 2013). According to Yu (2011), there exist three types of social organizations operating in China: **social associations, civilian-run non-enterprise units and foundations**. It is worth noting that such division is derived from an operational level, thus strictly speaking it does not serve to offer a mind map of the legal forms of China’s social organizations. Social enterprise, however, is a developing new concept, which shares some overlapping contents with the concept of social organizations, and we will discuss about this in later sections. Please refer to the following Figure 10 to get a grasp of China’s non-profit structure.



Figure 10. Illustrate of Non-Profit structure of China

The dashing rapid economic development of China has enjoyed its benefits, however, for the social sector, it has set up certain barriers. In fact, financial constraints have been cited as the number one barrier hindering non-profit organizations’ development in China (Yu, 2011).

The urgent need to survive and the ever-increasing competition for the highly limited funds available have pushed many non-profit organizations to seek strategies from the business sector, which created excellent soil for social entrepreneurship to sprout and thus a key factor driving its development (FYSE, 2012).

One direct impact of China's economic development is the reduction of funding from international organizations, especially international NGOs, to support China's social welfare. Most of the remaining donors have been only investing in the more government controlled social organizations, mainly Government Controlled Non-Profit Organizations (CONGOs), which refers to a specific type of social organizations that are established with the funding and help of government, who oversees all of its decision making while having a separate set of corporate governance structure, often registered as foundations (Feng, 2013; FYSE, 2012). However, CONGOs do not constitute as a separate form of social organization here because it represents the status of certain social organizations rather than the nature of it. In other words, any of the three types of social organizations identified above could include CONGOs.

6.2.5 Support and promotion from international agencies

The interest towards social entrepreneurship in China and the build-up of general knowledge around the concept can be attributed to be largely the result of many international agencies introducing and promoting it into the Chinese domain, with efforts mainly focused on two areas: raising awareness of social entrepreneurship, as well as cultivating social entrepreneurship (Yu, 2011).

In 2004, the first 'Sino-British Symposium on Social Enterprise and NPO' was held in Beijing, being the first formal introduction of the concept of social enterprise into Chinese audience, including British social entrepreneurs joining the discussion and introducing their experiences (Defourny and Kim, 2011). In the same year, the Chinese translated version of two international handbooks of social entrepreneurship, "How to Change the World: Social Entrepreneurs and the Power of New Ideas" by David Bornstein and "The Rise of the Social Entrepreneur" by Charles Leadbeater were released (FYSE, 2012). In 2007, an International Forum on the issue of social entrepreneurship jointly organized by Oxford University's Skoll Centre for Social Entrepreneurship, Zhejiang University and Entrepreneurs School of Asia was held in Hangzhou, China, which hosted heated discussion among scholars from all over the

world on the topic of social entrepreneurship in developing and transitional economies (The Social Venture Forum, 2015).

In the same year, China Social Entrepreneur Foundation was established (FYSE, 2012). In the same year, Said School of Business of Oxford University established the Youth Business Development China initiative, aiming to empower young Chinese social entrepreneurs (Yu, 2011). In 2008, Skills for Social Entrepreneurs Workshop was organized for the first time with the help of the Culture and Education Section of the British Embassy, providing professional training to potential social entrepreneurs (FYSE, 2012). In 2009, the Nobel Peace Prize winning Grameen Bank's affiliation Grameen Trust of Bangladesh sealed a partnership with China's Alibaba Group, creating Grameen China, with the ambition to extend its famous microfinance services to replicate its success in its home country, with the goal of benefiting the poorest in China, (Yu, 2011).

6.3 The Current Social Entrepreneurship Landscape in China

After examining what drives social entrepreneurship to be introduced into China, it makes sense for us to look into how and where social enterprise is perceived and accepted in China, especially from a legal perspective. Yu and Zhang (2009) provided some valuable insights into the legislation scene for Chinese social enterprises: there are currently four legal forms of social enterprises officially sanctioned by the Chinese government, including **Social Welfare Enterprises, Civilian-Run Non-Enterprise Units, Civilian-Run Educational Institutions and Cooperatives**. Please see the following illustrative Figure 11 about the existing social enterprise structure in China:

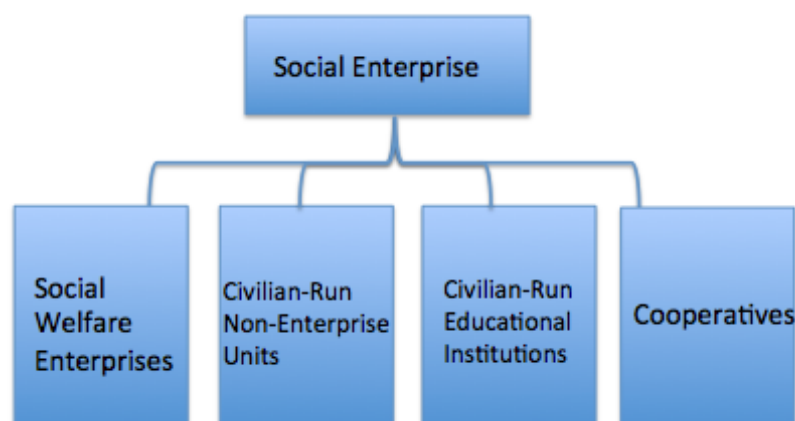


Figure 11. Official forms of Social Enterprise in China

It is worth noting the distinction that the specific type of social organizations, the Government Controlled Non-Profit Organizations (CONGOs) do not fall into this category of strictly defined social enterprise due to its close connection with the government, which makes it fit more naturally into the category of ‘social organizations’ previously introduced, rather than the more strict ‘social enterprise’ definition. Social Welfare Enterprises (SWEs) are a specified type of social enterprises that contribute to integration of disabled people into society through offering them employment opportunities, as they are required by law to have at least 10% of their positions filled by employees with a disability. As a result, SWEs enjoy a wide range of tax benefits. The fact that SWEs usually hold a strong administrative relationship with governmental agencies marks their biggest difference from independent social enterprises (Zhao, 2012). Civilian-Run Non-Enterprise Units (CRNEUs) are the closest form to the definition of social enterprise abroad, and according to law they have to be registered as non-profit organizations in China. Compared with SWEs, CRNEUs do not enjoy equivalent tax benefits, but still have the privilege of being exempt from paying taxes on a large amount of their income, except those generated from their own commercial activities. Civilian-Run Educational Institutions (CREIs) enjoy a similar status when it comes to tax benefits, as they are exempt from paying business tax for revenues resulting from activities conducted mostly for educational purposes, including government funds and donations. Cooperatives, mainly in the form of farmers’ specialized cooperatives, enjoy tax-exempt status for a large part of their revenues generated from agricultural productions and related farming and fishing industries.

The China Social Enterprise Survey, conducted by FYSE (2012) offered a systematic overview of the current social entrepreneurship landscape in China through seven perspectives: location, industries and stage, financial performance and funding model, impact measurement, governance and legal, and geographical scale:

6.3.1 Entrepreneur Profile, Location and Industries

The profile of Chinese social entrepreneurs is rather consistent; featuring young individuals aging between 31 to 40 years of age that have at least a university degree and over half having received education abroad or worked overseas. It is also during their time abroad where they were exposed to social entrepreneurship and once returned to China they started taking initiatives on it. Significant difference between genders was not observed. However, the workforce of Chinese social enterprises is predominately female. Many of Chinese social entrepreneurs are motivated by their personal passion to ‘do something meaningful’. However,

most social entrepreneurs in remote rural areas in China do not possess such high level of education or foreign exposure.

