

Research on Social Enterprise Development Management (An Example of the Chinese Environmental Sector)

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ABSTRACT: As China undergoes rapid economic transformation, the role of social enterprises in addressing pressing societal challenges has become increasingly significant. The reason for picking China is its growing economic dominance on the world scene. It is suggested that the notion of social business in the geographical setting of China is important to their respective economies. Additionally, the role of impact investing, technology innovation, and cross-sector collaboration in driving social enterprise growth is examined. Furthermore, this study highlights emerging opportunities for social enterprise development in China, particularly in sectors such as sustainable agriculture, renewable energy, healthcare, and education. Leveraging China's vast market potential, technological innovation, and growing interest in corporate social responsibility, social enterprises have the potential to scale their impact and contribute significantly to sustainable development goals. In conclusion, this paper underscores the importance of a holistic and integrated approach to Social Enterprise Development Management in China, one that addresses the diverse needs and challenges facing social entrepreneurs while capitalizing on the country's unique strengths and opportunities. By fostering an ecosystem of support, collaboration, and innovation, China can unlock the full potential of social enterprises as drivers of positive social change and inclusive economic growth.

Keywords: Social Enterprise, China.

I. INTRODUCTION

A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders Mycoskie, B. (2012). Social enterprises can take various forms, including nonprofits, cooperatives, and for-profit businesses. They often tackle social issues such as poverty, education, healthcare, and environmental sustainability while generating revenue through the sale of goods and services. The social entrepreneurship movement is expanding and gaining traction throughout the world as an innovative approach to business that provides underprivileged groups with a route to social growth and economic prosperity Yu Xiaomin (2011). Given China's very recent history of both the private and non-profit sectors in their current forms, social enterprises as a hybrid organizational structure that balances commercial and social goals are still relatively new. Despite being dubbed "the fourth sector" by some experts, the social entrepreneurship sector has grown in popularity Zhang, Y., & Swanson, (2013). The development of social enterprise in China has been influenced by various factors, including government policies, economic trends, cultural norms, and the growing awareness of social and environmental issues. An overview of how social enterprise has evolved in China as follows: Government Support and Policy Environment: The Chinese government has increasingly recognized the role of social enterprises in addressing social challenges and promoting inclusive growth. Since the mid-2000s, there have been policy initiatives aimed at supporting the development of social enterprises Gao & Hafsi (2015). For example, the government has provided funding, established support networks, and introduced favorable tax policies for social enterprises. Rise of Civil Society: As China's economy has grown, so has its civil society sector. Non-governmental organizations (NGOs), grassroots initiatives, and community-based organizations have emerged to address various social issues, including poverty alleviation, environmental conservation, healthcare, and education. Many of these organizations operate as social enterprises, combining business approaches with social missions. Entrepreneurial Spirit: China has a strong culture of entrepreneurship, with a growing number of individuals and organizations seeking innovative solutions to social and environmental challenges. Many young people in China are attracted to the idea of social entrepreneurship as a way to make a positive impact while also pursuing their business ambitions Ma & Wu, (2019). Impact Investing and Social Finance: The concept of impact investing, which focuses on generating measurable social or environmental impact alongside financial returns, has gained traction in China. Impact investors, including venture capital firms, philanthropic foundations, and corporate investors, have started to allocate capital to social enterprises

and impact-driven initiatives. International Influence: China's engagement with the global community has also contributed to the development of social enterprise. Exchange programs, international conferences, and collaborations with foreign organizations have facilitated knowledge sharing, capacity building, and cross-border partnerships in the social enterprise sector Ngai & Chan, (2012). Challenges and Opportunities: Despite significant progress, social enterprises in China still face challenges such as limited access to funding, regulatory barriers, and a lack of public awareness. However, there are also opportunities for growth, particularly in sectors such as sustainable agriculture, renewable energy, social innovation, and technology-driven solutions. Key themes addressed in this research include the role of government policies and regulations in shaping the environment for social enterprise development, the challenges of accessing finance and resources in the environmental sector, and the importance of capacity building and support services for fostering innovation and entrepreneurship Wu & Sun, (2014). Moreover, this study delves into the dynamics of cross-sector collaboration and partnerships in addressing environmental challenges, highlighting successful examples of collaboration between government agencies, businesses, NGOs, and local communities Teasdale, & Wang, (2018). It also examines emerging opportunities for social enterprise development in areas such as renewable energy, waste management, and eco-tourism, and discusses the potential impact of technological innovation and digital platforms on the sector. Through its comprehensive analysis and empirical insights, this research contributes to a deeper understanding of the role of social enterprise in environmental conservation and sustainability in China. It provides valuable insights for policymakers, practitioners, and researchers seeking to support and promote the growth of social enterprises in the environmental sector, ultimately contributing to more effective and sustainable solutions to environmental challenges in China and beyond.

