

Social Enterprise Ecosystem in Chengdu : The Modernity and Alienation

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ABSTRACT

Social entrepreneurship and social enterprise have received much attention in academia and industrial practice in recent years. In China, the social enterprise development mode has clear policy-driven characteristics. As an important social innovation center in China, Chengdu has formed a new type of social governance model under the support and guidance of its government policies, and social enterprises have played an essential role in its practice. Through fieldwork in social enterprises in Chengdu, and in-depth interviews with key stakeholders such as social entrepreneurs, government officers, third parties, community staff, and consumers, the goal of this research is to identify local social entrepreneurs' behaviors, choices and relationships within this ecosystem, and to discover the problems within the social enterprises and the ecosystem, as well as the contradictions which the social enterprises have been facing under the specific social circumstances in today's China. With these findings, two critical forms of social enterprise ecosystem in Chengdu: a functional critique on the desynchronization in political, economic and cultural aspects, and a normative critique on the moral (the dual sides of the certification system) and ethical (the weak "access points" and shouting "resonance") dimensions are further analyzed under the theoretic framework of Hartmut Rosa's social acceleration theory, which follows the traditions of the Frankfurt School's Critical Theory.

The particularity of contemporary Chinese modernity construction is that it contains the content of Marxism, which includes Marxist philosophy and scientific socialism, as its value orientation. How to think about and promote China's

enlightenment within the scope of Marxism is an important task of contemporary Chinese modernity construction. Here, the “enlightenment” should go beyond the scope of the New Enlightenment in the 1980s postulated by intellectuals in the field of cultural thought. Marxism has transformed from a critical discourse of capitalist modernity into a socialist modernity ideology in contemporary China, which has also caused its critical dimension of modernity to be covered by the constructive dimension. Therefore, the Frankfurt School, which inherits the critical thrust of Marxism and criticizes the modernity of capitalism, is a valuable theoretical choice for China. Regarding the question of how to judge the influence and significance of the Critical Theory of the Frankfurt School in China, scholars with various attitudes have raised the issue of the “localization” of Critical Theory—that is, how to use or even creatively transform it in the Chinese context. Hence the “enlightenment” has begun to include two core issues: the critical spirit of intellectuals, and the evaluation of China’s transformation.

This research has made its own attempt at this point. Different from other China scholars who mainly study the critical theories of the first and second generations of the Frankfurt School (such as Adorno, Fromm, Marcuse, and Habermas), we used the latest development of Critical Theory, social acceleration theory, to analyze and criticize contemporary Chinese modernity issues. Rosa’s social acceleration theory provides a dynamic, critical, and systematic discussion for helping us to better understand the dual value and inherent contradictions in the social enterprise ecosystem. In this ecosystem, the formation and changes of various interactive relationships, as well as the dual contradictions of the social enterprise itself, all reflect the tension-filled process of contemporary China’s people-oriented subjectivity construction.

If we regard modernization as a process of social acceleration, as Rosa (2009) suggested, and the nature and impact of modernization could become fully visible

through the lens of temporal perspective. In this sense, this research on the social enterprise ecosystem has only explored part of the key issues therein. Although cultural social enterprises are the main research sample here for the discussion of cultural modernity in the Chinese context, we still cannot neglect other dimensions in the social enterprise ecosystem which have mutual connections and influences in terms of modernity, and should put them in the lens of a temporal perspective as well, such as gender issues and value creation mechanism research. In the important task of contemporary Chinese modernity construction, they undoubtedly belong to the “enlightenment” issues when we evaluate China’s transformation. Nevertheless, there are challenges in the shape of the complexity of the issues and a lack of sufficient data. Therefore, it should be noted that the emerging social enterprise ecosystem has provided objects and directions with great research potential. We sincerely hope this research will lay a certain foundation for follow-up related studies.

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ABBREVIATIONS

CASE: Center for Advancement of Social Entrepreneurship

CCF: China Charity Fair

CPC: Communist Party of China

CSEIF: China Social Enterprise and Impact Investment Forum

CSR: Corporate Social Responsibility

GIIN: Global Impact Investing Network

KOL(s): Key Opinion Leader(s)

OECD: Organization for Economic Co-operation and Development

PR: Public Relations

SE: Social Entrepreneurship

SFC: Serve for China

SIEV: Social Improvement Entrepreneurship Venture

SSI: Star of Social Innovation

STEV: Social Transformation Entrepreneurship Venture

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INTRODUCTION

The concept of social enterprise originated from the reflection in the west of the various problems that emerged in the process of industrialization and urbanization in the 19th century. The integration system of traditional western societies has been challenged by crises, and disorders have manifested in depth on multiple levels of culture, politics, and economy, which pose a sharp challenge to the previous community governance system at the primary level. As a result, a reciprocal transformation of social organizations and corporate organizations was formed that has lasted for centuries. Concepts such as “corporate social responsibility,” “social entrepreneurship,” and “social enterprise” have been increasingly getting more attention, both in academia and in practice. On one hand, the main goal of a social enterprise is to provide social value, aiming to expand employment, reduce poverty, and improve social and public services; on the other hand, the private sector nature of a social enterprise provides funds for social projects through income from commercial activities, which effectively relieves financial pressure for public departments. However, in the process of the development of social enterprises, some challenges have been frequently encountered, including those affecting the supporting policy environment, funding, networks, collaborative

development, and governance structure. Since social entrepreneurship is becoming a global phenomenon, differences in vision have reflected regional, national and cultural attitudes. The diverse understandings on social entrepreneurship lead to different practices in this field, and result in the establishment of particular social entrepreneurship ecosystems.

In China, social entrepreneurship and social enterprise are considered to be concepts introduced from the west in 2004, when Liu Jitong from Beijing University translated part of a research report on economic cooperation and organization development (Yuan, 2019). In the last 15 years, social enterprise in China has been going through rapid growth, and gaining increasing attention in academia, industry and the public. The development of social enterprise in China has its own characteristics and challenges.

China has transformed from the “rural China” of the past to an “urban and rural China” (S. Liu & Y. Wang, 2018). In this sense, any thoughts of social governance based on “urban China” or “rural China” have certain limitations; innovation of social governance must adopt the integrated perspective of “urban and rural China” (Wen, 2019). With the rapid development of China’s urbanization and industrialization, another major change is the fast growth of middle-income groups, which has created new governance challenges and diverse interests. The rapid increase in population mobility, the disintegration of the former urban “work unit system” communities, and the urbanization transformation of rural communities have seriously weakened the effectiveness of the old social integration system, and rapidly increased the cost of social governance (Wen, 2019). The social disorders brought about by the rapid transformation of the social economy are prominently manifested in elderly-care issues, child education issues, disability issues, youth employment issues, public goods

problems, and other issues at the level of community governance. Wen (2019) argues that to solve these problems of social disorders, it is necessary to rebuild the social integration system and mobilize multiple social forces. In this process, social enterprises that integrate social goals and business methods play a very important role.

Along with the research of social enterprises in China, some NGOs have drawn greater attention to the practices of social enterprises, and strengthened the communication and exchange with foreign social enterprises. In 2009, the British Council started the program Skills for Social Entrepreneurs (SfSE) in China, which has trained more than 2,000 potential social entrepreneurs. Many of the trainees have become pioneers in exploration of social enterprise in China (Xu, 2017).

From 2015 to today, the relevant research in China has been more focused on the connotation and extension of social enterprises, as well as policy study. As the definition of social enterprise varies according to the situation and research issues (Meyskens, Robb, Stamp & Carsrud, 2010), it is very difficult to reach consensus on the definition of social enterprise in China.

Among all the research in this field, a study by Zhao (2018) reflects the latest efforts to clearly define the essential attributes of social enterprise as well as develop a classification framework. Compared with the common binary analysis perspective (social-commercial perspective), Zhao (2018)'s entrepreneurial perspective has the consistency of connotation, the inclusiveness of organizational forms, and the distinction of individual differences in the way of understanding social enterprises. Zhao (2018) expects that the social enterprise definition framework based on an entrepreneurial perspective could provide a theoretical basis for the development of Chinese social enterprises. Because the development of social enterprises in China is still at an early stage, people have various understandings of the connotation and

boundaries of social enterprises. Proposing a social enterprise definition framework based on theoretical research and case analysis can provide a more rigorous discourse foundation and knowledge basis for more in-depth discussion, research, and practice of social enterprises in China (Zhao, 2018). Zhao (2018)'s research specifically on social enterprise has provided theoretic support for the school of social enterprise certification. This school has been drawing much attention in the last few years in China. Scholars and practitioners of this school believe that building up a certification system could be significant for the development of social enterprise in China. They argue that a certification system would increase the self-awareness of social entrepreneurs and the understanding of the public, as well as impel the industry to form the necessary consensus on the concept and practice of social enterprise, and draw a roadmap for the development of the social enterprise industry. The representative scholars are Yuan Ruijun from Beijing University, Li Beiwei from Yifang Foundation,¹ Dian Chunli from China Charity Fair (CCF) and Xia Xuan from Star of Social Innovation.² In 2015, China Charity Fair (CCF) initiated the Chinese social enterprise certification together with Global Philanthropy Institute, Beijing University Civil Society Research Center, Beijing Normal University China Philanthropy Research Institute, Yifang Foundation, and the Yunus Center for Social Business and Microfinance at Renmin University of China. CCF has established a social enterprise certification standard and evaluation system in accordance with China's national conditions, guiding the transformation of some social organizations and enterprises, as well as cultivating a number of Chinese social enterprises. In a wide sense—requiring only having social or environmental goals and

¹ Yifang Foundation is a private foundation registered with the governmental Department of Civil Affairs. It dedicates itself as a fund resource to support non-profit organizations.

² Star of Social Innovation is the first non-profit institution dedicated to social enterprise certification and providing social enterprise incubation services.

being able to use business methods to achieve those goals, but having no strict regulations such as on profit distribution ratio, innovation, etc., until mid-2019, and including China's farmer specialized cooperatives, people-run non-enterprise units and social welfare enterprises—the number of social enterprises in China was 1,750,000 in 2019 (Narada Foundation, 2019). If using a simple and conservative calculation (being certified by CCF), the number was 234 (Narada Foundation, 2019).