As many as two thirds of Chinese social enterprises are located in Beijing and Shanghai, due to its location superiority that makes it convenient for social enterprises to approach a diversified talent pool and financial institutions that can be of assistance to them. At the same time, these two cities' governments also represent the most innovation friendly in the country, which is certainly an advantage that social entrepreneurs would not want to miss. However, most of social enterprises serve remote areas outside of their home municipalities. Those social enterprises that originated from remote rural areas are often trapped within their geographical locations and remain isolated from the larger resource pools outside of their reach.

As expected, social enterprises in China operate in a multitude of different industries: notably basic service provision including financial services, medical services and education, fair trade and integration of the disabled population into society. The division between the industries is rather vague; with some social enterprises operate across industries. Due to the fact that social entrepreneurship in general is a concept still in its infancy for the Chinese, most social enterprises in China are young, with over half being established less than 3 years ago.

Not surprisingly, Chinese social enterprises operate on an extremely localized basis, mostly on a city or village level. No significant difference was observed regarding whether the gender of the social entrepreneur. The geographical scale of the social enterprise also shows little correlation with profitability. Consequently, the potential of social enterprises to create economic development is rather small and it corresponds to the fact that most social enterprises do not contribute much to job creation.

6.3.2 Finance and Funding

From a financial perspective, Chinese social enterprises are struggling to achieve profitability. Among the survey respondents, only 42% of social enterprises report to be making a profit, while 25% indicate that they are running a deficit. Nevertheless, one can remain optimistic, as the situation seems to be improving as the organization survives its early development phase. This is a good indicator that shows in reality many Chinese social enterprises have trouble providing competitive salaries for its employees. Among those social enterprises that do make a profit, their profit allocation is also an area of interest. As most Chinese social enterprises register themselves as business entities (i.e. companies 公司), they

are not subject to any restrictions concerning how they allocate their profits. The survey results show that most Chinese social enterprises do reinvest their profits back into the organization. When we look at the funding element of Chinese social enterprises, over half of social enterprises in China seek funding for the purpose of sustaining the organization, rather than aiming for growth and expansion. As for funding sources, the dominant source is shown to be family and friends of the organization's founders and employees to provide initial capital. Other major sources of funding include foundation grants, social investors and corporate sponsorship. However, apart from those external channels, most social enterprises in China do receive a large portion of their income from selling their products and services. Most common approach used is sales of products and services unrelated to their social mission, followed by sales of products and services to the wealthy to subsidize those provided to the poor, and direct sales of products and services to beneficiaries. Surprisingly, impact investment is yet to make it to the big stage for Chinese social enterprises.

6.3.3 Impact Measurement, Governance and Legal

Half of the survey respondents report to incorporate impact measurement mechanisms within their social enterprise, with the most common method adopted being Social Return on Investment and Cost-Benefit Analysis. A major reason for the relatively low adoption rate of impact measurement practices among Chinese social enterprises could be attributed to two factors: most social enterprises remain in their early development phase and thus lack the necessary experiences required to collect the right data for evaluation; many social enterprises do not have enough financial capacity to conduct evaluations.

Currently in China there lacks an explicit set of regulations set for social enterprises, which means that social enterprises are required to comply with existing legal framework in related industries that they operate in. At the same time, social enterprises in China also have to follow legislations set for the specific legal form that they choose. As most choose to register as a company, it means that except for a very limited set of social enterprises, most others do not have the privilege to enjoy benefits usually set up for social organizations, such as tax exemption and reduction. This poses an extra barrier for Chinese social entrepreneurs, as their organizations must pay taxes on grants and donations received as well. Moreover, operating under a 'company' status also means that most social enterprises are forbidden to undertake certain activities, such as public fundraising. The survey also suggested that most Chinese

social enterprises lack established governance structure, which can often assist the organization to run effectively, fulfilling its social mission while maintaining financial sustainability.

6.4 Challenges for Social Entrepreneurship in China

As a natural result of being a new phenomenon that's still in its early stage of gaining recognition in China, social entrepreneurship faces a great deal of challenges, some of which bear very strong Chinese characteristics.

As of the moment, social welfare related affairs in China in general lack a well-functioning legal system. The development of social entrepreneurship is no exception, as there is no established legislative framework specifically designed to regulate social entrepreneurship (Yu, 2011). To start with, the need for a simplified **registration process** for social enterprises is a pressing issue. Social enterprises in China generally face the dilemma of registering as a non-profit organization or as a for-profit company. Most would like to register as non-profits so that they could be open to a wide pool of financial assistance from different angles, such as tax benefits and rights to organize fundraising activities. The majority of social enterprises that ended up registering as a business often face severe financial troubles. However, the reality is that the majority of social entrepreneurs are left with no other option except registering their venture as a for-profit business, due to the 'dual administration system', which has been creating a great deal of hurdles for Chinese social entrepreneurs (Zhao, 2012). Specifically, in order to obtain the non-profit status, the social enterprise has to register with both the Bureau of Civil Affairs and a government department that acts as a supervisory agency (Zhao, 2012; FYSE, 2012). The supervisory agency is often the bottleneck as it rejects most registration requests from social enterprises due to their tendency to touch certain politically sensitive areas (Zhao, 2012).

This brings about the next major challenge for Chinese social enterprises: very often they have extremely **limited operation scale** under strict state control and monitoring, due to the nature of the Chinese government (FYSE, 2012; Wong and Tong, 2006). In 2009, the Non-Government Organization called Gongmeng that operates in Beijing was fined by the Beijing Tax Bureau for 1,4 million Chinese yuan (approximately 220,000 US Dollars) for failing to fulfill its obligations to pay tax. Two days later, officials shut down its legal aid and research center. It was no surprise that Gongmeng could not get authorization to operate as a non-governmental organization and was registered as a business. Its legal aid and research center

took on many high profile sensitive cases in China and provided legal and consulting services to those affected, including the victims of the melamine tainted milk incident and the Tibetan plateau in 2008. Many have speculated that the fine and shutdown was not simply a matter of tax crime, but rather was a result of government's suppression of civil society in an attempt to tighten central control (Branigan, 2009). This brings about another particularity of risk while dealing with social entrepreneurs in China. Due to the sensitivity around certain issues, especially those providing human rights activism related services often face greater challenges tackling the various obstacles and unfavorable factors especially in the regulatory aspects.

Thirdly, in addition to the fact that most social enterprises only start with fairly small scale and often struggle with funding and financial limitations, **the absence of legislative framework specified for social enterprises** is another major stumbling block, resulting in many social enterprises never making it to establishment in the first place. What this means in reality is that social enterprises have to follow the regulations set for ordinary social organizations. For instance, the Registration of Social Organizations Ordinance requires that in order to be granted the official status of a social organization of any kind, one has to have 'at least 50 or more individual members or 30 or more collective group members; in the case of both individual members and collective group members are present, the number of members must be 50 or more', while in the case of financial requirements, 'social organizations operating on a national scale have to have a minimum of 100,000 Chinese Yuan (approximately 15,500 US Dollars) in operating budget and social organizations that only operate on a locally or regionally have to have at least 30,000 Chinese Yuan (approximately 4,600 US Dollars) as operating budget' (Zhao et al., 2009). These requirements pose a significant barrier for social entrepreneurs to start their business because these restrictions were created to generally target the traditional type of social organizations that is more of 'charity' nature (i.e. operating as a non-profit or NGO in China) while in the case of social enterprises, their starting kit often does not require equally solid human and financial resources because generating profit is within their mission as well. Another area of concern regarding the legal identity for social entrepreneurship in China is the need to create clear-cut guidelines and regulations for existing social organizations that engage in market operations (FYSE, 2012).

