

Conceiving of Sustainable Development Strategy of Social Enterprises in the New Age of China--A Theoretical Framework

Qingjiao Chen^{1,a,*}, Zhi Tang^{2,b}

¹ School of Business Administration, Guangxi University of Finance and Economics, Daxuexi Road NO.189, Nanning, Guangxi, China

² School of Innovation and Entrepreneurship, Guangxi University of Finance and Economics, Daxuexi Road NO.189, Nanning, Guangxi, China

^a email: chillies_2006@163.com, ^b email: icehill123@163.com

*Corresponding author

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Abstract. Social enterprises are a kind of hybrid organizations, which are different from commercial enterprises and charities and have some characteristics of both at the same time. The research paradigm on Social enterprises is emerging. It is in the exploration stage in many fields and lacks a systematic research framework. The development of social enterprises is situational dependent, which leads to certain differences in the development and governance in different countries. The development of social enterprises in China has gone through a period and entered a new era situation: a new institutional, economic, cultural, and social interaction environment. Because of this characteristic, there are several important questions: in the new era of China, What opportunities and challenges do social enterprises face in China? How can they achieve sustainable development? In order to solve these problems, based on the research paradigm of “Resource and Capability + Dynamic Environment”, this paper discusses the research framework of Sustainable development strategy of social enterprises in the New Age of China. It may be helpful to promote social enterprise development.

1. Introduction

The research on Social enterprise is a new research paradigm (Ridley-Duff& Bull, 2015), especially in China, it is still in the exploratory stage in many fields and lacks a systematic research framework. Social enterprises are a kind of hybrid organizations, which are different from commercial enterprises and charities and have some characteristics of both at the same time. The development of social enterprises is situational dependent, which leads to some differences in the development and governance of social enterprises in different countries. The term “social enterprise” has been introduced into China officially for nearly 15 years. During this period, some well-known social enterprises have emerged in China, such as Shenzhen Disabled Friends Group. However, due to the vague legal status, low social awareness and support, the development of social enterprises in China is still in the primary stage. With the advent of the new era, the development of social enterprises in China is facing a new situation: a new system, economic, cultural and social interaction environment. Then, what opportunities and challenges do social enterprises face in China? How can social enterprises achieve sustainable development in the context of China in the new era? Based on the research paradigm of “resources and capabilities + dynamic environment strategy”, this paper discusses the research framework of “sustainable development strategy of social enterprises in the context of China in the new era”, which provides an important research perspective of social enterprises in China.

The study intends to achieve the following goals: (1) to build a strategic framework for the sustainable development of social enterprises ; (2) construct the measurement model of the

sustainable development ability of social enterprises ; (3) solve the three problems of sustainable development of social enterprises in China in the new era.

2. Conception

2.1. The Concept of Social Enterprise

There are many divergences in the concept of social enterprises. One kind is inclusive, which only defines the basic attributes of social enterprises; the other one agrees with the narrow and strict definition, which is defined from multiple dimensions such as income sources and income domination. There is much consensus that social enterprise is a mixed organization that achieves social goals through business activities (Dees, 1998; Nicholls & Cho, 2006; Alter, 2007; Doherty et al, 2014). Its representative concepts are shown in Table 1. It can be seen that the basic attributes of social enterprises have been agreed, but there are still disputes on the definition and terms of identity recognition. The disputes focus on source composition and proportion of income, organizational form and income control (DTI, 2002; Lyon et al., 2010; Defourny and Nyssens, 2010).

Table 1 Representative concepts of social enterprises.

Scholar (time)	Concept
Dees(1998)	Social enterprise is a non-profit organization that combines philanthropy and business.
Defourny(2001)	Social enterprise is a new form of business, a combination of cooperative and nonprofit organizations.
Westall(2001)	Social enterprises are positioned as the fourth sector to meet social needs.
DTI(2002)	Social enterprise is a kind of enterprise with social goal as its primary goal. Its surplus is mainly used for reinvestment in business or community development, rather than driven by shareholders and owners' profit maximization needs.
Alter(2007)	Social enterprise is the intersection of commercial and traditional non-profit organizations, and it is a hybrid organization that realizes both social and economic values.
China Charity Fair(2015)	Social enterprises refer to enterprises and social organizations that operate by commercial means and aim at solving specific social problems sustainably.
Kim(2016)	Social enterprises refer to organizations that pursue the goal of social public welfare and create operating income for this purpose, serving the public interest through their products, services or employment of vulnerable groups.