II. THEORETICAL BACKGROUND

2.1 Social Enterprise Development

Social enterprise is a business model that prioritizes social or environmental objectives alongside financial goals. Unlike traditional for-profit businesses, which primarily aim to maximize profits for shareholders, social enterprises seek to address societal issues or environmental challenges while also generating revenue to sustain their operations. Social enterprises can take various forms, including non-profits, cooperatives, and for-profit organizations. They may operate in fields such as education, healthcare, environmental sustainability, poverty alleviation, and community development. The key distinguishing feature of social enterprises is their commitment to creating positive social impact, which is often integrated into their core mission and business practices. Social enterprise development refers to the process of fostering and supporting the growth, sustainability, and impact of social enterprises. It involves various activities aimed at nurturing and expanding the social enterprise sector, enabling these organizations to effectively address social or environmental challenges while also achieving financial sustainability. Key components of social enterprise development include: Awareness and Advocacy: Raising awareness about the concept of social enterprise and advocating for supportive policies and regulations that facilitate their growth. Capacity Building: Providing training, mentoring, and technical assistance to social entrepreneurs to enhance their skills in business management, marketing, finance, and impact measurement. Access to Finance: Facilitating access to capital through grants, loans, impact investments, crowdfunding, or other financial mechanisms tailored to the needs of social enterprises. Networking and Collaboration: Creating platforms for social enterprises to connect, collaborate, and share resources, knowledge, and best practices. This may involve establishing networks, incubators, accelerators, or co-working spaces. Market Development: Supporting social enterprises in accessing markets for their products or services, fostering partnerships with businesses, governments, NGOs, and other stakeholders, and promoting consumer awareness of socially responsible purchasing. Policy and Regulatory Support: Advocating for policies that recognize and support the unique needs of social enterprises, such as legal frameworks, tax incentives, procurement preferences, and certification schemes. Impact Measurement and Reporting: Developing tools and methodologies for assessing and reporting the social, environmental, and economic impact of social enterprises, helping them to demonstrate their value and attract investment and support.

The emergence of social enterprise development is a hallmark of the twenty-first century, although its roots trace back to the 1900s. While its foundations were laid earlier, the field has experienced exponential growth in recent years. This surge in interest is driven by heightened global awareness of severe poverty and social challenges, facilitated by advancements in telecommunications, and by the improved circumstances of many individuals worldwide who possess the resources and motivation to address these issues (Bornstein, 2004).

Various interpretations of social entrepreneurship exist, reflecting a spectrum of perspectives. Some scholars underscore the personal attributes required to effect social change on a significant scale, particularly benefiting disadvantaged populations (Bornstein, 2004). According to this viewpoint, key criteria defining social entrepreneurship include an initial ecosystem context characterized by suboptimal conditions, the personal characteristics of the initiator to recognize opportunities and take direct action, and outcomes that deliver greater value across the system (Martin and Osberg, 2007). This perspective emphasizes that social entrepreneurship can operate within both for-profit and non-profit realms, transcending traditional economic marketplaces, and involving players from the public and private sectors alike.