A large proportion non-profit organizations currently operating in China are the results of a transition from traditional public service units, especially those that had originally attained a certain scale, had a large number of members and had accumulated a good base of

development. Examples of those organizations include China Women's Association, China Disabled Persons' Federation and various trade unions. Historically, most of those organizations have established a strong relationship with the government. Although they are labeled as non-profit organizations with legalized organizational structure and mechanism that provide services to the public through their activities, the actual personnel composition, organization management and operation model is very much governmental. In other words, most of the existing non-profit organizations in China are actually very much like governmental organizations. Assigning the task of providing social goods and services to governmental organizations would for sure result in **compromised efficiency**.

In addition to those challenges unique to China, Chinese social enterprises also face the same types of difficulties as their global counterparts, the most common and severe issue being **financial limitations and human resources shortage** (FYSE, 2012; British Council, 2015). Specifically, bank loans are often inaccessible for privately owned businesses, especially those with limited scale, and even in rare occasions where they do they often charge higher risk because they consider those as high-risk profiles. International funding sources have decreased their support to Chinese organizations partly due to the seemingly fast economic development, and the new donor groups are still reluctant to fund Chinese social enterprises, but rather retreat to support the traditional state-controlled enterprises and foundations (FYSE, 2012). It is not a secret that social enterprises are at a major disadvantage compared to their commercial enterprise counterparts in terms of the ability to provide compensation for employees, which results in significant challenge of social enterprises not being able to attract enough qualified employees to work for them and not able to retain them for long periods of time.

Generally speaking, because social enterprises usually have very limited human and financial resources, they rely heavily on volunteers to participate in their activities and sometimes even carry out some of their operations (Huang, 2015). Most of the volunteers are young people and university students, who have experiences in many areas and are in possession of huge human and intelligence capital. Thus, employing large number of volunteers can highly improve social enterprises' efficiency and make up for the disadvantage of personnel shortage for social enterprises. On the other hand, many social enterprise do not realize that whether their social mission of creating social value solely by providing services, whether in the form of a microloan or in other forms, can succeed or not largely depends on how well it can motivate its beneficiaries to solve the social problem they face themselves. In

reality, motivating these people to take part in economic activities and solve social problems has always remained a difficult task and requires specific techniques. In the case of Yunus's Grameen Bank, to have the loan recipients divided into groups of five has proven to be an effective tool in keeping the group members motivated and this is one of the decisive factors that contributed to Grameen's success.

7 Case: Fuzhou Golden Sun Elderly Care

Golden Sun is a leading elderly care service provider in China. Its motto of 'Senior Homes Without Walls' opened up an innovative approach in China's elderly care industry and offered valuable insights to look at the social issue of elderly care from a new perspective. As a social business of non-profit nature, Golden Sun has gone over 8 years of entrepreneurship endeavors, putting social value ahead of monetary value while designing and directing its operations because it believes that as long as they put efforts to providing the best services available, keeps an innovative mindset and an open mind towards collaboration, the enterprise can grow healthily and stay sustainable in the long run. Right now, Golden Sun serves around 30 % of all pensioners in Fuzhou and all residents over 85 years of age, with a network of 89 community centers in total and a volume of over 5000 calls per month to its call centers (British Council, 2015).

7.1 Starting steps of Golden Sun Elderly Care

China faces a severe problem with elderly care. According to China's National Committee of Senior Population Affairs, the number of senior citizens aging over 60 years old has grown over 15% of the entire population. In more developed Chinese cities such as Beijing and Shanghai, the number is even higher to top 25%. The phenomenon of empty nester, defined as an elderly parent whose children have grown up and left home, has been a rising concern especially during the past years. Empty nesters have taken up as much as 50% of the whole elderly population and in bigger cities the number is even bigger: reaching over 75%. China is in urgent need of a well-functioning senior care system that reaches a wide enough scale and solves this pressing challenge. Golden Sun is a successful social innovator that thrives to build up a sustainable elderly care network and system starting from Fuzhou city.

From as early as 2008, Golden Sun opened up its first call center that answers to elderly's problems and needs. A year before that, Huang Xiaorong, the founder of Golden Sun,

was already well aware of the huge market potential and demand for senior care based on her own experiences in the housekeeping business previously. The call center was given a catchy name ‘Yibotong’, literally meaning ‘immediately answered’ in Chinese, and provided 24-hour emergency response services targeted to the elderly. The main value proposition of ‘Yibotong’ comes from it being able to provide services right away by its employees, instead of being merely a phone redirecting services like many others. The model is simple: ‘Yibotong’ only charges a monthly rate of 10 Chinese Yuan (approximately 1,6 US Dollars) from its users, which means that the elderly have access to emergency services at only a tiny expense. The founder Huang Xiaorong thought that this model seemed perfect and was bound to succeed.

However, the reality is much crueler than expected. To start with, most old people were not willing to pay the 10 Yuan fee, and the local communities (社区) in which they live were not very welcoming towards having Golden Sun employees coming and going all the time. During the initial two years, Golden Sun was only able to attract a little more than 500 registered users, which was way too few to sustain Golden Sun. The dilemma seems to always exist where if one wants to keep up a certain service level, then the costs go up, which is usually out of range for most Chinese senior citizens’ affordability; if the price is kept low, the service level has to be compromised, which results in seniors not willing to use the services at all. What adds to the difficulty is the special nature of senior care industry, as it is not just a matter of one-year or two-year contract, but requires commitment for a much longer term, which is often life-long care.

However, to Huang Xiaorong, it is very important to distinguish the fact that providing senior care services means an extra sense of responsibility. Regular businesses could start shifting their focus and looking for profit initiatives from other areas when facing bottlenecks, in the case of Golden Sun, due to the fact that the services they provide is lifesaving, they cannot simply abandon their business simply because it is not looking good financially (Huang, 2015). The need for the type of services that Golden Sun is providing is evident and vital: there might not seem to be necessity for emergency services at all times, but once such need comes, it can be, and very often is, life threatening. The current big picture of China’s senior care industry is very polarized: there exist a range of top quality senior care service providers and facilities, which only 1% of the senior population is able to afford; on the other hand, there is the low-end senior care service providers charging around 1,000 Chinese Yuan per month but offers no guarantees on service level or quality; while the middle range market that are willing

to pay for a bit more does not have a steady supply of qualified service providers. In order to breakthrough in the Chinese senior care industry, a social innovation is a necessity. The innovation has to combine price, service, the elderly, government and service providers effectively in order to form a functioning value chain that could give birth to a scalable and sustainable senior care system that could work on a national level.

According to Huang Xiaorong, the turning point for Golden Sun came in 2010, when she participated in the Skills for Social Entrepreneurs Workshop organized by the Culture and Education Section. After sharing her story and vision with the program's instructors and other participants, she received a great amount of positive feedback. It was also until then did she realize that what she was trying to accomplish was actually social entrepreneurship, rather than philanthropy, contrary to what she had thought all along. From there on, Huang Xiaorong devoted her time and efforts into developing a viable business model with profit streams for Golden Sun.

7.2 Social Value Proposition and Opportunity

The core element in this framework is undoubtedly the Social Value Proposition (SVP), which is located in the center and aligns all other elements. Golden Sun's SVP is very simple and explicit, which is reflected very well in its organizational motto: Senior Homes without Walls. Its mission is to provide the elderly in China with a life of better quality through its services and facilities (Golden Sun, 2015). On a wider level, since elderly population has constituted a significant social problem in China as their number is growing exponentially and their special needs not being attended to, Golden Sun's role is contributing to provide relief to the associated pressure on the society.