Moreover, the school of certification emphasizes the important role of government, and has regarded social enterprise as an essential element in social governance. Even though there are criticisms regarding the necessity of social enterprise certification, arguments on how to formulate the guidelines for China's social enterprise certification standards will have a big impact on the enthusiasm and sustainability of the development of social enterprises in China, as China's social innovation ecological chain has not been well-established. At this early stage of development of social enterprise in China, different standards should be allowed to develop, and these standards could be either inclusive or strict. However, on a practical level, due to the guidance and support of some local governments, the school of certification has been promoted and developed through cooperation with third-party certification agencies and some local government departments to play its role in the regional development.³ Local governments such as Beijing, Chengdu and Shunde have also established their own certification systems during the last three years.

³ In 2016, the Central Committee of the Communist Party of China (CPC) issued the *13th Five-Year Plan for Economic and Social Development*, in which five development concepts of innovation, coordination, greenness, openness, and sharing intensively reflect China's development direction from 2016 to 2020 and beyond. Under the national guidelines, the governments at different levels have issued their local policies to explore and build a social governance system based on collaboration and broad participation. With this background, social enterprise as an important participant in such a social governance system has gradually come into the vision of the local public agenda.

Among these representative local governments, Chengdu, a sub-provincial city which serves as the capital of the Chinese province of Sichuan, has become an innovative center of social enterprise in China. It is striving to build a support system for social enterprises to effectively participate in social governance. However, in the process of formation and development of the collective impact initiated by the regional government in the field of social innovation in Chengdu, various stakeholders have their own issues and myths in reaching consensus and common actions, which leads to the fragility of this collective impact, and the sustainability of social enterprises in the dynamic ecosystem is yet to be studied. Meanwhile, due to the lack of a more comprehensive understanding of certain concepts and related social phenomena in the field of social entrepreneurship in current China, Chengdu's experience in the field of social governance and social entrepreneurship in recent years could provide a good case study opportunity for in-depth research on social enterprises in this ecological environment.

More importantly, we believe that a dynamic, critical, and systematic discussion is needed to understand the dual value and inherent contradictions in the social enterprise and entrepreneurship field. Luhmann (1996) categorizes society into temporal, social, and material dimensions. Acceleration prompts society to evolve in the temporal dimension and also changes social and material relationships (Rosa, 2010). Therefore, while discussing “what makes social entrepreneurship entrepreneurship” and “what makes social entrepreneurship social” (Peredo & McLean 2006, pp.57-59), we should also be cognizant of the effect that modernity has on society.

Therefore, this study focuses on the social enterprise ecosystem in Chengdu, referring to a specific type of environment to support social enterprise to benefit from clustering, which includes beneficiaries and customers, governments, funders, enabling

organizations, and peer organizations. Three main parts will be included in order to answer the research question: what problems challenge the development of social enterprises in the Chengdu ecosystem?

The first part covers the concepts of social entrepreneurship. Readers will gain an understanding of the hybrid nature of social entrepreneurship and the positions of two schools (the social innovation school and the social enterprise school) during the development of social entrepreneurship, as well as the relevant research in China. The methodology of this study is introduced in this part, too. It is a multi-case study using qualitative research methods, including questionnaires, interviews, a focus group, and fieldwork. The research samples include all the certified cultural social enterprises in Chengdu (four in total by the year 2019), a local community-based social enterprise, and a national one aiming at poverty alleviation. We chose the certified cultural social enterprises as the main part of the samples because they reflect a specific tension in the temporal perspective followed by the cultural critiques of the Frankfurt School. The cultural social enterprises in the social enterprise ecosystem in Chengdu are all engaged in the protection and promotion of traditional culture. It is therefore necessary to see how traditional culture undergoes creative transformation and modern transformation. The internal and external challenges they have encountered in this ecosystem actually hide a deep humanistic spirit that has potential to complement and confront the modern technological rational culture. Meanwhile, with the changing roles of the government departments and the encouragement of diverse social forces to provide social services in recent years, those cultural social enterprises have been undertaking more functions and have become more dynamic recently.

The second part covers the practices of social enterprises in China and Chengdu. The structure of the social enterprise ecosystem in Chengdu is introduced and described,

as well as the changing government roles in this ecosystem. Readers learn how the social enterprise ecosystem has emerged and been developed in such a policy-driven environment.

The third part covers the problems identified within social enterprises on the organizational level, and the problems within the social enterprise ecosystem on the systematic level. With those findings, two critical forms of social enterprise ecosystem: functional critique on the desynchronization in political, economic and cultural aspects; and normative critique on the moral (the dual sides of the certification system) and ethical (the weak “access points” and shouting “resonance”) dimensions are further analyzed under the theoretic framework of Rosa’s social acceleration theory, which follows the traditions of the Frankfurt School’s Critical Theory. In the last chapter of this part, we will explore the basic theme of China’s modernity through this research, and explore the localization of Critical Theory.

PART ONE

Concepts in the Field of Social Entrepreneurship

Chapter 1: Research on the Social Enterprise Phenomenon

Since the early 1990s in the last century, social entrepreneurship has been drawing increasing attention from the public. This study field emphasizes and to some extent expands on the social dimension of entrepreneurship. There are various definitions of social entrepreneurship, covering the features of social entrepreneurs (Dees, 2001; Alter, 2004), the process of social entrepreneurship (Martin & Osberg, 2007), and results brought by social entrepreneurship (Mair & Marti, 2006).

1. The Core Content of Social Entrepreneurship (SE)

The notion of social entrepreneurship (SE) arose in the 1950s (Bowen, 1953), and within the last two decades SE research has become an independent and influential literature stream. The emergence of SE comes from the “triple failure” of the market, government, and public welfare departments. First of all, although huge potential social needs create market opportunities, these opportunities are often manifested in high availability, urgency, and high cost (Zahra et al., 2008), which greatly reduces the possibility of entry for commercial entrepreneurs who are in pursuit of profit

maximization. In addition, in the social field, the needs of society often far exceed the available resources, and the ultimate consumers often lack effective payment capabilities (Austin et al., 2006), which also restricts the entry of commercial market entities. These unmet needs have prompted the emergence of social entrepreneurs, who put social mission first. Meanwhile, the government's multiple roles and limited resources make it more likely to devote its limited resources into those social needs with low uncertainty in results. Due to the limitations in methods, it is difficult for government departments to accurately identify those urgent social needs. Therefore, SE could solve social problems more extensively and more deeply than government departments by solving social problems and meeting social needs in innovative ways, and use less resource input to obtain greater social benefits. Finally, nonprofit organizations, as the third sector, have relied on donations for a long time. Many of them are in a predicament due to the continuous reduction of donated funds, and are facing difficulties in responding to increasing social needs. SE takes social value as the primary goal, and at the same time advocates the use of commercial/innovative methods to solve social problems. It helps to solve those social problems that may be ignored or inadequately solved by the market, government, and public welfare departments.

Scholars have made attempts to describe the core content of SE in detail and accurately (Dees 2001; Dees & Anderson 2006; Dacin, Dacin, & Tracey, 2011; Santos, 2012; Kroeger & Weber, 2014; Stevens, Moray, & Bruneel, 2015). However, not too much seems to have changed since Nicholls (2010) pointed out that “there is no definitive consensus about what the term actually means.” SE scholarship has featured “substantial debate concerning the definitional, theoretical, and methodological challenges of the field.” (Saebi, Foss & Linder, 2019). Saebi, Foss and Linder (2019) argue that SE literature is challenging to grasp due to “the heterogeneity in phenomena

and approaches.” In this sense, SE is essentially an interdisciplinary field (Pierre, Friedrichs & Wincent, 2014). A number of excellent reviews have already focused on specific issues within this field, they have contributed to the construct of the SE research knowledge system. Those articles mainly address the following issues: various definitions of the SE concept (Bacq & Jansen, 2011; Lundstrøm & Zhou, 2014), social innovation architecture (Austin et al., 2006) and how SE relates to social innovation (Zhou 2015; Inoue, 2020), the notion of social enterprises (Meyskens et al., 2010; Doherty, Haugh, & Lyon, 2014), the bibliometrics of SE literature (Pierre, Friedrichs & Wincent, 2014; Macke, Sarate, Domeneghini, & Silva, 2018), the transformative impact of SE (Fowler, 2000; Eikenberry & Kluver, 2004), and the measurement of the social impact construct (Rawhouser, Cummings, & Newbert, 2017).

Even though there is not an agreed-upon definition of SE, the dual mission of social and economic value creation reflects the core characteristic of SE, as has been recognized by many scholars (Dees, 2001; Tracey, Phillips, & Jarvis, 2011; Pache & Santos, 2013). According to Trivedi (2010)’s research, efforts to define SE generally focus on the characteristics of social entrepreneurs, the entrepreneurial process which creates social value, and the results of SE (the dual mission of the social enterprise). This is in accordance with Saebi, Foss and Linder (2019)’s finding, drawing on 395 peer-reviewed articles on SE, that “most definitions stress the hybrid nature of combining a social mission with entrepreneurial activities” (Saebi, Foss & Linder, 2019, p. 3).

Many scholars try to identify and define characteristics of social entrepreneurs. They (social entrepreneurs) are considered typically entrepreneurial, but are also associated with prosocial behavior (Austin et al., 2006; Peredo & McLean, 2006; Martin and Osberg 2007). They share many characteristics with commercial entrepreneurs such

as vitality, persistence, innovativeness, ability to recognize opportunities, and resourcefulness (Austin et al., 2006), but the main differences between them are rooted in the nature of opportunities and missions (Austin et al. 2006). Market failure could become an obstacle for the effective operation of commercial entrepreneurs, but social entrepreneurs can identify opportunities and create social value. “[S]trong ethical fiber, moral agency, and a social-moral motivation” are essential characteristics that social entrepreneurs express (Saebi, Foss & Linder, 2019, p.9). Moreover, Hwee and Shamuganathan (2010) identify some characteristics that distinguish social entrepreneurs from individuals or organizations with good consciences; they acknowledge that these characteristics of social entrepreneurs are affected by their own socialization and education, but they also believe that social entrepreneurs have a different focus, weighing the importance of social ambitions, sustainable development, social networks, innovation, and returns.

Similarly, the process of SE includes the “innovative use of resource combinations to pursue opportunities aiming at the creation of organizations and/or practices that yield and sustain social benefits” (Mair & Noboa, 2006, p.122). It includes the identification of opportunities, the exploitation of opportunities, and the realization of opportunities.