However, critics caution against the effectiveness of traditional governmental and non-governmental approaches to poverty alleviation, arguing that they often perpetuate entrenched systems of poverty without fostering long-term improvements in quality of life (Prahalad, 2005). Many proponents advocate for market-oriented solutions, suggesting that multinational corporations should play a more active role in supporting inclusive capitalism and integrating bottom-of-the-pyramid (BOP) consumers into the market economy (Prahalad and Hart, 2002). This perspective has gained traction among multinational corporations and has been supported by organizations such as the World Resources Institute and the International Finance Corporation, which highlight success stories of BOP integration into the market economy. Others, while acknowledging the importance of the market economy in poverty alleviation, argue that empowering the poor as producers rather than consumers would better serve their interests (Karnani, 2007). In this context, a working definition of social enterprise emerges as a community of workers and owners collaborating to enhance their quality of life through profit distribution via profit-sharing mechanisms. Social entrepreneurs are seen as the leaders and practitioners within this system, which encompasses governments, NGOs, cooperatives, and private sector businesses (Morato, 1994). Crucially, social enterprises differ from traditional businesses in their focus on more than just profits; they aim to build human capability, empower disenfranchised individuals, and improve overall quality of life, reflecting a double- or even triple-bottom line approach (Dacanay, 2004).

2.2 Social Enterprise Development Management

Social Enterprise Development Management refers to the strategic planning, coordination, and implementation of activities aimed at fostering the growth and sustainability of social enterprises. It involves the application of management principles and practices specifically tailored to the unique needs and challenges of social enterprises (Defourny and Nyssens, 2012). Key aspects of Social Enterprise Development Management include: Strategic Planning: Developing long-term goals, objectives, and strategies to support the growth and impact of social enterprises. This may involve identifying target sectors, geographic areas, and priority issues, as well as setting performance metrics and milestones. Resource Mobilization: Securing financial, human, and other resources needed to support social enterprise development initiatives. This may include fundraising, grant writing, partnership development, and leveraging in-kind contributions. Program Design and Implementation: Designing and implementing programs and initiatives to support social enterprises across various stages of development. This may include capacity-building workshops, mentoring programs, access to finance initiatives, market development efforts, and impact measurement support. Stakeholder Engagement: Engaging with a wide range of stakeholders, including social entrepreneurs, government agencies, donors, investors, civil society organizations, and local communities. Building strong relationships and partnerships can help mobilize support, leverage resources, and create synergies for social enterprise development. Monitoring and Evaluation: Establishing monitoring and evaluation systems to track progress, measure impact, and learn from successes and challenges. This includes collecting and analyzing data on key performance indicators, conducting periodic reviews, and using findings to inform decision-making and program adjustments. Policy Advocacy: Advocating for supportive policies, regulations, and institutional frameworks that create an enabling environment for social enterprise development. This may involve engaging policymakers, drafting policy proposals, and participating in advocacy campaigns to promote legal recognition, access to finance, tax incentives, and other forms of support for social enterprises. Knowledge Sharing and Learning: Facilitating knowledge sharing, learning exchanges, and peer-to-peer networking opportunities among social enterprises and stakeholders. This can help disseminate best practices, lessons learned, and innovative solutions, fostering a culture of continuous improvement and collaboration within the social enterprise ecosystem. Overall, Social Enterprise Development Management involves a holistic and integrated approach to supporting social enterprises, with the ultimate goal of creating positive social impact and contributing to sustainable development.

2.3 Social Enterprise in China

Social enterprise in China has witnessed significant growth and evolution in recent years, driven by various factors including government support, economic development, and social innovation Wu & Sun, (2014). Here are some key aspects of social enterprise in China: Government Support: The Chinese government has