Just as Austin et al. (2006) illustrated in their framework, a recognized social need often guarantees a more than sufficient market size for social enterprises. The social need, in Golden Sun's case, is the rapid aging population structure of China. According to China Aging Population Development Trends Forecast Research, China entered the phase of an aging society from 1999, which makes it one of the earliest among developing countries. As the scope deepens, the pressure it put on Chinese economy, social welfare and culture is becoming increasingly prominent. The 6th National Population Census (National Bureau of Statistics of China, 2010) revealed that by the end of 2010, there are altogether 1,34 billion people in China, out of which the population above 60 years old is 178 million, out of which 119 million are

aged over 65. It is expected that by 2026, the elderly population would exceed 300 million, and 440 million by 2050, which means nearly 30% of the whole population. The reason behind the rapidly aging population structure can be attributed to mainly two factors: first, low birth rate as a result of the one-child policy since 1978; and the longer life expectancy due to economic development and improved living standards (Liu, 2005). It is without a doubt that the elderly is making up an increasingly important role in society while posing significant challenges at the same time.

For Golden Sun, their vision is to start small, from the native city of Fuzhou. Fuzhou is home to 860,000 senior residents, accounting for 12% of the city's total population (Qiu, 2015). Within the city, there are currently 158 senior care facilities (including 59 planned ones), within which 103 are government operated, including welfare house/center 福利院/福利中心, senior homes 敬老院 and glory homes 光荣院 (e.g. facilities specifically for the family members of those who have sustained injuries or lost lives serving the country); the rest 55 being non-government operated, providing altogether 24,728 beds, an average of 28.75 beds per thousand senior citizens (Economic Information Daily, 2015). It is self-evident that the demand for senior care services is overwhelming. Just like the rest of China, a large portion of the elderly population in Fuzhou city also face the problem of being left without close relatives to take care of them, while at the same time, they tend to feel reluctant to moving out of their 'homes', which further contributes to the concept of 'home-based senior care' generating popularity. This gives rise to a very viable opportunity for Golden Sun to step up.

7.3 People

As mentioned earlier, the role of the entrepreneur is exceptionally important in entrepreneurship in general (Martin and Osberg, 2007; Dees, 1998), and the same applies for social entrepreneurship as well (Mair and Marti, 2005; Drayton, 2002). Austin et al. (2006) emphasized that social entrepreneurs need to be able to attract the necessary resources in order to sustain the organization, while at the same time knows how to deal with the individual needs of the key participants. Golden Sun's starter, Xiaorong Huang, was an experienced manager long before creating Golden Sun. As early as back in 2000, Huang was managing a housekeeping service firm, which provided her with first-hand experience as a witness of the reality faced by the aging society: tons of elderly people are left unattended at home and lacking

basic care, not to mention the problem of access to medical services and mental health issues (Huang, 2015; Fang, 2015).

The start of Golden Sun, the hotline 968885 was set up a couple of years later, funded by Huang Xiaorong's personal funds. Huang's determination and entrepreneurial quality were the key that propelled Golden Sun into establishment. Despite the fact that odds are against her, Huang is certain that giving up is not an option, because senior care is not as simple as business and money, it concerns lives of millions. At the moment, Golden Sun employees over 900 employees, serving a total of 250 service stations around the Fuzhou city, with service expansion to Nanping city and Longyan city within the same province and Linyao County in Gansu Province (Golden Sun, 2015). Out of all the employees, over half are middle-aged women (Fang, 2015). At the same time, as a social enterprise, Golden Sun relies heavily on volunteers in executing its service delivery goals. As of August 2015, Golden Sun has a team of over 2000 senior helpers made entirely up of volunteers, aging from young people in their 20s to include also seniors in their 70s, working in various sectors such as lawyers, counselors, social workers as well as university students (Fang, 2015). Apart from the social entrepreneur, employees and volunteers, Golden Sun's another major source of 'people' resources comes from the involvement of many social entrepreneurship experts. In 2008, Huang participated in Skills for Social Entrepreneurs workshop organized by the Culture and Education Section of the British Embassy. There she was able to get in touch with many experts on the subject, a lot of whom are from abroad and they have offered valuable insights and lessons that assisted Huang in building Golden Sun into a stronger social enterprise.

7.4 Capital

Golden Sun's capital structure is rather simple and straightforward. When it first started, founder Huang Xiaorong was the sole investor, as she invested 2,000,000 Chinese Yuan (approximately 315,000 US Dollars) during the first 2 years (Huang, 2015). The major income streams for Golden Sun comes from the 10 Yuan (approximately 1,5 US Dollars) that it charges its registered users. Financial institutions are not lending money to Golden Sun, since Golden Sun's operations do not seem lucrative enough to convince major banks that they would be getting their money back on time (Huang, 2015). Due to the fact that social enterprise is a new organizational form, Golden Sun is registered as a business, meaning that it is forbidden to host

any fund raising activities in China, nor does it qualify as a candidate to receive any funds from donors overseas, irrespective of its mission being to achieve social value (Huang, 2015).

It is no secret that Golden Sun isn't able to achieve financial profitability with a mere income of 10 Yuan per registered user. After struggling through the initial years, Golden Sun took a step forward to embrace two new areas of operation: first, to expand to include a new line of service of 'facility based senior care' in addition to the 'home-based senior care' they started with, with an aim to bring in more income, and second, to put more efforts into convincing the government to offer opportunities for government's purchase of their services in attempt to relieve the pressure from the increasing social burden due to the lack of a functional senior care system (Huang, 2015).

In 2011, Golden Sun opened its first series of senior homes, admitting elderly people aged 60 or above, with services ranging from basic to premium packages attainable at an extra fee (Golden Sun, 2015). Up till today, Golden Sun's 'facility-based senior care' business has been able to achieve a small amount of profit, which is used to sustain operations of 'home-based senior care' (Huang, 2015). On the other hand, extensive cooperation with the government has also opened up new opportunities for Golden Sun. In 2012, Fuzhou city government purchased 1,000,000 Chinese Yuan (approximately 160,000 US Dollars) worth of services from Golden Sun. By the end of 2014, it covered senior care for more than 7600 senior residents aged over 80 in the city (Qiu, 2015). Golden Sun is now in talks with the governments to expand the coverage to residents aged over 60 (Huang, 2015). Starting from 2014, the model of 'government owned private run 公办民营' has officially been given green light for execution. Specifically, Golden Sun has reached agreements with local governments from both city and ward level to take over the actual running of everyday operation of previously government-owned public welfare house 公共福利院 and community health stations 社区卫生站, where they retain the right to renovate infrastructure and make modifications in interiors and add services such as catering services and learning centers (Golden Sun, 2015). This is a major step for Golden Sun, since it achieved a huge amount of cost savings in terms of land use and building costs. However, according to the Social Welfare Department of Fujian Provincial Civil Affairs Bureau, currently Golden Sun is still running a deficit of 3,000,000 Chinese Yuan (Economic Information Daily, 2015). However, Huang is hopeful that a breakeven and even profitability is within reach in the near future (Huang, 2015).

7.5 Political, Regulatory and Tax

Given the particular nature of the Chinese context for our case company, it makes sense to examine the three contextual factors: political, regulatory and tax as a whole in order to present a complete picture. All of these factors are interconnected and correlated with each other while the influence of one would have direct impact on another.

Just as illustrated in previous sections, due to the nature of the Chinese government, government legislation has a straightforward impact on the social enterprise sector as a whole (FYSE, 2012). In recent years, although the Chinese government has started to adopt a decentralizing approach in terms of social welfare issues, the decentralization efforts are still rather limited to only granting freedom to authorities on local level, not as much to give space for players in the private market to innovate (Yu, 2011). Specifically for social enterprises, the Chinese government is mainly taking the role of an observer, without deliberate efforts into pushing for or against its development, with the hope of it becoming an alternative to traditional non-profit sector that has been performing poorly in regards to restore the social balance (Zhao, 2012).