Opportunity identification is the core concept in entrepreneurial activities (Austin et al., 2006). Opportunity identification is the beginning of SE, and the identification of social opportunities could be regarded as the ability of social entrepreneurs to create solutions to social problems (Liu, Li & Chen, 2018). One major difference between social opportunities and business opportunities in entrepreneurial activities is that commercial entrepreneurship tends to focus on breakthroughs and new needs, while social entrepreneurship often focuses on serving basic and long-term needs

more effectively through innovative methods (Austin et al., 2006). Zahra et al. (2008) propose five key characteristics of social opportunities: prevalence, relevance, urgency, accessibility, and radicalness. Prevalence refers to the universal existence of human needs in the society, which is the main reason for the existence of social opportunities; relevance refers to the matching of entrepreneurs' background, values, skills, and resources with opportunities; urgency refers to the quick and timely responses of entrepreneurs to unpredictable events; accessibility refers to the perceived level of difficulty by which social problems may be solved through traditional welfare mechanisms; radicalness indicates that major innovations and social changes are necessary in order to solve a specific social problem, as social enterprises are different from traditional welfare organizations. Liu, Li and Chen (2018) point out that these five criteria also distinguish social opportunities from business opportunities. They observe that while relevance is also a criterion for commercial entrepreneurship, the other four criteria are clearly key characteristics that are specifically applied to social entrepreneurship.

In regard to the development of social opportunities in the process of SE, three main aspects have been discussed widely: legitimacy construction, resource mobilization, and social innovation.

Legitimacy construction. Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms, value, beliefs and definitions” (p. 574). From an institutional perspective, legitimacy is the means by which an organization obtains and maintains resources (Oliver, 1991). Managers in organizations will follow environmental cues to make the organization meet social expectations, and the organization also benefits from this legal process (Dart, 2004).

Suchman (1995) also develops strategies to gain, maintain, and repair three different types of legitimacy: pragmatic legitimacy, moral legitimacy and cognitive legitimacy. Among these), moral legitimacy, which refers to a legitimacy “that is normative and based on an evaluation of whether an activity of a focal organization is the proper one (relative to external norms) rather than whether it specifically benefits those who are making the evaluation” (p. 579), is embraced by Dart (2004), as it “not only offers explanations for the overall emergence of social enterprise, it also offers predictive insights into the likely trajectory of social enterprise concepts and practices” (p.420). Regarding how social entrepreneurs gain the legitimacy of social entrepreneurship, existing research delineates strategies such as stakeholder participation, cross-sector cooperation, and the use of rhetoric. For example, if social entrepreneurs can effectively incorporate various stakeholders into organizational decision-making, it will not only help improve the organization’s competitive advantage, but also help it gain legitimacy (Liu, Li & Chen, 2018).

Resource mobilization. Compared with business entrepreneurship, social entrepreneurship faces more serious resource constraints. The conflict between social mission and economic returns, the constraints of profit distribution, and the lack of institutional environment all limit the resource acquisition in social entrepreneurship (Liu, Li & Chen, 2018). In terms of how social entrepreneurs mobilize resources, social networks play an important role. Social enterprises form symbiotic cooperation with many companies, public institutions and other social enterprises to ensure access to scarce resources (Meyskens et al., 2010). This symbiotic relationship refers to the mutual dependence of different types of entities, and social members benefit from the existence of others (Aldrich & Martinez, 2001). Additionally, Desa and Basu (2013) study two processes of resource mobilization: optimization and bricolage. Bricolage can

be defined as “making do by applying combinations of the resources at hand to new problems and opportunities” (Baker & Nelson, 2005, p.333). Di Domenico et al. (2010) studied bricolage in the context of SE and identified further constructs relating to social bricolage. Social bricolage can reconfigure and convert existing resources when resources are scarce, which is different from resource optimization. This means social entrepreneurs have a clear idea of the goal and know what resources they need to achieve the goal, and search for these resources and obtain them at market prices. The mobilization of financial resources in SE is also getting increased attention. Venture philanthropy has become the main channel of social entrepreneurship financing. The participation of venture philanthropists can help improve the performance of social enterprises and expand the ways of their resource acquisition (Liu, Li & Chen, 2018).

Social innovation. Social innovation can meet needs that have not been met through market mechanisms. Zhou (2015) argues that social innovation should be the focus of social policy. Social innovation theory has resulted in the formation of related theoretical generalizations and controversies around social entrepreneurship and social enterprise, and also prompted the formation of several representative schools in the 1990s. Among them, the social innovation school and the social enterprise school mainly were originated from different understandings of social enterprise practice and the SE concept. The social innovation school is advocated by Gregory Dees, who has constructed SE theory based on the concepts of entrepreneurship proposed by Jean Baptiste Say, Peter Drucker and Howard Stevenson. It integrates the responsibility in value creation emphasized by Say, the pursuit of opportunity emphasized by Drucker, and resources emphasized by Stevenson, as well as other characteristics, putting forward the concept of SE. Dees emphasizes that social entrepreneurs adopt new or better methods to solve social problems or meet social needs. The form of social

enterprise is not restricted to profit-making or non-profit organizations. Such social enterprises could generate large-scale, continuous and systematic social change. Dees's theory of SE regards social entrepreneurs as innovators and the main actors promoting social change, and uses that as the basis of the theory; thus, his school is called the "social innovation school." However, Jerr Boschee and Jim McClurg (2003) propose another view toward the theory of the social innovation school. They argue that if non-profit organizations do not adopt an earned income strategy and do not generate income from their own activities, then such non-profit organizations can only be considered as doing good or innovative, but cannot be regarded as SE. They suggest that the definition of SE by Dees et al. (2004) only emphasizes the innovation in SE, but that innovation is different from SE. The theory they advocate is called the "social enterprise school," which emphasizes the use of earned income strategy to achieve the social missions of social enterprises, the use of market methods to solve social problems, and the pursuit of the dual value of economic income and social returns to achieve the sustainable development of an organization while solving social problems. On the basis of the above two schools, Dees and Anderson (2006) continued to refine their previous views, indicating that SE is about innovation, social impact, social value and social goals, but not just earning income to complete social missions. They argue that overly emphasizing income strategies would limit thinking, and distract people from important goals such as social impact and the use of innovative methods to develop resources. They insist that social enterprises should make innovations by integrating corporate and philanthropic methods in order to create sustainable social value. Even though it is through the earned income strategy to obtain social impact, it is necessary to encourage the use of innovative economic strategies to enable social organizations to create social value and serve social goals more effectively. They denote that the main purposes of

innovation must be to bring benefits to society and to increase social value in sustainable or spreadable ways. In addition, the “social change school” is also an important point of view on social enterprise and social innovation. This school emphasizes the altruistic motives of social entrepreneurs and their vision of promoting the development of civil society, as well as the revolutionary role that social entrepreneurs play to promote change in the social system, and to change behavioral patterns and perspectives.

In this background, Phills, Deiglmeier and Miller (2008) define social innovation as “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (p.36). Centering around elements which the above three schools (social innovation school, social enterprise school and social change school) emphasize, Zhou (2015) refines five elements of social innovation theory: 1) Social innovation carries out the mission of promoting social change and pursuing social justice, with the goals of solving social problems, creating social value and making social impact; 2) Social innovation uses resources as means to solve social problems. The models of social innovation are diversified (for-profit, non-profit, or hybrid), and are not limited to the third sector. Social enterprises use the commercial enterprise model to earn income and to meet social needs, solve social problems or provide social services, which is just one of the innovative ways. Social enterprises can also use any other innovative methods to develop or utilize resources to achieve social goals. In pursuit of the ultimate goal and mission of promoting social change and social justice, as well as realizing social good governance, social enterprises are not limited to using a certain method to achieve a certain social goal; 3) Social innovation emphasizes the cooperative governance of non-profit organizations,

enterprises, and governments. It actually emphasizes the innovation of governance structure; 4) Social innovation emphasizes inclusiveness. For example, social enterprises should have a nature of participation, requiring everyone affected by the activity to participate (Defourny, 2014); and 5) Social innovation emphasizes scalability and sustainability.

The realization of SE opportunities has been considered from pure social significance to social-economic significance (Jeff, 2006; Mair & Marti, 2006). Liu, Li and Chen (2018) point out that this kind of realization is mainly reflected in two aspects: organization and institutional system. In the aspect of organization, the realization of SE opportunities is embodied by social entrepreneurs establishing social enterprises or new types of public welfare organizations. The hybrid nature of social enterprises determines that they have two distinct types of stakeholders, who are in pursuit of social value and economic value. The mission drifts of social enterprises may come from the different pressure of demands of its stakeholders, or they may come from the pressure of its own commercialization; for that, the focus may be shifted to the pursuit of economic profit. Strategic management, market capabilities, earned income strategies, and abilities to attract stakeholders as well as obtain government support are very important for the sustainable development of social enterprises. In the aspect of institutional system, the realization of SE opportunities mainly lies in the impact of SE activities on regional and social development. Existing research shows that SE uses sustainable development methods to promote solutions to social problems, effectively integrates the respective advantages of commercial entrepreneurship and public welfare, and can contribute to poverty reduction, empowerment of marginalized groups, social change, and regional and community development (Evans & Syrett, 2007; Si et al. 2020).

SE and Other Related Concepts

Saibi, Foss and Linder (2019), from their review of a large body of SE literature, find that some essential concepts are used interchangeably at times. The concept of SE has a unique nature in its combination of social and economic missions, which makes it different from other related concepts such as CSR (Corporate Social Responsibility), nonprofit organizations, and sustainable and political entrepreneurship (Saibi, Foss & Linder, 2019). Knowing the differences among these concepts would be helpful to further capture the heterogeneity of SE.

SE and CSR. CSR (Corporate Social Responsibility) is a way of integrating corporate self-regulation into the business model, emphasizing a company's social responsibility when conducting business, as well as advocating and encouraging the maintenance of the company's environment, consumers, employees and communities. Social responsibility was widely applied from the late 1960s to the early 1970s. However, Hockerts (2008) found that in most companies, CSR is used as a tool to reduce internal risks and operating costs. It is partly due to the weak correlation between social awareness and financial performance in companies (Lundstrom & Zhou, 2014). In the traditional sense, commercial enterprises are regarded as one of the major factors leading to social, economic and environmental problems. The initiatives of CSR still "fall within the firm's profit-maximizing objective and are directed toward increasing shareholder value appropriation." (Saebi, Boss & Linder, 2019, p.5). Moreover, "CSR is not necessarily linked to entrepreneurial action and innovation but often denotes societal engagement of organizations (e.g., funding a sports club or donations to social organizations)" (Shepherd & Patzelt, 2011, p.143).