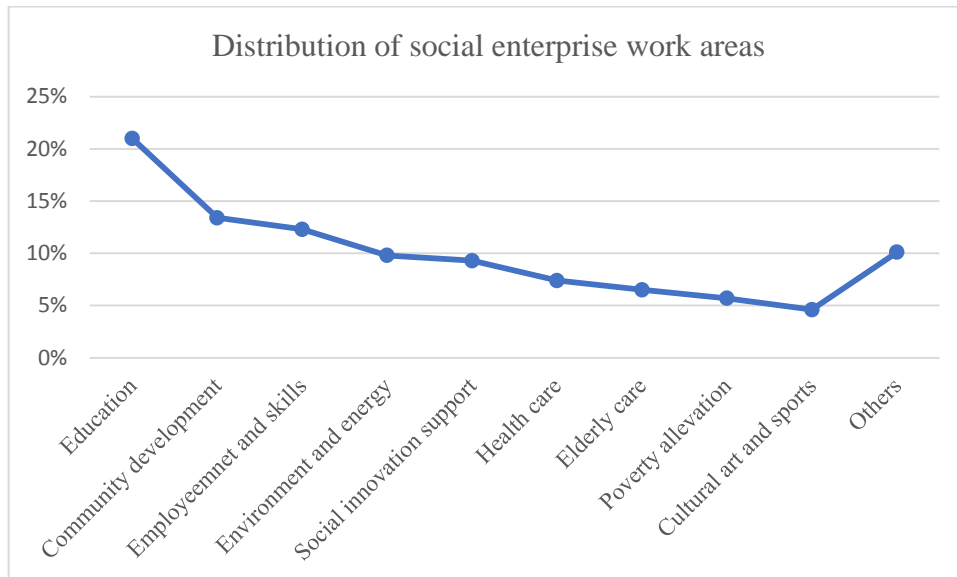
increasingly recognized the importance of social entrepreneurship in addressing social issues and promoting inclusive growth. Policies and initiatives have been introduced to support the development of social enterprises, including providing funding, offering tax incentives, and creating supportive regulatory frameworks. **Rising Awareness and Interest:** There is a growing awareness of social and environmental issues among the Chinese population, particularly among the younger generation. Many individuals and organizations are turning to social entrepreneurship as a way to address these challenges while also pursuing economic sustainability. **Diverse Sectoral Focus:** Social enterprises in China operate across a wide range of sectors, including education, healthcare, environmental conservation, poverty alleviation, and rural development. They employ diverse business models, from for-profit ventures to non-profit organizations and cooperatives. **Innovation and Technology:** China's rapid technological advancement and innovation ecosystem have contributed to the emergence of innovative social enterprises. These ventures often leverage technology to address social and environmental challenges in creative ways, such as using AI for healthcare solutions or blockchain for supply chain transparency. **Cross-Sector Collaboration:** Collaboration between government, business, academia, and civil society is increasingly common in the Chinese social enterprise ecosystem. Public-private partnerships, corporate social responsibility initiatives, and cross-sectoral networks play a vital role in supporting the growth and impact of social enterprises. **Challenges and Opportunities:** Despite the progress made, social enterprises in China still face challenges such as limited access to funding, regulatory complexities, and a lack of public awareness. However, there are also significant opportunities for growth, particularly in sectors such as sustainable energy, environmental conservation, and social innovation. **Global Engagement:** Chinese social enterprises are increasingly engaging with the global community, participating in international conferences, collaborating with foreign organizations, and exploring opportunities for cross-border partnerships. This internationalization trend contributes to the exchange of knowledge, resources, and best practices in the global social enterprise movement. Social enterprise in China is a dynamic and rapidly evolving sector that holds great potential for addressing social and environmental challenges while driving sustainable development. With continued support from government, businesses, and civil society, Chinese social enterprises are poised to play an increasingly important role in shaping the future of social innovation both domestically and globally.

III. METHODOLOGY

Using a snowball sampling technique and employing a narrow definition, the Landscape Report estimated that there are approximately 1684 "self-conscious" social enterprises. These are enterprises known to the professional community through processes such as certification applications, participation in social innovation competitions, or attendance at relevant workshops and training sessions. In contrast, utilizing a broader definition, the Landscape Report suggests that the total number of social enterprises could be as high as 1.75 million. This estimate incorporates segments of the total number of specialized farmers' cooperatives (recognized as an indigenous form of social enterprise) and social service organizations (non-profit legal entities for social enterprises, also known as "private non-enterprise units"). The majority of social enterprises included in this broader definition may not be aware that they are classified as "social enterprises."

Two examples of Chinese social enterprises serve to contextualize the concept within China. Arguably the most renowned and "oldest" social enterprise is Canyou Group. Established in 1997, Canyou Group, which translates to "friends of the disabled" in Chinese, focuses on providing non-manual job opportunities, particularly in computer science, e-commerce, and design, for individuals with disabilities in China. Originating as a typing and printing workshop with only five disabled employees and one computer, Canyou has grown into an integrated entity comprising a charitable foundation, 14 social organizations (non-profit entities), and over 40 high-tech for-profit enterprises. The Landscape Report surveyed 370 social enterprises, revealing that the primary areas of focus for these organizations include education, community development, employment and skills, environmental and energy initiatives, and support for social innovation. Figure 1 illustrates the data, with a response rate of 367 out of 370 for this question. Specific business models cited include microfinance aimed at poverty alleviation, first-aid education programs, offering complimentary independent toxicological risk assessments for products while subsidizing sales of endorsed items, and creating technology products accessible to individuals with disabilities.