As one of the pioneer high-profile social enterprises in the country, Golden Sun shares the same struggle as most of its counterparts, that their operations are very much hindered by lack of functioning regulations for the sector (FYSE, 2012; Huang, 2015). The biggest practical difficulty lies in the legal entity aspect. Huang introduced that due to social enterprise not having a separate legal identity, as of today Golden Sun has been operating as a regular business (Huang, 2015). As a result, it is excluded from the range of tax benefits that several other types of social organizations enjoy. It is also not eligible to apply for government grants set up for social causes, which are usually up for grabs among non-profits; nor is it legally allowed to fundraise in public, or receive donations from philanthropy market abroad (Huang, 2015). It is clear that while being considered as a successful social enterprise in China, Golden Sun does not enjoy any preferential treatment from the government in terms of policies and regulations. The current landscape of China's social welfare development is yet to spare a dedicated chapter to regulate and support the social enterprise sector's growth and development.

7.6 Social-Cultural, Macroeconomy and Demographics

Apart from the role of the government, the contemporary Chinese society is yet to reach an infiltrated understanding of what social enterprise really encompasses, especially the ‘enterprise’ element in it. In the traditional Chinese way of thinking, the notion of serving public good is almost exclusively associated with ‘non-profit’, which leaves no room for any commercial operations, let alone the idea of forming an entire ‘company’ for that purpose (Zhao, 2012). In recent years, with high profile scandals such as the Guo Meimei incident, the Chinese general public’s trust towards the non-profit sector hit a record low due to its poor transparency and low accountability (Wong, 2011; Zhao, 2012). This in turn also results in a decrease in private donations to charities in China (Liu, 2013). There is yet a long way to go before social enterprise as a valid resolution to address social issues could be accepted and understood well by the Chinese society.

Recognized by some of the most well-known social enterprise research institutions in the world, Golden Sun has managed to achieve a reputation as a ‘social reformer’ that dares to take on the ‘troublesome’ task of senior care service provision, however, still mostly limited to the Fuzhou city. The founder Huang Xiaorong envisions that the success of Golden Sun can be scaled up to cover more cities in China and eventually reach a nationwide scale (Huang, 2015). Certainly with more successful stories such as that of Golden Sun, the general public will grow less skeptical over the concept and eventually embrace it.

It has been discussed in previous sections that China’s rapid economy growth has indeed lifted millions out of poverty, while at the same time brought on a series of challenges that could threaten the country’s fate in the following decades, specifically the fast aging population, ever expanding wealth gap, rural-urban migration issue being the most prominent ones (Yu, 2011). However, to look at things from a bright angle, these issues provide excellent soil for social entrepreneurs to take up the stage because it created enough motivations and focuses on the marginalized groups that are often left out of the reach of traditional social welfare system.

As one of the problems derived from rural-urban migration, the issues of huge number of elderly people left at home (i.e. empty nesters) remains one of the most urgent issues to be accounted for. Golden Sun’s business model focuses on solving this issue as it thrives to provide the elderly population services of good quality to ensure living standards to cover a

wide aspects of their lives: from basic access to medical care to classes and social meetings that further enrich their wellbeing.

As indicated by the China Social Enterprise Report (FYSE, 2012), China's most social enterprises are located in major cities such as Beijing and Shanghai, with the rest mainly distributed among the first and second tier cities in China. Golden Sun's home city, Fuzhou, as the capital city of China's Fujian Province, was upgraded to enlist among the first tier city rankings for the first time in 2014 (China Daily, 2014). With plans to scale up operations and replicate the successful business model to reach a national coverage, Golden Sun could also benefit greatly from targeting the major cities at first and utilize chain effects to spread the impact and eventually reach the goal of a nationwide senior care system.

7.7 Proactiveness

Golden Sun has acknowledged from the start that in order to build a sustainable organization and to keep moving forward, it needs to be a keen observer that is all the time aware of where the market demand is shifting towards and what are the challenges associated with the next move (Huang, 2015). Specifically, Huang emphasized that probably the most vital of all, is 'a sense of crisis', as she explicitly commented 'for us, being able to hang in here for the next month does not mean that we can survive another year'. As a social entrepreneur with many years of previous experience as a manager, Huang knows too well what harm the 'settling for the present' type of mindset could do to an organization.

However, Golden Sun also had to learn from its lessons. After experiencing no success during the first two years, Huang realized the painful truth: simply depending on the ideology of providing 'home based care' services is not going to sustain the organization, with the help of consultants from the workshop, Huang made the decision to shift its business model to include 'facility based care' as the main income generating module, to assist the 'home-based care' line of services (Huang, 2015). It was also then that the distinction between social enterprise and charity organization actually took roots in Huang's mind. The workshop has also taught Huang the importance of planning ahead. Since then, Golden Sun started developing strategic plan for the next three years at a time, with detailed plans on existing operations and also include visions for scaling to expand its service offerings (Golden Sun, 2015).

Although still struggling financially since its establishment, Golden Sun is well on its way to reach the breakeven point and start making profits according to its strategic plan, especially after tying several major cooperation deals recently, including endorsement partnerships with a major IT service firm and China Unicom to provide hardware upgrades and mobile accessories aiming to ease up communication between the user and Golden Sun (Xinhua Net, 2015; China Unicom, 2015). The realization of those deals is yet another proof that being proactive is indeed essential to Golden Sun. As early as 2012, when Huang was aware that in the United States and Japan, many home based senior care service providers were benefiting from the use of information technology, particularly due to the superior advantage it offers in terms of ‘on time’ information reporting - if an undesirable situation occurs, how long time it takes for the information to reach help can be a matter of life and death. However, the development of China’s information technology, especially those requiring mobile access in less developed areas was still far behind the level of developed countries, which made the proposal of a partnership rather unappealing to service vendors back then. Nevertheless, Huang and her team believed that this is a must that could be realized in the near future and included it as part of their strategic plan (Huang, 2015).

7.8 Innovativeness

Golden Sun is definitely an innovator in China’s senior care industry. Reasons for this can be attributed to the following areas: first of all, the target market. As of today, China is yet to develop a nation-wide senior care system, with most service providers aggregating on the two extreme ends of the market: the low-end market where service quality cannot be guaranteed and people are not willing to purchase them; and the high-end market that on average costs millions, for which only less than 1% of the entire senior population is able to afford. Golden Sun took the innovative approach to focus on bringing the most out of the midsection of the market: where the majority of Chinese senior citizens belong to. It challenges the status quo that affordable senior care can only be achieved when quality is compromised. Secondly, it made a very brave attempt to initiate the ‘government owned private run 公办民营’ business model. Chinese private business owners in the senior care industry are constantly struggling with making a surplus over costs. Before Golden Sun, the government’s role is nearly next to none because their assistance is only available to selected service providers, mostly those that have established certain types of relationship with the government (Economic Information

Daily, 2015). Thirdly and probably most importantly, Golden Sun's biggest innovation is establishing the first home-based senior care service brand, just like its motto - senior home without walls. This completely changed the landscape of senior care in China, a market where facility-based senior care had long been the mainstream and often viewed as the only option (Huang, 2015).

7.9 Risk Management

As Weerawardena and Mort (2006) suggested, social enterprises are generally faced with greater uncertainty when it comes to resource allocation mainly due to their unstable funding sources. This forces many social enterprises to act extremely cautiously when selecting which projects to undertake, requiring social enterprises to conduct forecasts with certain degree of accuracy, which poses significant challenges for most social entrepreneurs.