SE and nonprofit organizations. Nonprofit organizations are organized for a public or mutual benefit other than generating profit for owners or investors (Salamon,

1999). Nonprofit organizations share some similar characteristics with SE, such as striving to create social values, but they do not struggle with the conflicts existing in institutional logics of social and economic value (Doherty et al., 2014), which is remarkable in SE. Nonprofit organizations can engage in earned income activities that are held to a minimum, and the revenue from activities such as fund-raising and donations, “are typically rather small and tied to the duration of a particular program” (Saebi, Boss & Linder, 2019, p.5). On the other hand, even SE has a relatively broader definition and diverse forms; Saebi, Boss and Linder (2019) indicate, “for a nonprofit organization to qualify as a social enterprise, income-generating activities must have a strategic long-term orientation with measurable growth and revenue targets” (p. 5).

SE and sustainable entrepreneurship. Sustainable entrepreneurship is one of the other hybrid ventures that is also in pursuit of a dual mission. It experiences similar tensions as SE, such as “the dual identity of the entrepreneur (e.g., York, O’Neil, & Sarasvathy, 2016) or managing conflicting institutional logics within the hybrid venture (e.g., Battilana, Sengul, Pache, & Model, 2015; Greenwood, Díaz, Li, & Lorente, 2010)” (Saebi, Boss & Linder, 2019, p.5). Sustainable entrepreneurship is defined as the “process of discovering, evaluating, and exploiting economic opportunities that are present in market failures which detract from sustainability, including those that are environmentally relevant” (Dean & McMullen, 2007, p. 58). Sustainable entrepreneurs link social and environmental issues together, and link sustainable development with the balance of social, economic and environmental aspects (Dean & McMullen, 2007; Shepherd et al., 2011). From this perspective, sustainable entrepreneurs are a combination of commercial entrepreneur, social entrepreneur and green entrepreneur. However, social entrepreneurs respond to social problems with an innovative gesture,

they are financially self-sufficient with their own social missions, and provide social added value (Dees, 1998; Austin et al., 2006; Mair & Marti, 2006). As Shepherd et al. (2011) indicate, research on SE “investigates the development of (noneconomic) gains for individuals or societies, but it does not include sustaining current states of nature, sources of life support, and community.”(p. 142).

SE and political / public entrepreneurship. Political/public entrepreneurship is considered to contribute to innovation and renewal of the public sector (Pozen, 2008). The existing literature on this phenomenon also uses terms such as policy entrepreneurship and public entrepreneurship. Olsson, Westlund and Larsson (2020) point out that this kind of entrepreneurship often has “a similar starting point: they focus on individuals, organizations or communities that attempt to capitalize on opportunities to use the political system to implement changes.”(p.2). It lies at the crossroad of the disciplines of entrepreneurship and governance. Similar to SE, political entrepreneurship behavior is argued to be classified within the same conceptual framework, i.e., to identify and evaluate opportunities, to collect and mobilize resources, and to exploit opportunities (Olsson, Westlund & Larsson, 2020). In recent years, a definition of this behavior that directly combines social entrepreneurs and political entrepreneurs has emerged (McCaffrey and Salerno, 2011). Bergmann-Winberg (2014) indicates that the connection of these two entrepreneurial directions requires a new combinatorial logic, especially the changes realized by institutions in the multi-level governance system.

In sum, the author concurs with the understanding of SE as an entrepreneurial process initiated by social entrepreneurs with social goals/missions in pursuit of social value creation; social entrepreneurship outcomes are social enterprises, including social businesses using business methods and non-profit organizations (Lundstrom & Zhou,

2014), in which the creation of “new ventures or managing existing organizations in an innovative manner” (Zahra et al., 2009, p.519) differentiates SE from other forms of pro-social or change-driven activities.

2. Social Enterprise

The notion of social enterprise varies according to the situation and research issues (Meyskens et al., 2010). Social enterprise research is defined as the process of integrating resources and creating value in innovative ways. These new ways mainly try to seek and take opportunities to create social value by stimulating social changes or satisfying social needs (Mair & Marti, 2009), emphasizing key attributes such as social problems, social values, and sustainability of the existing solutions in economy, organizations, society and environment (Pierre, Friedrichs & Wincent, 2014). There are diverse theories explaining social enterprise and its development. Teasdale (2012) summarized the following four theories: government and market failure theory, system theory, resource dependence theory, and voluntary failure theory. There is also a social capital theory proposed by Laurent Tran (2013) and a brand theory proposed by Murray and Hwang (2011). Additionally, institutional theory as a sociological theory of organizations, in which the premise is the idea of organization as system open to the social and cultural environment (Scott, 1992) as well as the norms, myths and symbols found there (Meyer and Rowan, 1977). Other than using the conventional rational and economic models (such as social-economic perspective), Dart (2004) argues the “sociological reasons—which institutional theory frames in terms of conformity to ideas and values in the wider social environments of focal organizations in order to be accorded the label of legitimate and socially acceptable—have been framed

hierarchically as pragmatic, moral, and cognitive forms of legitimacy” (p.421), and in which moral legitimacy explains the emergence of the social enterprise with the strongest relevance. According to Suchman (1995)’s classifications of legitimacy, moral legitimacy refers to “legitimacy that is normative and based on an evaluation of whether an activity of a focal organization is the proper one (relative to external norms) rather than whether it specifically benefits those who are making the evaluation.” (Dart, 2004, pp. 416-417).

As the outcome of SE, a social enterprise is “commonly defined as a hybrid organization (Doherty et al., 2014) built on an explicit social objective that strives to create social value while securing profits and doing so in an entrepreneurial/innovative way” (Saebi, Boss & Linder, 2018, p.4). Social enterprises are considered to be able to contribute to “reducing social exclusion by reintegrating difficult groups into the labour market and by delivering well-being services (not only welfare services) to the underprivileged; creating jobs at the local level, and increasing social capital and citizens’ participation, thereby creating more sustainable communities” (OECD, 2009, p.7). However, even though research of social entrepreneurship and social enterprise are by nature interdisciplinary fields (Pierre, Fredrics & Wincent, 2014), CASE (2008) proposes to distinguish “social entrepreneurship” focused on innovation, from “social enterprise” focused on the use of business methods to generate income, which is more toward the views of the social enterprise school.

3. Social Entrepreneurship Ecosystem

Much research on SE and social enterprises has been done on the micro level (such as social entrepreneurs as individuals, opportunity identification, etc.), the meso

level (such as social enterprise, entrepreneurial team and results of the venture, etc.) or the macro level (such as social context, institutional context and social outcome, etc.), but a comprehensive and systematic analysis in this field is still needed to integrate existing knowledge and discussions.

Saebi, Foss and Linder (2019) criticize the fact that SE research typically concentrates on only a low level of analysis, such as at the individual level or the institutional level. They offer a framework “that is multistage and multilevel and indicates how research efforts within the SE field can be linked and what insights about SE on one analytical level imply for the other levels” (Saebi, Foss & Linder, 2019). This framework (see Figure 1-1) is intended to identify and organize research opportunities in SE.

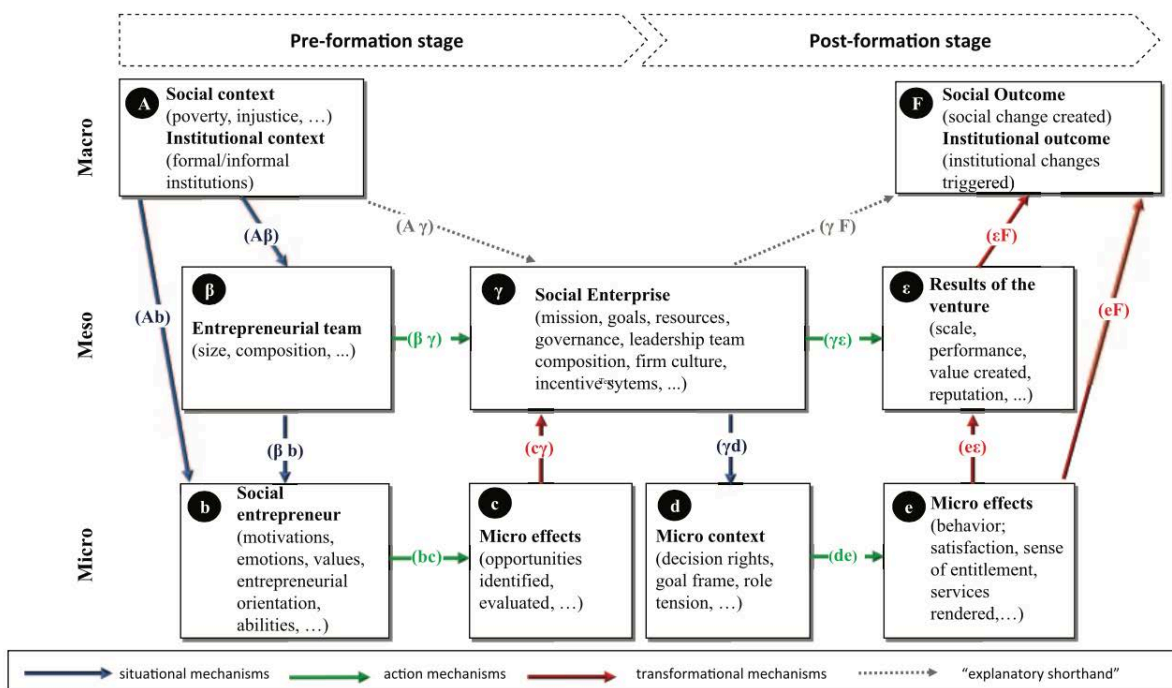


Figure 1-1. Multistage, Multilevel Social Entrepreneurship Framework

(Source: Saebi, Foss & Linder, 2019, p. 14)

Three kinds of mechanisms proposed by Hedström and Swedberg (1998) are included in the framework spanning macro- and micro-levels of analysis. Situational mechanisms refer to the effect of the macro-environment on the goals and missions of individuals; action-formation mechanisms link the effect of these goals and missions on the actor's behavior; transformational mechanisms explain how the behavior of these actors together facilitate macro-level outcomes. In this framework, a two-stage setting is applied to the case of SE: the preformation stage and the postformation stage. The preformation stage "corresponds to the creation of a de novo hybrid business model to address a social purpose, in the form of a start-up or within an existing firm", while the postformation stage "covers how the new firm or organizational unit creates social value" (Saebi, Foss & Linder, 2019, p. 13). This framework incorporates three levels of SE research, which are macro-level constructs (institutional level of analysis), meso-level (organizational/team level of analysis) and micro-level (individual-level research). One thing that needs to particularly be noted are the dotted lines linking social context/institutional context at the macro level to social enterprise at the meso level, and social enterprise at the meso level to social outcome/institutional outcome at the macro level (labelled $A \gamma$ and γF , respectively, in the figure). Saebi, Foss and Linder (2019) argue that these shortcut linkages exist in much SE work, and that work which "tries to explain how social and institutional factors influence the features of social enterprises or to directly link these features to the social change created by social ventures" could bring about erroneous conclusions about "how these relations actually work due to its lack of sufficiently considering the various cross-level effects among macro-, meso-, and microlevels." They believe that only a multistage, multilevel framework could help at fostering the "exchange among the different streams and yield a more comprehensive understanding of SE" (Saebi, Foss & Linder, 2019, p. 13).