Britain is the first country to advocate social enterprises, and it is recognized as the country with the most developed social enterprises (Shu, 2010). Ridley-Duff & Bull (2015), Borzaga & Defourny (2004), Defourny & Nyssens (2009) analyzed the birth background of social enterprises in Britain and Europe. The background of the rise and government recognition of social enterprises in Korea and Japan is similar to that in Europe (Kim, 2015), while the background and development trajectory of social enterprises in China are quite different. The birth background and definition of social enterprises are closely related, but few scholars put them together to study (Ridley-Duff & Bull, 2015).

2.2. Definition of Sustainable Development of Social Enterprises

Social enterprise sustainability includes social commitment fulfillment ability and business activity sustainability. Social enterprises must ultimately rely on commercial activities to sustain themselves (Chell, 2007; Mair & Marti, 2006; Jenner, 2016). With reference to Jenner (2016), commercial sustainability is a necessary condition for the sustainable development of social enterprises (Chell, 2007; Dees, 1998; Weerawardena et al., 2010). Resource acquisition is the foundation for social enterprises to operate and participate in market competition, and is crucial to their sustainable development (Doherty et al., 2014; Diochon & Anderson, 2009; Sharir et al., 2009; Hynes, 2009). Good operational capability (Coburn & Rijdsdijk, 2010), organizational legitimacy (Dacin et al., 2010; Dart, 2004; Townsend & Hart, 2008); firm business orientation (Dee, 1998; Chell, 2007), et al, are important factors affecting the sustainable development of social enterprises. Sharir and Lerner (2006, 2009) argued that cooperative networks, legitimacy, organizational capabilities and resource acquisition capabilities were considered as key capabilities affecting the sustainable development of social enterprises. Among them, focusing on the direction of business growth is considered by leaders as the primary factor affecting the sustainable development of social enterprises (Jenner, 2016). Jenner (2016) believes that intermediary institutions can promote the sustainable development of social enterprises. In addition, Kim (2008) believes that social enterprises need to consider platform mission, social entrepreneurship, quality management and network management when formulating sustainable development strategy and action plan. Powell & Osborne (2015) discussed the importance of marketing to the sustainable development of social enterprises.

In short, the commercial sustainability of social enterprises has been studied a lot, but there is a lack of systematic and in-depth research on the ability to fulfill social commitments, the relationship between various elements, and the strategic measures to achieve sustainable development.

3. Development Course, Stage Orientation, Obstacles and Opportunities

3.1. Development Course

In January 2004, the term “social enterprise” was first introduced into the Chinese Social Labor Research. Since 2009, social enterprises have been booming in mainland China (Kim, 2016). Important events representing the development of social enterprises in China are shown in Table 2. In recent years, Chinese scholars have paid great attention to social enterprises, and the research has shown a rapid growth trend. However, the research lacks breadth and depth, systematic and in-depth case studies and empirical analysis are scarce, and the achievement level is far from the international leading level. Lu (1998), Shi (2005), Ding (2005) and Li (2006) are the earliest social enterprise researchers in mainland China. Shi et al. (2011), Sha (2013, 2014) and Kim (2016) have systematically studied the development status, obstacles, opportunities and challenges of Chinese social enterprises, which is the mainstream of current research. Exploring the governance mode of social enterprises with Chinese characteristics and constructing the management system of social enterprises with Chinese characteristics are important issues.

Table 2 Important events during development course of Chinese social enterprises.

Year	Important events
2004	➤ Liu's translation was published in the Chinese journal of Social Work Research
2006	<ul style="list-style-type: none"> ➤ Professor Yunus visited China ➤ How to Change the World: Social Entrepreneurs and the Power of New Ideas, published in China ➤ The Rise of Social Entrepreneurs is published in China
2012	➤ Shenzhen Disabled Friends Group, a Chinese social enterprise, was awarded the International Social Enterprise Award by the British Social Enterprise Alliance.
2014	➤ Establishment of China Social Enterprises and Social Investment Forum (Alliance)
2015	<ul style="list-style-type: none"> ➤ The first China Social Enterprises and Social Investment Forum and Alliance Conference was held in Shenzhen. ➤ China's social enterprises enter the market construction period. ➤ This year is called the first year of the development of Chinese social enterprises.
2018	➤ The number of social enterprises in China is about 5000

Source: Reference to Zhu (2018)

3.2. Stage Orientation

China is in the initial stage of the development of social enterprises, with limited social recognition, acceptance and influence. Zhu (2018) found that 35.71 percent of social enterprises in the “initial stage” and 42.86 percent in the “development process”.

3.3. Obstacles

According to interviews with industry insiders, although the development of social enterprises in China has experienced more than ten years, so far, there are still few social enterprises in the strict sense in China. The main factors hindering the development of social enterprises in China are as follows:

(1) Lack of resources. Financial difficulties and shortage of personnel are two major obstacles to the development of social enterprises. Social enterprises in China are mostly social entrepreneurship enterprises, which are in the initial stage of life cycle, and have obvious resource disadvantages in terms of capital, human resources and so on.