Golden Sun is no exception to this. Due to the fact that most of their operations are funded by personal funds from the entrepreneur and later board members, their distribution of resources is often a decision made by those who are directly involved with funding. So far Golden Sun still lacks a risk management protocol, and its basis for investment decisions is mainly decided upon majority rule through voting (Huang, 2015). Unlike many social enterprises, Golden Sun does not actually make most of its decisions based on cost benefit analysis, having expected a reality of operating without profit for a few years (Economic Information Daily, 2015). However, one vision shared by all Golden Sun board members is that they cannot stop because they are not making money because it is a serious social problem and the wellbeing of the elderly is a concern that exists in virtually every family (Huang, 2015). With growing awareness of the aging society issue in the China both on a society level and also the government level, proposals for improvements made in legal system and tax policies, Golden Sun is optimistic that the deficit will be overcome and profit can be achieved soon. Huang also acknowledges the importance of listening to its employees and also their clients to make more precise decisions regarding their operations and services, which is a very important step forward in its efforts to better risk management.

8 Discussion

In countries where social welfare is well developed, the emergence and development of social entrepreneurship is a natural product. However, in China, the concept of social

entrepreneurship is brand new, the practice and research in this area is almost non-existent. As social entrepreneurship keeps flourishing abroad and the ‘harmonious society’ ideology in China gains more and more support domestically, it is safe to say that the emergence of social entrepreneurship in China, which is in accordance with the goal to achieve sustainable development, is a certainty. During recent years, there have been some foreign social entrepreneurial organizations going into China and promoting their social entrepreneurship initiatives. However, social welfare is not the type of activity that involves only certain individuals, but rather, it involves groups of people and covers a much larger scope. The cultural background would have an indispensable influence and therefore social entrepreneurship in China would certainly bear Chinese characteristics. This calls us to look at the overall environment of China before rushing into any conclusions.

The environment here refers to the overall compound of factors that play important roles in the process of social entrepreneurship development. The environment factor refers to the interacting dynamics that an organization has, while in the process of any activities including production and service, with the environment. Generally speaking, the environment factor could be further divided into five sub-categories: **political environment factor, cultural environment factor, technical environment factor, economic environment factor, and non-economic environment factor**. Since social entrepreneurship in China is still in its initial stage, all the environment factors play a crucial role in its further development.

Guidelines, policies, laws and regulations set out by the government regarding social entrepreneurship all belong under the political environment factor. The government’s function mainly lies in affecting the market structure and stimulating the market in a direction where it can play its role in maximum efficacy. In order to reach this goal, government could cancel out some of the factors that contribute to market failure through making guidelines and policies accordingly. In other times, it can initiate intervention against the adverse factors using coercive measures. At the moment, China is extremely weak in policy making with regards to social entrepreneurship. Government agencies in most areas and districts do not offer support targeted to social entrepreneurship, only in more developed cities such as Beijing, Shanghai, and Shenzhen, local governments have guidelines of some sort regarding social entrepreneurship. From this, it is no doubt that social entrepreneurship in China faces much adversity in its initial stage under the current environment where proper guidelines and support mechanism are missing. An example of this could include: while in the process of application

to start a new social entrepreneurship venture in China, there is an extremely long and complicated filing process to deal with paper work in order to obtain a permit while one has to be extremely cautious to not break or interfere with regulations set on any other business areas.

The cultural environment factor could encompass many different aspects, in which the two most important ones are **higher education and public awareness**. In the case of China, the role of higher education is important because most of the social entrepreneurs come from higher education institutions and universities. Considerations from multiple perspectives including whether or not universities should offer courses in social entrepreneurship and provide education on this subject could have a straightforward impact on the quality of future potential social entrepreneurs. In a similar manner, whether the general public has a basic understanding of social entrepreneurship and how much they support the ideology behind it can have a straightforward impact on its development. Without support from both higher education institutions and the general public, social entrepreneurs can have very low confidence to take the initial step. As of now, some of the more prominent higher education institutions in China such as Hunan University have started adding some social entrepreneurship related courses to its curriculum and initiating activities that promotes social entrepreneurship. This is a good sign for social entrepreneurs because through those acts social entrepreneurship is being introduced to more and more people and especially gaining popularity in university students because it offers a new opportunity for them in a time where the labor market is extremely saturated. This social effect could be rather encouraging to social entrepreneurs.

The idea of social entrepreneurship is a rather novel idea to Chinese entrepreneurs, and a lot of entrepreneurs are actually extremely interested in this new way of approaching entrepreneurship, but lack the basic business skills required for it, which brings the importance of technical environment factor. What usually happens is that when social entrepreneurs face various difficulties along the way while the social enterprise develops, they very often run into the trap of not being able to find enough **information and resources** related to it because in China it is still in its early development stage and remains rather immature both in theory and in practice. What's more, in the case of China where the existing government policies and regulations play a rather limited role in pushing the social entrepreneurship development forward, **business skill trainings** could be very much in need for social entrepreneurs. At the moment, this type of training institutions targeted to social entrepreneurship skills have already

appeared in China, dubbed as ‘social entrepreneurship incubators 公益创业孵化器’ in China. Another stream of support is also coming from abroad, which keeps bringing about resources to China and organizing workshops and conferences. They provide services in training of enterprise skills in areas including internal management, strategic planning, financial management and human resource management. This type of services plays an essential role in assisting social entrepreneurs in the initial stage of their efforts. The case of Golden Sun also proves how the indispensability of such trainings, as its founder Huang Xiaorong directly benefited from the Skills for Social Entrepreneurs Workshop organized by the Culture and Education Section of the British Embassy in 2010.

Social enterprises are not a type of enterprises that have their ultimate goal in making profits, but rather to realize social value through a business operation model. Generally, the main obstacle for social entrepreneurs in their initial stage comes from not having enough financial backups. However, due to the particularity of social enterprises, the process of **capital accumulation** is extremely difficult. Even for organizations that could provide capital support, they often choose projects that carry a low risk level to take on, or choose to hold onto their capital until when the enterprise has started off successfully then they start supporting. This brings about a huge hurdle for most social entrepreneurs. From the perspective of banks and other lending institutions, it is understandable that they are usually not willing to provide financial support to start-ups and small businesses, because those companies require high initial cost and it is usually extremely difficult to monitor and the actual flow of the loan once it has been given out. As of now, this remains one of the top priority improvement areas.

The non-economic environment factor refers to services provided to social entrepreneurs on the basis of financial factors. For example, market research and related support services including basics of starting up a company and acquiring loans. At present, the most representative service institutions supporting social entrepreneurship in China is the presence of social entrepreneurship incubators. Under the circumstance where infrastructure is not ready and modern facilities remain too expensive of an expenditure, those social entrepreneurship incubators provide social entrepreneurs **working space, infrastructure, fast and effective communication channels, and also consulting services** at an affordable price.

9 Conclusion

As we can see from the analysis above, in order to establish a good social enterprise, to enrich the social entrepreneurship landscape, all factors need to be taken into consideration. As of now, the domestic environment in China is not well established for social entrepreneurship development, and initiatives such as the social entrepreneurship incubators are offering a great deal of assistance to social entrepreneurs. The lesson for Chinese social entrepreneurs to learn here is that they should try to attain a deep understanding of every single one of the five environment factors, analyzing the interacting dynamics between the environment factors and their own resources and capabilities and asking for help when necessary. In this way, they can have a better picture of the advantages and disadvantages they possess while establishing a social enterprise and furthermore, to assist the company to go further.