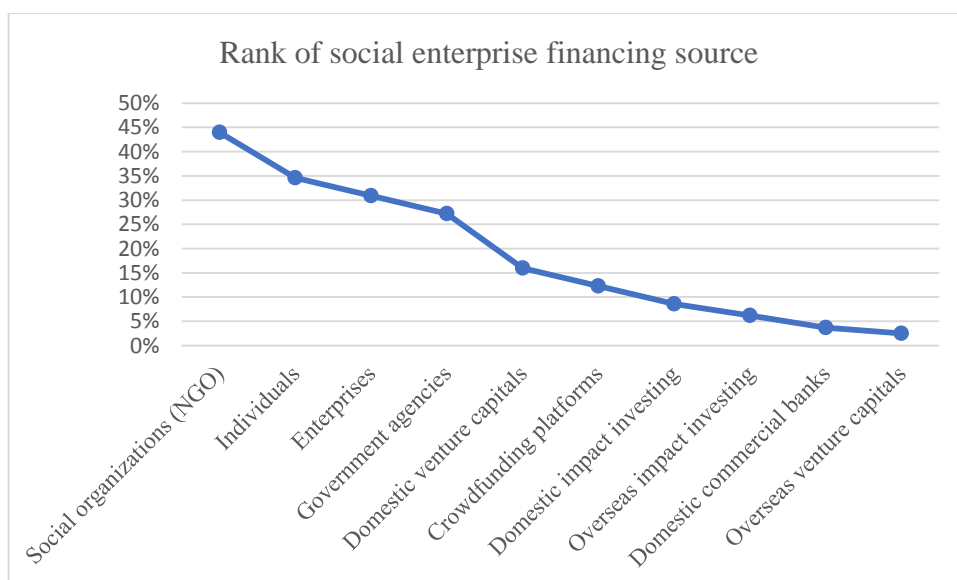
Figure 1. Distribution of social enterprise work areas



Data source: the Landscape Report, calculated by Ye, Meng. (2024).

Regarding the financial backing of social enterprises in China, the Landscape Report examined the sample (with a lower response rate for financial inquiries, N = 81) regarding their primary funding sources for ongoing operations post-establishment and initial startup capital. Figure 2 illustrates the findings, revealing that, for respondents, the primary source of financing post-establishment is the non-profit sector, followed by individual contributions. Subsequently, enterprises, government entities, and domestic venture capital firms are mentioned. Notably, the data suggests that institutional investors, including venture capital firms and impact investing agencies, contribute a smaller proportion to the ongoing operations funding of Chinese social enterprises. However, the statistical reliability of these findings is debatable. The sample is not randomly selected, and the low response rate may introduce attrition bias. Additionally, the clarity of the questionnaire and respondents' understanding of the options remain uncertain. Nonetheless, the results indicate that, within the sample, the top four funding sources resemble those of non-profit organizations.