(2) Lack of a stable business model. Most of the existing social enterprises lack clear and scientific business models, unclear development strategies and stable economic sources, which are the fundamental reasons for hindering the sustainable development of social enterprises.

(3) Lack of legal policy, vague identity; Lack of policy and government support. Social enterprises are still a very vague concept in China, which is not clearly defined in law. At the same time, the attitude of the Chinese government towards social enterprises is not clear. Except for a few more developed cities such as Beijing, Shanghai, Chengdu and Guangzhou, the attitude of local governments towards social enterprises is not very positive, and Chinese social enterprises lack sufficient policy support.

(4) Lack of self-restraint mechanism. Most of the Chinese social enterprises lack perfect self-restraint mechanism, which leads to mission drift in the process of development and gradually deviates from the nature of social enterprises.

(5) The social support is insufficient and the network resultant force around the “social goal” is lacking. The lack of public awareness and trust in and support for social enterprises in China is

another important reason that hinders the development of social enterprises in China. In the future, the construction of social enterprise ecosystem and the improvement of social network capability are the key points.

3.4. Opportunities

The development of social enterprises in China faces the following opportunities.

(1) Institutional Environment in the New Era

The report of the Nineteenth National Congress of China has put forward many new development policies, which have brought new opportunities to the development of social enterprises. For example, General Secretary Xi Jinping pointed out in the report of the Nineteenth National Congress that we should build a pattern of social governance of co-construction, co-governance and sharing, and improve the level of socialization, legalization, intellectualization and specialization of social governance. As an important force participating in social governance, social enterprises are gradually accepted by local governments. In 2018, Chengdu, China, issued a number of policy documents to promote the development of social enterprises, which has a great role in promoting the development of social enterprises.

(2) One Belt and one Road

The One Belt And One Road initiative brings new opportunities for social enterprise development. With the promotion of the all-around initiative, international cultural exchanges, cross-cultural issues and ethnic heritage issues are emerging. The role of social enterprises in coordinating social contradictions will gradually become prominent, which provides an important opportunity for the development of social enterprises in China.

4. Strategic Framework For sustainable Development of Social Enterprises

On the basis of literature review, using the research paradigm based on “resources and capabilities + dynamic environment strategy”, this paper summarizes the basic theoretical model (Figure 1), and based on this, derives the overall framework of this study as shown in Figure 2.

The main research contents include the following four parts.

Part I, Characteristics of the new era and sustainable development of social enterprises. The environmental features of the new era include the following: (1) the new social welfare system environment. With the ultimate goal of “common prosperity” and “balanced development”, the social welfare system environment with Chinese characteristics is becoming more and more perfect. The challenges and opportunities brought by the new institutional environment will affect the development of social enterprises. (2) New economic environment. China’s economy has shifted from high-speed development to high-quality development, and the development model has returned to rationality. How will this affect the business sustainability and cooperation network of social enterprises? (3) New cultural environment. In the new era, core socialist values are advocated, cultural self-confidence is advocated, and diverse values coexist. However, how does this cultural environment feature of interweaving old and new, mainstream and diversity influence the entrepreneurship of social enterprises? Which values matter more? How to deal with? (4) New social interaction environment. With the Internet as the carrier, multimedia coexists, we media rises, and social interaction enters the era of “fragmentation” and “rush into mass action”. How to understand the era characteristics of social public opinion clearly and rationally? How to grasp the generation mechanism, supply structure and trigger mechanism of public opinion and its influence on the sustainable development of social enterprises?