Based on this framework, Saebi, Foss and Linder (2019) propose a series of questions at/between different levels for future research in SE. There are several questions and considerations related to this study and the author referred to them to some extent during the questionnaires and interviews. These are the essential ones:

Situational mechanisms in the pre-venture formation stage. Which macro-level conditions “produce” what kind of social entrepreneurs and social enterprises?

Action-formation mechanisms in the pre-venture formation stage. More research needs to be done on the meso-meso action-formation mechanisms ($\beta\gamma$). For example, much of the SE literature ignores entrepreneurial teams in the formation and growth of social ventures but only focuses on the founding entrepreneur (Short et al., 2009).

Transformational mechanisms in the pre-venture formation stage. How individual-level actions aggregate into the key characteristics of social ventures, such as the venture’s goals and the intended scale (Zahra et al., 2009), the business model used (see figure 1-1), or the legal form (Haigh et al., 2015). Most importantly, this kind of research should be on the cross-level mechanisms.

Situational mechanisms in the post-venture formation stage. For certifications such as “B corp” of companies meeting particular standards of social and environmental performance, examining “what role such classifications play for the prosocial opportunities that a social entrepreneur chooses to pursue and what implications such a certification of a social venture has for managers and employees in such a venture, their behavior, and ultimately the scalability and success of the social enterprise” (Saebi, Foss & Linder, 2019, p. 18).

In order to better address the above questions, researchers of SE should consider multiple levels and multiple stages. Moreover, it is essential to develop a systematical

way of thinking. In the following part, we introduce and discuss the concept of the social entrepreneurship ecosystem, which deeply reflects this kind of perspective.

New Inspirations to the Community of Practice and Knowledge

The Center for the Advancement of Social Entrepreneurship (CASE) (2008) refers to the “field” of social entrepreneurship as involving two closely-related things: the community of practice and knowledge, and the ecosystem. Wenger, McDermott and Snyder (2002) define the community of practice as:

Groups of people who share a concern, a set of problems, or a passion about a topic, and who deepen their knowledge and expertise in this area by interacting on an ongoing basis. (p.4)

CASE (2008) emphasizes the importance of this kind of community, stating that the field of social entrepreneurship would not exist without an active community of practice and knowledge. The big challenges of how to clarify definitions of social entrepreneurship without fragmenting the community, and finding common ground amidst different visions, are reflected in part in the definitional disputes as well as in different values and visions of success (CASE, 2008). As CASE (2008) explains:

The challenge is to find definitional solutions that increase precision and clarity while allowing healthy disagreements, respecting different perspectives, and still including enough supporters to propel this field forward. Too broad a definition will dilute the focus of the community, while too narrow a definition

could exclude too many and result in a field that is ‘too special’ for mainstream attention (p. 5).

Based on the above concerns, a “big tent” which includes social enterprise, social innovation, and entrepreneurship in the social sector is “essential to create a critical mass of interest in this topic, to draw important participants into the community, and to maximize opportunities for learning from one another” (CASE, 2008, p. 12). In particular, CASE (2008) proposes that the tent should include both social entrepreneurship and social enterprises. However, they also recognize a big tent alone might not be enough to make a community credible and productive. If participants are talking at cross-purposes and defining terms in very different ways, it would be difficult for them to learn from each other, which is why CASE (2008) believes “increased rigor in definitions, theory, and research is extremely important,” and “as long as the disagreements are voiced respectfully, they are a healthy part of any community of practice” (CASE, 2008, p.13).

The second of the two closely-related things in the field of social entrepreneurship is the ecosystem, as CASE (2008) notes. Entrepreneurship studies shifted away from individualistic, personality-based research to a broader community perspective that incorporates the role of cultural, social and economic forces in the entrepreneurship process in the 1980s and 1990s when entrepreneurial ecosystems emerged (Steyaert & Katz, 2004; Stam & van de Ven, 2021). The entrepreneurial ecosystem theory “outlines the holistic understanding of what specific types of environments support firms to benefit from clustering” (Pratono & Sutanti, 2016, p. 107). Moreover, the theory of organization ecology could provide a theoretical base for this concept, theories and methods of ecology and other related disciplines to study

organizational structure and its environmental impact (Amburgey & Rao, 1996). This theory indicates that an organizational ecology system is formed by the interaction of the organizational community and its environment, and organizations include for-profit enterprises and other non-profit organizations. Organization ecology understands the establishment of organizations as involving two fundamental aspects: ecological process and institutional process. The ecological process mainly analyzes the relationships between relational density and the organization establishment rate; the institutional process emphasizes the influence of legitimacy, social support and other factors on the success rate of organization establishment. J. Li (2018) points out that the ecosystem perspective not only focuses on the importance of a single core creator, but also focuses on the interaction of core innovators with other suppliers, customers, and organizations that provide ancillary services. The ecosystem especially emphasizes value creation and innovation (Zacharakis et al., 2003; Autio & Thomas, 2014). In this sense, the ecosystem is described as “the environmental factors that affect the ability of social entrepreneurs to achieve their intended social impacts” (CASE, 2008, p.14).

According to CASE, the ecosystem of social entrepreneurship includes three core components: 1) capital infrastructure; 2) context-setting factors; and 3) social entrepreneurs and their organizations. In addition, five key leverage points in the ecosystem are identified: 1) making financial markets more efficient and responsive; 2) refining and standardizing performance measurement tools; 3) helping social entrepreneurs find effective pathways to scale; 4) building new talent pipelines; and 5) providing better guidance on effective business models (CASE, 2008). As for the relationship between the community of practice and knowledge and the ecosystem, a well-functioning community could serve as a platform for improving the ecosystem, making it more efficient and effective. Similarly, the ecosystem of social enterprise

refers to a specific type of environment to support social enterprises to benefit from clustering, which includes beneficiaries and customers, governments, funders, enabling organizations and peer organizations (Mason and Brown, 2014). Many scholars agree that the development of social enterprises needs the establishment of a complete ecosystem, in which the governments could provide solutions for helping social enterprises in many ways.

Chapter 2: Research on China's Phenomena

The mainstream of Chinese domestic theoretical research generally follows the evolution from “corporate social responsibility” to “social enterprise” and “social entrepreneur” proposed by western society after the economic crisis, but lacks a systematic and in-depth study of China's own social enterprise experience (Wen, 2019). Related theories on values of social enterprises and social contributions, creation and operation management, as well as performance evaluation are also at a relatively basic level. On the other hand, a large body of literature strengthens the necessity that policy facilitates the development of social enterprises. This kind of research has mainly focused on the introduction of the experience of foreign countries and regions for the development of social enterprises (Chen, 2014; Guan, 2007; Xu, 2012; Jin, 2015). Scholars and researchers have discussed the definition and scope of social enterprise, as well as supportive government policy contents and systems. Yuan (2019) summarizes the characteristics for the development of social enterprise in China, and asserts the policy-driven mode is prominent in China.

1. Main Considerations

There have been five main streams of research on social enterprise in China in recent years. The first is research on the notion of social enterprise conducted by a team of 30 scholars from various universities led by Yuan Ruijun from Beijing University, which considers what social enterprise is, and social enterprise certification, and ultimately attempts to achieve a theoretical system of social enterprise theory for China; the second is research of “supporting policies for social enterprises in the world” conducted by Li Jian from Minzu University of China, which studied how the governments of 34 countries funded and supported the development of social enterprises; the third is the social impact investment study led by Wang Qun from Indiana University, which tries to clarify how the investment community invest in social enterprises; the fourth is a comparative study on the development paths of social enterprise in China, Japan and South Korea by Jin Renxian from the University of International Business and Economics (UIBE China), aiming to discover effective practices for the development of local social enterprises based on Asian characteristics; the fifth is an on-going case study of Chinese social entrepreneurship by Zhao Meng from the Yunus China Center of Renmin University of China. The consensus which Chinese scholars have reached is that the development of social enterprise in China is still in an early stage.

Regarding the development of social enterprise in China, four schools have drawn much attention. The scholars and practitioners in the first school argue that there should not be regulation of the certification or application of any labels of social enterprise at the current stage, while such enterprises are still emerging in China. Xu Yongguang (2017), the chairman of Narada Foundation, whose thoughts could be typical for this school, argues that how to formulate the guidelines for China’s social

enterprise certification standards will have a big impact on the enthusiasm and sustainability of the development of social enterprises in China, as China's social innovation ecological chain has not been well-established. There is no unified standard for social enterprise in the world, and China cannot enforce consistency. Different standards should be allowed to develop, and these standards could be either inclusive or strict. An example provided by this school of thought is that, due to the strict conditions of the Social Enterprise Promotion Act (SEPA) enacted in 2006 in South Korea, many social enterprises have been prevented from registering, which has made some potential social enterprises lose the willingness to register, which to some extent hinders the diversity required in the early stage of industrial development. A definition given by the Narada Foundation reflects the marketization and the relative inclusiveness they advocate:

Social enterprise refers to an organization that solves social environmental problems by means of business models. In the process of delivering values through products and services, the organization grafts social/environmental values in one or more links of its value chain to make the products or services have both social/environmental values. (Narada Foundation, 2019, p. 25)

Although Xu (2017) cited a new trend pointed out by the British Council, that as the boundaries between departments have become blurred, the government, funders, and investors will no longer define social enterprise based on the legal structure, but will begin to distinguish institutions based on social return on investment. The focus will no

longer be on how to define social enterprise, but on how to identify, evaluate and compare social impact.