Social entrepreneurship is certainly a tool that bears immeasurable potential to facilitate social progress and welfare in China. We can see this well from Golden Sun's example that how social enterprise could indeed be the answer to a social problem that plagues the entire society. However, the realization of social entrepreneurship in China would have to progress correspondingly with China's specific conditions, factors including the current social structure, existing mechanism and regulatory restrictions should all be well considered before making any move. The starting point, as well as the essence of social entrepreneurship, lies in realization of both social value for the society and economic value for the company, with the priority given to social value capture. Under the big picture where the entire social sector and charity scene is underdeveloped and the social responsibility awareness in companies remaining weak, social entrepreneurship, as a new type of structure that requires extremely devoted commitment to social mission, could have a hard time finding its way to development into a full blossom. This is proved through Golden Sun's experiences, which demonstrated the wide range of difficulties social enterprises face in China, most of which comes from struggling with its 'commercial' attribute. On the other hand, Golden Sun has proved with its own experiences that although considerable challenges and pressure exist that hinder the development of social enterprises, ways to cope with those problems can be found and new solutions can and should be experimented, where a change of perspective to involve the government more in developing collaborative relationships could be the answer sometimes.

Another key issue for social entrepreneurship to find its success in China could lie in letting go of deliberately focusing on motivation and blurring the priority between the realization of economic value or social value, but rather to focus on the process as well as the end result. All companies could, according to their own individual acceptance level, try to locate a balancing point that is situated in between social mission and economic payback. For existing large corporations, they could focus on exerting their advantages and thrive for achieving a more socially responsible corporate profile while keeping the cost level, or wherever possible, even reducing cost. It is only after the cost issue is settled can social entrepreneurship gain the necessary assurance to be popularized and successful in China.

Appendix A: Interview Transcripts with Mrs. Huang Xiaorong, Founder & Director (translated from Chinese)

INTERVIEWER: Mrs. Huang, thank you very much for giving your time. Let's get to the questions quickly shall we? Now can you tell me a bit about how you've got the idea of setting up such a business? Let's call it a business for now.

HUANG: Well sure that's a very common question. As you read from the article on British Council, I was running a housekeeping service firm for many years... like until 2007. I didn't start that company but I was practically running it. From there I noticed that a significant number of our 'customers' are old people. You can imagine the kind of life they usually live, I mean so many of them are just at home and their children far far away - they need people to help them just to get away with daily lives.

INTERVIEWER: Do you mean that they have to live independently and that's a problem? I'd imagine that old people would still be able to take care of themselves?

HUANG: Yes one would imagine. Of course there are those who live long lives and are very healthy and seem to have no problem living on their own, but that's not the majority. Imagine how many people there are in total, even a fraction of that is significant. And you can't ignore the mental part here, you know what I mean... Many old people have a very limited social circle and they easily get depressed because they feel no one cares about them.

INTERVIEWER: So your vision was to create a senior home?

HUANG: I wouldn't say so. At least not when I started, I think we lack a system here, a complete system. The word of 'senior home' is too limited.

INTERVIEWER: In what sense?

- HUANG: That's the traditional thinking, you know, to send old people to those 'senior homes', which are actually more like prison in my opinion. That's what comes to people's mind immediately when we talk about the issue of 'elderly care'.
- INTERVIEWER: So you don't think it is a good solution? But here at Golden Sun you also have those 'senior homes' correct?
- HUANG: Yes, I personally think it's the worst idea. But sadly it seems to be the industry standard. At Golden Sun we started as non facility-based senior care service provider only but it was not able to sustain itself financially, and I'm not talking about making money here. We were losing money, more and more money each year and in 2010 we had to shift our strategic focus to include facility-based care also, so that some income could be brought in to fill the gaps.
- INTERVIEWER: How did you come to the change then?
- HUANG: I participated in the social entrepreneur skill workshop organized by the British Council that year and advisors there really helped me.
- INTERVIEWER: How exactly did it help you?
- HUANG: Well, the training was systematically organized that I was taken to review my company from completely new perspective. To look it from an organizational point of view, and break things down to little pieces to see how each part is influencing the big picture. It was clear that my revenue source was too weak and something needs to be changed there. Before that we didn't even draft strategic plans or anything. We were doing things for 'good cause', but not in a scientific way.
- INTERVIEWER: Would you say that the workshop has actually changed your organization?
- HUANG: Yes, definitely. It was there that I got to know I'm actually a 'social entrepreneur'. Before that people see me as a philanthropist or someone

who has a lot of money and wants to earn some recognition through doing something social.

INTERVIEWER: Is this a way of saying people need to be more aware of social entrepreneurship?

HUANG: Even I have to be more aware of it! You know how we generally don't trust non-profits and these things that much anymore. People tend to think 'if it makes money, then it's not social'.

INTERVIEWER: Are you making money then?

HUANG: Let me be specific on this. Before 2010, all of our income came from the 10 Yuan monthly subscription fee. Imagine that. With only 10 Yuan, we provided the 968885 line which stays open 24 hour. We didn't charge anything on the services we provided, only the 10 Yuan, and we did everything. We send our people in as soon as we receive a call. It's not possible to make money out of that. I had to put about 2,000,000 Yuan up front for these two years already.

INTERVIEWER: What about now then? I mean after 2010.

HUANG: It's not that simple. After 2010, we added contents into our service offerings. We negotiated deals with the districts to gain access to some of the existing facilities to implement facility-based care services. It started small, like only 6 centers in the entire city.

INTERVIEWER: In an attempt to bring in more income?

HUANG: Yes that was the initial idea. Through those deals we could save on infrastructure and concentrate all our efforts into our service because that's our core.

INTERVIEWER: So do you charge a lot on those facility residents?

HUANG: No I wouldn't call it a lot. We charge a monthly fee, which is basically the rent. With that you get a place in one of our many facilities plus meal services and basic medical care. Then there comes the add-on services,

such as classes and activities which we charge a small fee for. It's quite simple.

INTERVIEWER: But that apparently brings in income for you?

HUANG: Yes it helps. With that we could balance out some of the money that we lose from our core home-based services. Now we are also introducing the add-on services to our home-based customers. These bring some sort of income also.

INTERVIEWER: What sort of services are add-ons?

HUANG: Not that many at the moment, for example we deliver meals to homes, cleaning services, repair services for household appliances, also counseling and so on but we are expanding according to needs.

INTERVIEWER: Do you expect that by adding those services at extra charge you could be profitable?

HUANG: No at least not right away. The add-ons are add-ons because they have a selective market for them, not everyone needs these but for those who do we do our best to make sure that we provide those. Making money is never the goal and even now we are still running a deficit. It takes time.

INTERVIEWER: Still running a deficit? How is the financial structure like exactly here? Do you get subsidies or grants?

HUANG: Yes still a deficit. Since the beginning, we have invested more than 30,000,000 Yuan into Golden Sun. Of course not just me, our board members contribute a great deal also. But that's about it. We are losing about 4,000,000 Yuan every year. And we don't have subsidies or grants, because we are not eligible for those - technically we are a company, a business. We pay tax just like all the others.

INTERVIEWER: Do you agree that it's a business?

HUANG: I wouldn't say that. It's not a business, not to me. I'm grateful to be able to do good things.

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- INTERVIEWER: I see. I read that Golden Sun has successfully secured some deals this year?
- HUANG: Yes that's correct. The private sectors, also, especially those in the communication technology field, are especially important to us because we need those technologies to make our services more accessible.
- INTERVIEWER: Support from those companies must be so important.
- HUANG: I mean we are doing better and better all the time. More and more people trust us, and more and more volunteers are coming to join us, even the government sees that we are working hard, and provides us assistance to go into community centers and run them as our service stations.
- INTERVIEWER: Do you think it is enough?
- HUANG: What do you mean?
- INTERVIEWER: Do you think the government should play a more radical role? As I understand, social entrepreneurship is sort of a grey area?
- HUANG: In the sense that it doesn't have its own domain. As a social enterprise we don't receive an official status, it's almost like we just call ourselves social enterprises. Official legal frameworks should be able to help us a lot. I mean, we are not that different from those traditional 'social organizations', and if they could get tax benefits and so forth, I believe we should also. Money is important to us. I will not deny that.
- INTERVIEWER: Money is capital. Have you tried to reach out to banks or financial institutions that might be able to assist?
- HUANG: It's sad reality. Banks don't see us as high value customers. They are not willing to loan to us, because we are not lucrative. Their aid programs are not open for 'regular business' like us either. Like I said, it's the matter of status. We as social enterprise struggle with this so much because it limits us from pool of resources. We are not eligible for public grants or aid programs of such, both domestic and abroad, and we are not even allowed to organize fund-raising activities.