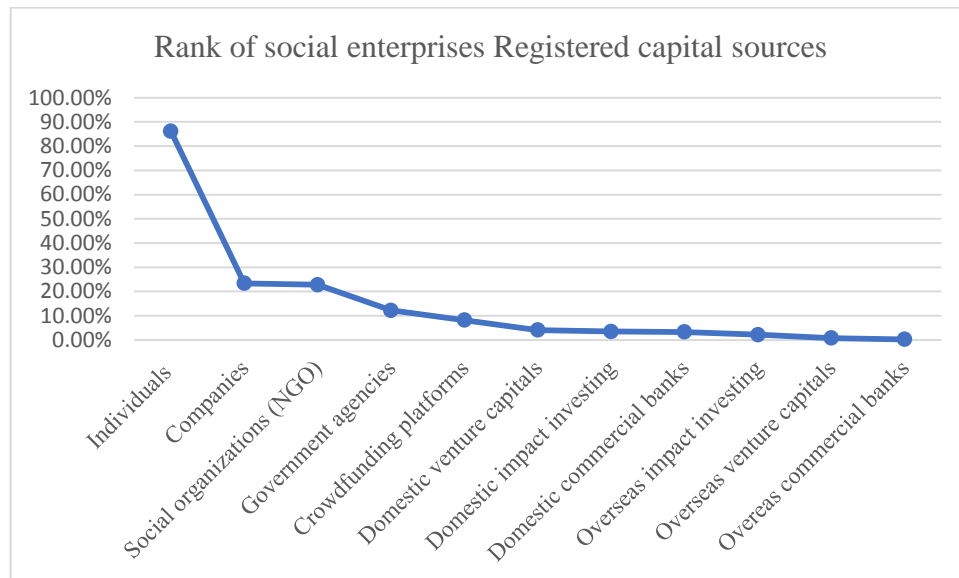
Figure 2. Rank of social enterprise financing source



Data source: the Landscape Report, calculated by Ye, Meng. (2024).

Figure 3 displays the outcomes regarding funding sources utilized by social enterprises to acquire initial startup capital. Individuals constitute a significantly larger proportion compared to other sources of financing.

Figure 3. Rank of social enterprises Registered capital sources



Data source: the Landscape Report, calculated by Ye, Meng. (2024).

IV. DISCUSSION

The discussion section of this paper focuses on synthesizing the findings presented in the preceding sections and providing deeper insights into the implications, challenges, and future directions of Social Enterprise Development Management (SEDM) in China.

1. Policy and Regulatory Environment:

- Despite recent efforts to promote social entrepreneurship, regulatory barriers and ambiguities continue to hinder the growth of social enterprises in China. Discussion is warranted on the need for clearer, more supportive policies and regulations that provide legal recognition, access to funding, and tax incentives for social enterprises.
- Moreover, the role of government in shaping the social enterprise landscape deserves attention, particularly in light of China's evolving approach to governance and its impact on the autonomy and legitimacy of civil society organizations.

2. Access to Finance and Resources:

- The discussion should delve into the challenges faced by social enterprises in accessing finance, including limited availability of impact investment capital, lack of collateral for traditional loans, and the need for innovative financing mechanisms tailored to the sector's needs.
- Strategies for expanding access to finance, such as establishing social investment funds, promoting social impact bonds, and leveraging corporate social responsibility initiatives, should be explored in depth.

3. Capacity Building and Support Services:

- Capacity building is crucial for equipping social entrepreneurs with the skills, knowledge, and networks needed to succeed. The discussion could examine existing capacity-building programs in China, their effectiveness, and opportunities for improvement.
- Additionally, the role of incubators, accelerators, and mentorship programs in nurturing social enterprise ecosystems should be discussed, along with strategies for scaling up these initiatives and reaching underserved communities.

4. Cross-Sector Collaboration and Partnerships:

- Collaboration between government, business, academia, and civil society is essential for driving social enterprise development. The discussion should explore successful examples of cross-sector partnerships in China, their benefits, and the challenges involved in aligning diverse stakeholders' interests.
- Strategies for fostering collaboration and building trust among stakeholders, such as joint research projects, public-private partnerships, and multi-stakeholder platforms, should be examined.

5. Emerging Opportunities and Future Directions:

- Looking ahead, the discussion could identify emerging opportunities for social enterprise development in China, particularly in sectors with high social impact potential, such as sustainable agriculture, renewable energy, and healthcare.
- Moreover, the role of technological innovation, digital platforms, and social media in advancing social entrepreneurship should be explored, along with strategies for leveraging these tools to scale impact and reach new audiences.

6. Sustainability and Impact Measurement:

- Finally, the discussion should address the importance of sustainability and impact measurement in the social enterprise sector. This includes discussing frameworks for assessing social and environmental impact, integrating impact measurement into business practices, and ensuring transparency and accountability to stakeholders.

The discussion section provides a critical analysis of the challenges, opportunities, and strategies for advancing Social Enterprise Development Management in China, offering insights for policymakers, practitioners, and researchers seeking to support the growth and sustainability of the sector.

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