The second school has tried to promote America's B Corp certification in China. Certified B Corporations are "businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose" (B Lab, n.d.). Represented by Shen Dongshu, the CEO of Leping Social Entrepreneur Foundation, this school has introduced B Corp to China, thereby promoting business for the good. However, the introduction has brought in much criticism, as other scholars and practitioners point out that many of the criteria of B Corp certification do not comply with the specific conditions in China if they are not modified. B. Li (2018) argues that this school will have only short-term effects. It may have influence within the near decades in China, however, in the long run, this school will be marginalized and squeezed out of the field when China has its own mature criteria for a certification system.

2. Zhao's Research on Social Enterprise

Another school of thought pertaining to the development of social enterprise in China is led by Zhao Meng, associate professor and director of the Yunus Social Enterprise and Microfinance Research Center at Renmin University of China. Compared to the above-mentioned schools, Zhao (2018) argues that a social enterprise should have clearly defined essential attributes, which he summarizes in two points. First, it should have an entrepreneurial spirit; second, it should ensure that the social goals do not drift. At this development stage of social enterprise in China, the essential difference between social enterprises and commercial enterprises as understood by this

school lies in whether there is an effective mechanism to ensure that the social goals do not drift. Zhao (2018) summarizes social enterprises into the following three types based on the social-commercial perspective:

1) Put social purposes first (co-operative, association, trading NPO, community enterprise, development trust and fair trade organization);

2) Social-commercial balance (B-corp, L3C⁴, flexible purpose corporation, community interest company);

3) Social purpose only (non-profit corporation, charitable organization, non-profit corporation).

Zhao (2018) analyzes the limits of the social-commercial perspective; in its place he argues for the *entrepreneurial perspective* to understand and identify social enterprise. Per this approach, the type of a social enterprise and its “connotation” can be determined by analyzing its combination of core elements, which Zhao divides into four categories: social attribute elements, business attribute elements, social entrepreneurship security elements, and social entrepreneurship ability elements (see Table 1-1).

⁴ L3C: Low-Profit Limited Liability Company.

Types of core entrepreneurial elements	Sub-types of entrepreneurial elements
Social elements	Social mission/value
	Social goal/impact
	Non-profit attribute
Business elements	Income resource
	Business logic/value
	Business goal/impact
	Financial sustainability
	Business events and models
Security elements	Governance structure
	Profit dividends model
	Identity recognition
Ability elements	Innovation
	Opportunity identification

Table 1-1. Core Entrepreneurial Elements and Sub-types
(Source: Zhao, 2018, p. 9; edited by the author)

Compared with the common binary analysis perspective (social-commercial perspective), this entrepreneurial perspective has the consistency of connotation, the inclusiveness of organizational types, and the distinction of individual differences in the way of understanding social enterprises. Zhao (2018) expects that the social enterprise definition framework based on the entrepreneurial perspective could provide a theoretical basis for the development of Chinese social enterprises, considering that the development of social enterprises in China is still at an early stage and people have different understandings of the connotations and boundaries of social enterprises. Proposing a social enterprise definition framework based on theoretical research and case analysis could provide a more rigorous discourse foundation and knowledge basis

for more in-depth discussion, research and practice of social enterprises in China (Zhao, 2018).

The defining framework includes two parts: the criterion of judgment and the criterion of distinction. The judgment criterion include four aspects: 1) social-oriented organizational mission; 2) the ability to identify opportunities for change; 3) the innovation of social problem-solving models (social enterprises adopt social problem solutions that are different from the traditional charity model, including financial sustainability and novelty); and 4) the stability of the social mission. An organization/enterprise could be judged as a social enterprise only when it satisfies these four aspects at the same time. On the basis of the above standards, Zhao (2018)s defines social enterprise as follows:

Social enterprise is an organization whose mission is to solve social problems, and has the ability to identify opportunities for change brought by the dual failure of the government and the market. It has innovative problem-solving models which are different from traditional charities and has behaviors or mechanisms to protect its social mission from the harm if pursuing business objectives. (Zhao, 2018, p. 25)

Zhao (2018) further develops a classification framework for social enterprises in China. Distinguishing criteria are used to distinguish the types of organizations that have entered the category of social enterprises: 1) organizational form, 2) income model, and 3) dividend policy. These three criteria identify two main types of social enterprises: charity-based social enterprise and market-based social enterprise. The

market-based social enterprise is divided into three types: revenue-making NPO, social purpose company, and social business. These types of social enterprises have matched the four judging criteria, distinguishing them from other double bottom line companies (such as non-social enterprise type B-corps, low-profit Ltd, and flexible target companies.) and traditional CSR. Table 1-2 explains the social enterprise classification framework in detail.

**Table 1-2
Social Enterprise Classification Framework**

	Social Enterprise					Double bottom line companies	Traditional CSR
	Public welfare type		Market type				
	Innovative public category (different from traditional charity activities that rely on government funding)	Innovative charity (different from traditional charity activities that rely on private funding or donations)	Earned income public welfare organizations	Social purpose company (including B-corps that are social enterprises)	Social business		
Four judging criteria	✓	✓	✓	✓	✓	✗	✗
Distinguishing criterion : Organization form	Social organization	Social organization	Social organization	Company	Company	Company	Company
Distinguishing criterion : Income resource	no market operating income, mainly relying on government budget or government purchase service	no market operating income, mainly relying on external private donations or funding	not only government funding, government purchases, private donations or private funding, but also market operating income. The ratio of both parties is not limited	Relying entirely or mainly on market operating income, allowing a small portion of government funding, government purchases, private donations or private funding	All rely on market operating income	All rely on market operating income	All rely on market operating income
Distinguishing criterion : dividends policy	no dividends	no dividends	no dividends	Flexible dividend policy: it is possible to restrict or not restrict dividends	Voluntarily guarantee no dividends in the form of a mechanism	No dividends restriction	No dividends restriction

(Source: Zhao, 2018, p.14; edited by the author)

More specifically, Zhao (2018) summarizes the common problem-solving solutions of social enterprise in China (see Table 1-3).

Mode	Descriptions	Examples
Entrepreneurship Support	Provide products or develop capabilities for the target group to increase income through the sales of products or services	Micro loans, consulting or technical support
Market Agency	Buy products or services from the target group and sell them on the market	Supply cooperatives, usually in the fields of agriculture and handicrafts
Employment	Provide job opportunities or vocational training with target groups and sell their products or services on the market	Support the employment of youth and people with disabilities
Charged Service	Provide new type of charged social services in the fields of government failure and market failure, including education, medical care, and elderly care	Museums for ethnic minority cultures, or mutual assistance services for the elderly
Low-income Group Oriented	Target customers with low-income and provide high-quality and inexpensive products or services	Medical care, use of public facilities
Cooperatives	Provide services to cooperative members with market information, technical support, collective bargaining, bulk purchases, product/service acquisition, market entry, etc.	Bulk procurement, collective bargaining, agricultural cooperatives, etc.
Market Link	Connect the target group and the market by providing services such as market information and market research	Import and export, market research and agency services
Cross-subsidy	Subsidize the provision of similar but free services to low-income groups by providing fee-based services for higher-income groups	Consultation, psychological consultation, employment training, leasing, printing services, etc.
Organization support	Establish for-profit enterprises and non-profit organizations (the two often provide services of different nature). Use the income of the former to sell products or services on the market to support the social goals of the latter.	Similar to service subsidies--rely on profitable assets to subsidize non-profit activities

(Source: Zhao, 2018, pp.12-13, edited by the author)

The above modes of social enterprises in China have matched the study of typology of SE developed by Saebi, Foss and Linder (2019). Drawing from a large body of SE literature, Saebi, Foss and Linder (2019) found two dimensions are commonly adduced to differentiate SE activities. The first dimension is the relationship with the beneficiaries in the social value, more specifically, “whether the social value is created for the beneficiaries or with the beneficiaries”; and the second dimension is “the level of integration between social and commercial activities” (Saebi, Boss & Linder, 2019, p. 6). Addressing these two dimensions, they propose a typology of SE (see Figure 1-2).

		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	(Quadrant A) Two-sided value model	(Quadrant B) Market-oriented work model
	Integrated (beneficiaries are paying customers)	(Quadrant C) One-sided value model	(Quadrant D) Social-oriented work model

Figure 1-2. A Typology of Social Entrepreneurship

(Source: Saebi, Foss & Linder, 2019, p. 7)

We can see that four quadrants are divided and described in this typology. The two-sided value model (Quadrant A) is also called the “buy one give one” model, in which consumers cross-subsidize the social mission by buying products or services from social enterprises /organizations. For example, Mantra, an American social enterprise operated in China, uses this particular model for its sunglass business. Through the buy one give one model, for every pair of sunglasses sold, Mantra will provide a free pair of myopia glasses for children in need. The beneficiaries mainly target 30 million rural children in China with vision problems. The specific business

model may differ in quadrant A. Some social enterprises/organizations produce the “donated item themselves and rely on a nonprofit partner to distribute the product” (Marquis & Park, 2014, p. 31), while others donate “matching funds for a single item to their partner organization which then sources and distributes the product” (p.31). Mantra’s model belongs to the latter. It works very closely with Education in Sight, a nonprofit organization which has the same core management team as Mantra, and devotes itself to training teachers and working with local partners to give free vision exams, eyeglasses, and eye care education in rural Chinese schools. Mantra has been using this kind of cross-subsidize model to complete its social mission.

Quadrant B is the market-oriented work model, in which the social enterprise/organization employs beneficiaries to produce products/services that are sold to regular-paying customers. Examples include Serve for China (SFC) in the field of rural entrepreneurship for poverty reduction (employ poor local people in the rural cooperatives and create certain products or services for the general market), as well as Shenzhen Xihaner Car Wash Center, focused on providing training and employment opportunities for intellectually-challenged people through their work of washing cars.

Quadrant C represents the one-sided value model, which refers to a model in which social enterprises/organizations find innovative ways to minimize the production and delivery costs to thus be able to sell affordable products/services to people in need (who are beneficiaries) (Ebrahim et al., 2014). Grameen Bank is a classic example of this model; it provides microcredit to the impoverished in Bangladesh without requiring collateral. Quadrant D is the social-oriented work model. Saibi, Foss and Linder (2018) indicate that this model could be regarded as an extension of the one-sided value model, “where beneficiaries are not only the paying customers but also gain employment in the social venture” (Saebi, Boss & Linder, 2019, p.7). A good example of this is Chengdu

Dream Riding Club, which is a social enterprise dedicated to life rescue and environmental protection on the Sichuan-Tibet Highway. While understanding the core needs of its customers, Chengdu Dream Riding Club develops affordable products and services, and also employs riders in the design and operation.