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- INTERVIEWER: Do you think that the society and the government do not appreciate what you do?
- HUANG: It's ok not to be appreciated, but it's not ok that they don't acknowledge what we do is important. Senior care is an issue that affects every single one of us, because we live in an aging society. No one runs away from it because we all get old.
- INTERVIEWER: You're right. Since capital is apparently very tight, how do you decide where to allocate money? Like which project gets green light or doesn't? Because you apparently would need to manage risk.
- HUANG: You're correct. Right now we do it pretty much the 'casual' way. We vote. Our board members.
- INTERVIEWER: Do you think it works? You're aware that there are methods out there that can calculate how much social value you create and how much you get back? Do you think it'd be helpful?
- HUANG: Yes I'm aware. I know that those are especially popular abroad. For us, we would like to do those also but our current situation would just be too tight budget for that. We don't have that extra money. It's that simple. We use voting because for us it is a 'fair' method, because we are basically operating on our board members' money, they get to decide where the money goes.
- INTERVIEWER: So the 'government owned private run' concept was also a result of some kind of voting system?
- HUANG: Yes and No. It started as early as 2010, because we were not doing facilities before that. There are so many existing community centers already in Fuzhou, but most of them are poorly utilized. The original idea came that if we could convince those district government to purchase our services - to let us practically run those centers, while them retaining the ownership, wouldn't it be win-win? I brought up the idea with our board and they were enthusiastic.

- INTERVIEWER: But it's not until this year that it started running?
- HUANG: Yes, convincing enough district governments took a long time. Fuzhou is big, and many of the community centers are running smoothly as they are now and they don't want to change. It's easy job. It was very difficult to prove that we are creating value through what we do while straining financially. But with time, many of them accepted us.
- INTERVIEWER: Why do you think made them change their minds?
- HUANG: I think it has a lot to do with the fact also that the government is also under huge pressure to sort of address the issue of the elderly population, which is growing all the time. Through purchasing our services they would be relieved also because we are specialists in this and they don't have to worry about the details of how to do it - their only job was to find someone who is qualified, and to convince them that we are the right people took long. But now that we are doing this, it opened doors for us for further possibilities.
- INTERVIEWER: Specifically what kind of possibilities? You mean collaborating with local governments?
- HUANG: Yes, right now we are in talks with the city government to arrange all residents of Fuzhou over the age of 60 could be covered to our basic care.
- INTERVIEWER: You mean the one that you are charging 10 Yuan per month for?
- HUANG: Yes, we are looking at opportunities for the city government to take care of this one so that individuals don't have to sign up to us themselves. It could achieve greater exposure definitely.
- INTERVIEWER: Do you think that Fuzhou is able to do this?
- HUANG: If we don't give up, I'm certain. And it's also important that we don't only look at Fuzhou, but the bigger picture here. The aging society is not just our city, it's the entire China.
- INTERVIEWER: You mean to scale up the impact to the entire nation?

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- HUANG: Yes. We need a national system for elderly care, one that actually works. Golden Sun is still young, and we are going through a lot of trial and error now, but our model can be replicated definitely. We just need to carry on and prove it works.
- INTERVIEWER: You're hopeful for the future?
- HUANG: Yes, definitely. We survived these years and things are turning towards the better. Like I mentioned earlier, things like this always takes time.
- INTERVIEWER: Do you see yourself making a profit soon?
- HUANG: That's the goal. But it's not for me only. We are a social enterprise. We need profits to keep going. Right now we are on the track to break even soon.
- INTERVIEWER: It's good to stay positive.
- HUANG: I'm not saying that things are sweet and bright. We as social enterprises have to keep a sense of 'crisis', that we must try to anticipate what is going to happen, even the worst scenarios.
- INTERVIEWER: You are talking about proactiveness I suppose?
- HUANG: It is what you call it in books. We need to get closer to our customer, our market to make better decisions about the future.
- INTERVIEWER: Maybe it's possible to involve the users of your services in the decision making process?
- HUANG: That's in our action plans next.
- INTERVIEWER: You're very brave to do this, I must say.
- HUANG: I don't have too many fancy words to say about our work. It's important but not glorified. Old people need to be taken good care of. It's extremely simple logic.
- INTERVIEWER: Thank you very much for your time again.

Appendix B: Interview Transcripts with Mrs. Fang Lin, Coordinator of Social Workers (translated from Chinese)

- INTERVIEWER: Mrs. Fang, thank you very much for your valuable time.
- FANG: No problem. I do have to go to a service station of ours after this but I have some time for some questions.
- INTERVIEWER: Thank you very much. I try to be quick and concise. Did you get involved with Golden Sun from the very beginning?
- FANG: Yes I guess so. I knew Mrs. Huang from her previous work at the housekeeping service firm. I was working there also.
- INTERVIEWER: I guess you shared a lot of thoughts in common with Mrs. Huang then?
- FANG: About the necessity of a senior care system, yes. We witnessed a lot of real cases. Old people living on their own and have nothing to depend on. They desperately need basic access to medical services, and maybe more importantly, they need to be cared for, so that they don't lose hope in life.
- INTERVIEWER: Are you referring to mental health problems among the elderly?
- FANG: Exactly. This is an extremely vulnerable group we are talking about here. Depression is very common, and help is hard to find.
- INTERVIEWER: When talking about medical services, for example in an imaginary situation, shouldn't people call 120 instead of your helpline when emergency happens?
- FANG: You have a point there. It's very important that they get help from medical professionals. But we should also take into account all sorts of scenarios. Quite often, they need someone to be with them when going to a hospital. It can be very challenging thing to do, both physically and mentally. We could provide that. In the case of emergencies, quite often they don't find family members available to be there in the hospital,

that's where we step up. We help take care of all the routines also and we contact the family and wait for them to arrive then we leave.

INTERVIEWER: I see. That's quite impressive to be able to offer these.

FANG: It is extremely difficult task to do.

INTERVIEWER: Do you find easily employees willing to do these?

FANG: Yes we have large groups of dedicated people, luckily. Both employees and volunteers.

INTERVIEWER: What sort of groups are there?

FANG: Over half of our employees are middle-aged women.

INTERVIEWER: Why so?

FANG: I would guess that women at this age tend to be familiar with different aspects of daily lives for old people, but I'm not exactly sure why. Compared to men of the same age group, maybe women still have more free time to do things.

INTERVIEWER: What about volunteers?

FANG: Our volunteers are made up of a more diverse groups. Currently we have over 2000 volunteers, what we call 'senior helpers', and they are of different ages, the young ones are in their early 20s and often university students, and the oldest ones are in their 70s, retired at home but very enthusiastic about helping others.

INTERVIEWER: That's very impressive.

FANG: Yes indeed. Volunteer is something we rely very much on. Because as a social enterprise we are not able to offer attractive compensation, so people come to help us because they would like to do so, and that guarantees our service quality as well. Usually when people do things out of their own will, they do it good.

INTERVIEWER: That makes sense. Thank you very much for your time.

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