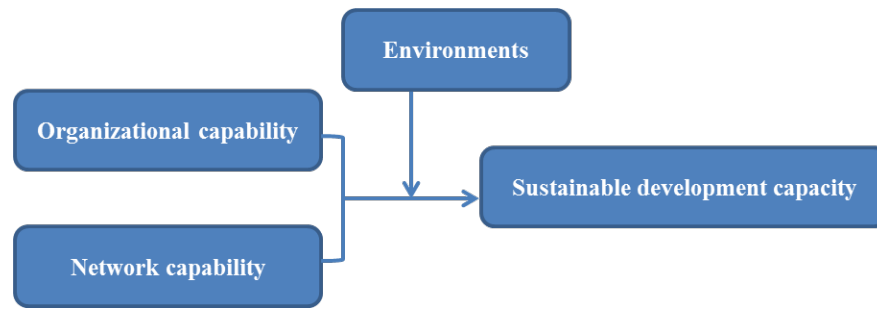


Figure 1 The basic model

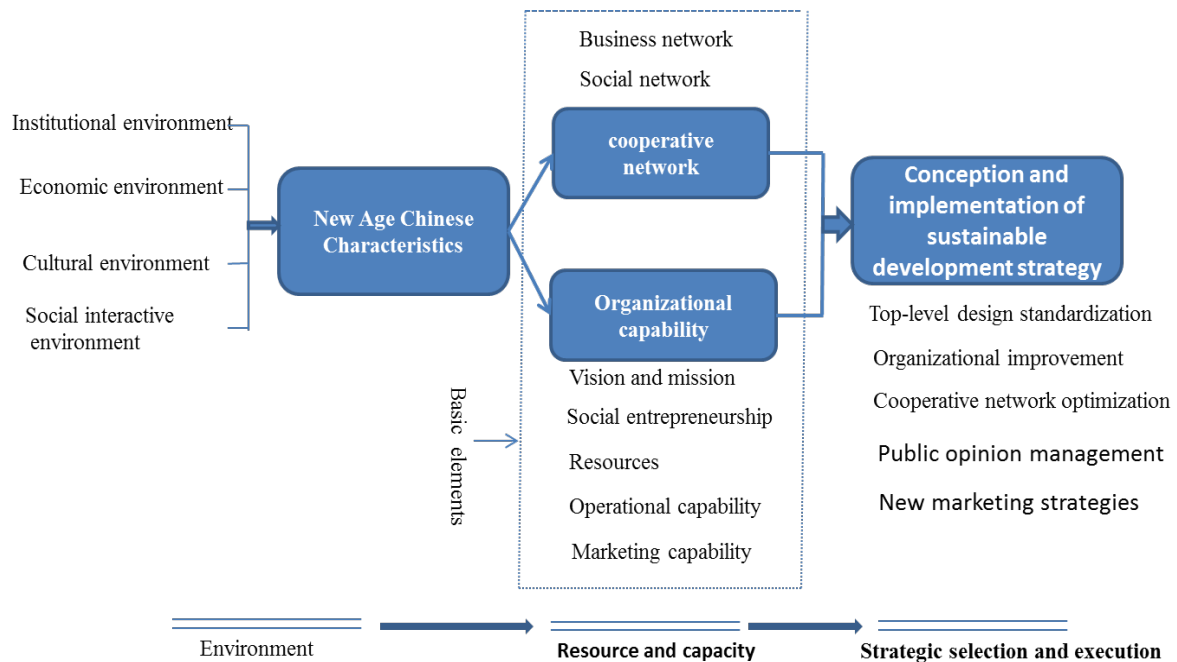


Figure 2 General research framework

Part II, The basic elements and measurement of the sustainable development of social enterprises. This paper analyzes the basic factors influencing the sustainable development of social enterprises from the two dimensions of organizational ability and network ability, and constructs the influencing factor model. (1) Organizational capability. This paper analyzes the organizational ability of social enterprises from five aspects: vision and mission, social entrepreneurship, resources, operational ability and marketing ability, and explains the characteristics of organizational ability of Chinese social enterprises. (2) Cooperative network. This paper analyzes the impact of network capability on the sustainable development of social enterprises from two aspects of business network and social network.

Part III, Establishment of measurement model of sustainable development capability. Under the guidance of the characteristics of “social enterprise gene”, information data is obtained by the literature method and the in-depth interview method, and the sustainable development measurement model is constructed by the rooted theory and the comprehensive evaluation method.

Part IV, Strategic ideas and measures to improve the sustainable development ability of Chinese social enterprises in the new era. Through theoretical and empirical analysis, this paper proposes strategic measures and Suggestions for the sustainable development of social enterprises in China in the new era from five levels: top-level design, organizational capacity, cooperative network, social public opinion and marketing strategy.

5. Conclusion and Discussion

The development of social enterprises is situational dependent, leading to different development strategies for different countries. In China, after more than a decade of development, social enterprises still lack a clear legal identity. The overall development of Chinese social enterprises is still in its initial stage. In the context of the new era, social enterprises are facing a more complex dynamic environment, with both opportunities and challenges. Based on the extended concept of resource and environment, this paper constructs a research framework for the sustainable development of social enterprises in order to seek breakthroughs in the following aspects: (1) establish the Theory System of Sustainable Development of Social Enterprises with Chinese Characteristics; (2) construct the measurement model of the sustainable development ability of social enterprises; (3) enrich the research paradigm of “resources and capabilities + dynamic environment strategy”. In the future, the case study about Chinese social enterprises will be used to do in-depth research based on this framework.

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