The definition and classification framework proposed by Zhao (2018) further integrates the characteristics of social enterprises at the individual and organizational levels, including the types of social enterprises that have emerged internationally and in China, and makes specific distinctions from CSR and double bottom-line companies in similar fields. It could be seen that Zhao's (2018) definition of social enterprise also has the obvious color of the social innovation school proposed by Dees, as he emphasizes entrepreneurial spirit and more diversified organizational forms of social enterprises, but puts less emphasis on what social entrepreneurs should bring to social change through the social entrepreneurship.

Last but not least, the school of certification has been drawing much attention in the last few years. Scholars and practitioners of this school believe that building up certification system(s) would be significant for the development of social enterprise in China. They argue that certification systems are effective means, and would increase the self-awareness of social entrepreneurs as well as the understanding from capital, society and government, and that social enterprise certification is an important and critical part of constructing the entire social enterprise ecosystem, as well as inspiring the industry to form the necessary consensus on the concept and practice of social enterprise, as well as to formulate a roadmap for the development of the social enterprise industry. The scholars representative of this school are Yuan Ruijun from Beijing University, Li Beiwei from Yifang Foundation, Dian Chunli from China Charity Fair, and Xia Xuan from Star of Social Innovation. Moreover, regional governments such as Beijing,

Chengdu and Shunde have also established their own certification systems during last three years. This school is focused more toward SE practice and embedded in the related policies.

From the four schools of SE research in China, we can see that Zhao (2018)'s research is the one which clearly defines essential attributes of social enterprise, and has built a social enterprise definition framework based on the entrepreneurial perspective, which represents China's latest and most systematic research results in this field. On the other hand, the school of certification emphasizes the important role of government, and has regarded social enterprise as an essential part of social governance. On a practical level, due to the guidance and support of some governments, the school of certification has been promoted and developed through cooperation with third-party certification agencies and some regional government departments, to play a role in the different focuses of regional governance and development. The other two schools (Xu's "big tent" and "B Corp certification") could be considered as an extended version and a limited version of the school of certification, respectively, as both of them to some extent have provided inspiring ideas for the further improvement of the school of certification.

Chapter 3: Methodology

1. Research Questions and Theoretical Framework

Research indicates that within the current social governance work in China, social enterprises are regarded as a new field. At present, relevant research is biased toward literature review, while empirical research is insufficient. The main reason for this is the lack of information and experience needed for empirical research (J. Li, 2018). Empirical research involves the researchers personally going to the research sites to obtain first-hand information, such that they could directly approach and perceive the research object, and obtain specific and vivid perceptual knowledge, as well as form a true feeling of the problem, which helps to increase the reliability of the research. Chengdu's experience in the field of social governance and social entrepreneurship in recent years could provide good case study opportunities for in-depth research on social enterprises in this ecological environment. In the process of formation and development driven by the regional government in the field of social entrepreneurship in Chengdu, various stakeholders have their own issues and myths in reaching consensus and common actions, which reflects the complexity and fragility in the dynamic ecosystem.

This empirical study will enrich the relevant research on SE, providing more information and experience on the evolution of social enterprises. Moreover, the researcher will also attempt to provide some new perspectives and thoughts on social enterprise's modernity and alienation in certain cultural and political contexts.

For its objective, this research took four certified social enterprises in the cultural sector in Chengdu as case studies, and used their perspectives to cut into the field of social entrepreneurship in this region, attempting to explore the evolution of such social enterprises in the social innovation mechanism and the dynamic changes of the ecosystem. To shed light on the problem, the following research questions are addressed:

What is the current ecology of social enterprises in Chengdu?

What factors did the participants perceive and the researcher observe have challenged the development of social enterprises in Chengdu?

How have the social enterprises evolved in this ecosystem in the matter of modernity?

The conceptual framework of this study is shown as Figure 1-3. In this conceptual framework, there are three main loops which are interconnected. The theory of social economy and social innovation theory are applied to the blue loop area, and the concept of enterprise ecology theory as well as social acceleration theory are discussed and explored in detail in the red loop. The theory of resonance assists with the reconstruction in the transform phase.

2. Methodology

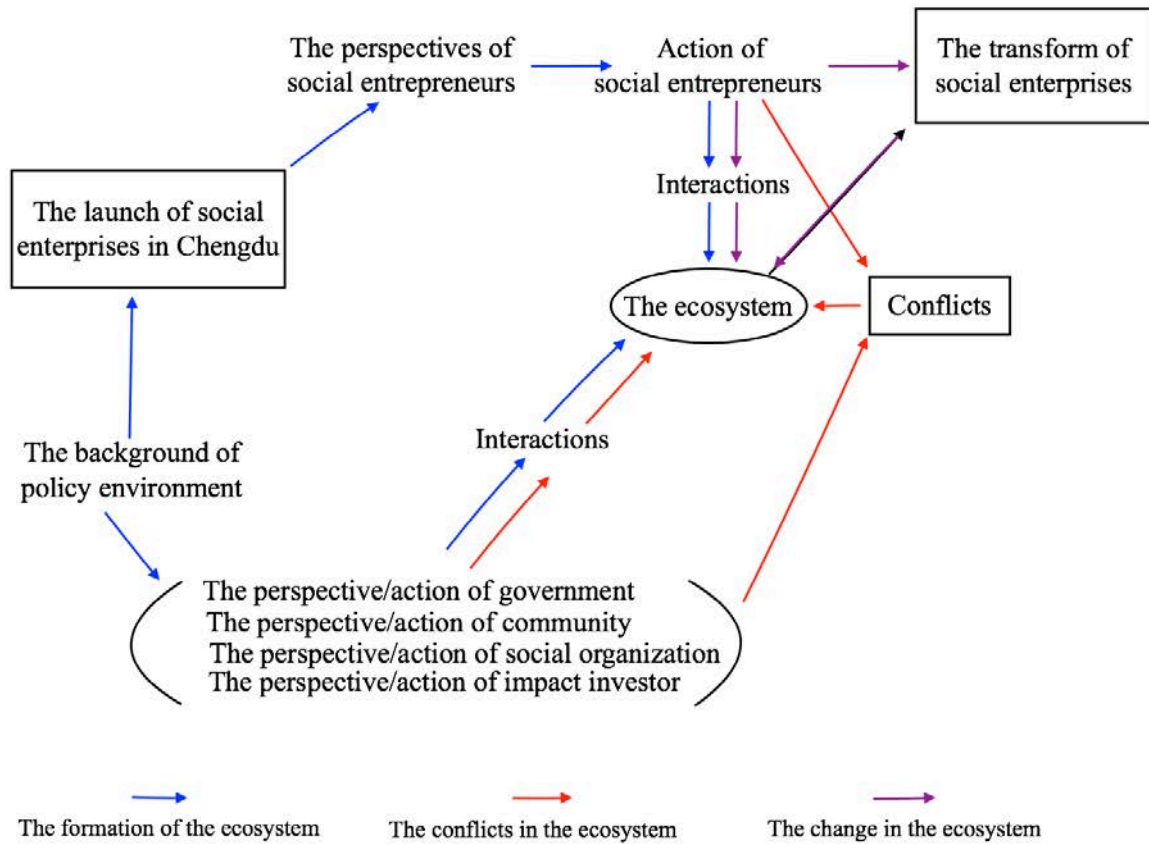


Figure 1-3. Conceptual Framework of the Study

The author studied all four certified cultural social enterprises in Chengdu. These enterprises received certification from the city of Chengdu. They are categorized in the cultural sector by Star of Social Innovation (SSI), the third party that is in charge of certification and assessment authorized by the City Industry and Commerce Bureau. This investigation represented a multi-case study using qualitative research methods.

Data Collection Methods

The data inventory is shown in Table 1-4:

Table 1-4 Data inventory			
Data type	Quantity	Original source	Intended audience
Interviews	3	Government officials (1) Community leader & social impact investor (1) Star of Social Innovation (1)	Analysis for this research
Questionnaires & Semi-Structured interviews	4	Founders of 4 certified cultural SE	Analysis for this research
Focus Group	1	Government officials (3) Social enterprise incubator (1)	Analysis for this research
China & Chengdu SE Annual Reports	2 (558 total pages)	Narada Foundation & Chengdu City Industry and Commerce Bureau	General public, prospective SE, social impact investors
Observational Data	Approx. 6 months	Investigator's notes; • 3 SE certification information events • 2 day-long China Social Enterprise and Social Investment Forum 2019 • 8 site visits at informants' organizations • 4 months of work at a local cultural SE (went through the whole SE application process)	Analysis for this research
Press Articles		Major News Outlets	General public
Chengdu SE Service Online Platform		Chengdu City Industry and Commerce Bureau	General public, prospective SE, social impact investors

(Source: the author)

The use of multiple methods is essential to make it possible to obtain an in-depth understanding of the phenomenon under study. Therefore, this study employed a number of different data-collection methods, including observation, survey, interviews, and a focus group.

Phase I: Inside a Social Enterprise

In this study, the researcher wanted to understand the evolution of the certified cultural social enterprises in Chengdu. Figuring out how a cultural company became a certified social enterprise was very essential. The researcher believed getting involved in the application process could be helpful for a better understanding of the social entrepreneur's motivations, the specific details of the application requirements and how they were actually applied to certain kinds of companies, the interactions among the companies involved in the application and the local government, communities, and the institution which was in charge of the assessment for social enterprises, as well as the challenges that a company may encounter during the application process. For the above reasons, the researcher decided to locate a cultural company which desired to become a certified social enterprise for the year 2019, and would accept the researcher as a full-time member to work with them through the whole application process.

The certification of social enterprises in Chengdu uses a gradual and progressive approach; interested parties have been trying to form a social enterprise development pyramid under the guidance of the government, with involvement from social innovation projects, observational social enterprises, and social enterprises certified by third sector organizations such as China Charity Fair (CCF) and Star of Social Innovation (SSI). According to the City Industry and Commerce Bureau, as of the end of March 2019, there were more than 300 observational social enterprises in Chengdu. *Observational social enterprise* refers to an enterprise founded at least a year earlier which has filed for a social enterprise charter, and has been recommended by the local community, and which is interested in social enterprise certification, but does not know well about the related laws and regulations. Chengdu City Industry and Commerce Bureau will provide assistance to them. The observational social enterprises which have

outstanding performance will be encouraged to apply for certification as a Chengdu certified social enterprise.

With this background, the researcher hoped to cooperate with a cultural company that was already an observational social enterprise. In early April 2019, one of the researcher's acquaintances who works in the government recommended an observational cultural social enterprise in Jinniu District in Chengdu to the researcher, and helped to set up a meeting for the researcher and the company's founder and its manager. The company is Chengdu Mordo Culture Communication Co., Ltd. (Mordo), founded by Ms. Yang Huazhen, who is the Chinese national intangible cultural heritage inheritor of Tibetan and Qiang embroidery. The company has been being run by Ms. Yang's son, Feng Yang. After the researcher's personal preliminary assessment of Mordo's situation based on the application guidance published by SSI, the third sector organization which has been authorized by the City Industry and Commerce Bureau to be in charge of the certification, the researcher concluded that Mordo had much potential to become a Chengdu certified social enterprise. When the researcher told Yang Huazhen and Feng Yang about the purpose and the research plan, they agreed to cooperate with the researcher because they hoped to gain useful assistance with the application by utilizing the researcher's knowledge and working experience in the social sector. In exchange, the researcher would be an unpaid active member researcher, who was involved with the central activities of the company, but did not have to fully commit herself to the members' values and goals. Starting from June, the researcher worked full-time at Mordo, and attended all the training sessions provided by SSI. The researcher's most important work, though, was to sort out and write relevant documents for the Chengdu SE application.

The researcher’s work at Mordo could be divided into two parts, working as a full-time active member researcher during the application phase, from June to September 2019, and as a part-time peripheral member researcher for the social enterprise meetings, events, visits, and interactions with multi-stakeholders after the application phase from October to November 2019 (when Mordo successfully passed the assessment for Chengdu certified social enterprise). The researcher wanted to take an inside-out approach to the observation methods, meaning she would go from an active member researcher to a peripheral member researcher, and finally to an “outsider” researcher in later semi-structured, in-depth interviews with certified cultural social enterprises and multi-stakeholders in the ecosystem. As discussed earlier, the researcher believes that the role of the researcher should be diverse and dynamic in qualitative research, and the most important thing is striving to achieve a fusion of visions with the researched parties.

The following table is a short summary of the roles and expectations for both parties in this cooperative effort.

	Mordo	the Researcher (the author)
Roles	<ul style="list-style-type: none"> • An observational SE in Jinniu District • The founder and the manager wanted to apply for Chengdu SE 	<ul style="list-style-type: none"> • Worked as an unpaid full-time staff member at the company • Became involved with all the SE-related activities
Expectations	<ul style="list-style-type: none"> • Needed the researcher’s assistance to apply for Chengdu SE 	<ul style="list-style-type: none"> • Had a better understanding of the application process from the company’s perspective • Observed the work of other parties in the ecosystem • Got access to attend related meetings, events and industry forums during and after the application phase • Made connections for the follow-on interviews in the next step
Work duration	<ul style="list-style-type: none"> • June-Sept 2019 (full-time) • Oct-Nov 2019 (part-time) 	<ul style="list-style-type: none"> • Full-time as an active member researcher: June-September 2019 (application phase) • Part-time as a peripheral member researcher: October-November 2019

(Source: the table is developed by the author)

Phase II: Survey

One of the advantages of a survey is that it is relatively easily administered and managed, and it is relatively unobtrusive (Fowler, 1993). Even though surveys could have limitations in examining complex social relationships, or intricate patterns of interactions, they serve as a useful complement in a study (Bloomberg & Volpe, 2012). In this study, the surveys used included basic demographic questions (e.g., gender, age, education level, major, etc.) and some open-ended questions that sought to tap into personal experiences and shed light on the participants' perceptions.

In late April 2020, the researcher contacted the founders/co-founders of all four certified cultural social enterprises in Chengdu. Due to the researcher's work at Mordo (one of the latest certified SE in 2019), the researcher made personal connections with other certified cultural social enterprises through peer meetings, industry forums and community road shows. All four founders/co-founders agreed to participate. The researcher sent a questionnaire to each of them by email, and also arranged a follow-up one-on-one interview with each of them. The questionnaire was designed to collect profile data, and also asked participants about their motivations, source of funds, size and composition of their teams, etc. The survey appears as Appendix A.

Phase III : Interviews

This study uses semi-structured interviews. Such interviews have a controlling role for the researcher, but also allow interviewees to participate actively.

Interview process. The researcher conducted semi-structured, in-depth interviews with four groups of interviewees. They were the four founders of the certified cultural social enterprises, one government officer from the Urban and Rural Community Development and Governance Committee in Jinniu District, one former

community leader who is currently in charge of a large social investment fund in Sichuan Province, and one chief officer from Star of Social Innovation, the third sector organization authorized by Chengdu City Industry and Commerce Bureau, which has been in charge of the certification and assessment of social enterprises in Chengdu.

The researcher sent individual text-messages and/or made phone calls to the above parties, describing the purpose of the study, inviting their participation, and requesting a convenient date and time for a one-on-one and face-to-face interview. The interviews took place between April and May 2020. Before the interviews began, the researcher consulted with the interviewees on issues such as conversation rules, voluntary principles, confidentiality principles, and recording.

The researcher designed different interview topic outlines for the four groups of interviewees. The following shows some key points of these outlines.

- For the social entrepreneurs: the opportunity identification; the changes brought by certification; the decision-making system; company culture; interactions with multi-stakeholders; the influencing factors for the development of social enterprises.

- For the official from the Urban and Rural Community Development and Governance Committee: the reasons for supporting social enterprises in the district; the incubation mode for the local social enterprises; personal understanding of social enterprises; the interactions with communities and SSI; issues on the emerging community collective economy; a work plan for the future in this field; the difficulties and challenges in promoting the development of social enterprise.

- For the chief officer of SSI: work descriptions; the relationships with the City Industry and Commerce Bureau and the Urban and Rural Community Development

and Governance Committee; the branding effect for the certification; issues for social enterprises in Chengdu; work challenges; personal understanding of the “ecosystem”.

- For the former community leader: personal understanding of social enterprise; the roles of a community leader; the operations of community-based projects; issues on the emerging community collective economy.

From late January to early April 2020, the COVID-19 pandemic hit China and the world badly. People in Chengdu were back to work starting in late March. What impact did COVID-19 cause to these social enterprises? And in what ways could they deal with it? These two specific questions were also added to the interviews with the four groups.

All the interviews were conducted in a semi-structured format. All interviews were conducted in the interviewees’ workplaces, and were recorded with their consent. On completion of each interview, the audio tape was transcribed verbatim. These interview outlines appear as Appendix B, Appendix C, and Appendix D.

Phase IV : Focus Group

In this study, a focus group was conducted after the preliminary analysis of previous individual interviews. There were three main issues that caught the researcher’s attention. They were:

- The relationships among other related social organizations, social enterprises and government;
- The difficulties and challenges in promoting the development of social enterprises;
- The emerging community collective economy.

The researcher wanted to hear more diverse opinions on the above issues. The government has been playing an essential role in the development of social enterprises in Chengdu; more opinions from the government could enrich the discussion. Additionally, in the individual interview with the officer from the Urban and Rural Community Development and Governance Committee in Jinniu District, the researcher learned that there were diverse ways for the government at the district level to interact with the local social enterprises. For example, as the officer introduced, competitions for social innovation were the main tool for them to connect with social enterprises and communities in Jinniu district. Other districts may use different methods, such as cooperating with the third sector, or organizing industry forums. The focus group was used to have a better understanding of those issues, as well as to test the validity of the preliminary research results, and to solicit the participants' opinions and suggestions on some specific problems.

Taking the above matters into consideration, the researcher contacted two other officers from the Urban and Rural Community Development and Governance committees in Qingyang district and Chenghua district, respectively, and also invited the chief officer of a social organization which has been cooperating with the government in Qingyang district for social enterprise incubation. After the researcher introduced this study, and made clear the theme of this focus group, the three of them agreed to participate. Unexpectedly, the government officer's supervisor in Chenghua district voluntarily asked to join the focus group, as he "wanted to know what would be going on during the discussion, and figure out the intention of the researcher."

Therefore, a one and a half hour formative focus group was convened with four participants. The purpose of this focus group interview was twofold: (a) to augment the information obtained, and (b) to provide additional data to ensure credibility and

trustworthiness. This focus group used the open-ended format. At the beginning of the focus group, the researcher gave a brief introduction to the research project, including the research questions, the purpose of the research, the method for handling the results, voluntary principles and confidentiality. In order to avoid "collective thinking" and "peer pressure" in the focus group, the researcher suggested that each participant make a short speech at the beginning of the interview. After everyone had the opportunity to express their views, then the discussion followed. The researcher asked the group to explore three issues. First, what was their position on social enterprises, including their comparative advantages? Second, what were the challenges for government officials at the primary level? Third, what were the potential issues for the new community collective economy?

At the end of the interview, the researcher once again emphasized the principles of confidentiality to the participants, not only promising to keep the information of the participants absolutely confidential, but also asking the participants to keep the information about each other absolutely confidential. This focus group was conducted in a meeting room at the Social Innovation Support Center in Qingyang district, and was recorded with all the participants' consent. On completion of the focus group, the audio tape was transcribed verbatim.

Data Analysis and Synthesis

In this study, the raw data collected⁵ by the researcher by the time of completion of the focus group were as follows: 1) Mordo's internal information, and the documents for the application to Chengdu certified social enterprise; 2) *China Social Enterprise and Social Investment Sector Research Report No.1* and *White Book on Social*

⁵ All relevant data mentioned herein have been translated from Chinese to English by the author.

Enterprises in Chengdu (2018), which were officially released and distributed at the China Social Enterprise and Impact Investment Forum 2019; 3) *Compilation of theoretical achievements of Chengdu Development and Governance of Urban and Rural Communities led by CPC Party Building*, which was an internal document released at a national level industry meeting; 4) the recoding materials of all the individual interviews and the group interview conducted by the researcher for this study, amounting to more than 170,000 Chinese words; 5) Observation notes and memos of the researcher; and 6) Other related literature in the fields of social enterprise, social entrepreneurship and social innovation.

The researcher tried to assign “native concepts” to code numbers in the first round of coding. The standard chosen by the researcher was concepts frequently used by the researched parties in the interviews, or concepts expressed with strong emotion. This is because the emic perspective was more intuitive and specific, and the researcher thought it was more suitable for the first round of coding than the etic perspective, which was usually more abstract and generalized. In this study, the code number used for the first-round coding in this study was 34. The file system established by the researcher was divided into three categories: 1) general files (relevant personnel, locations, organizations, documents, etc.); 2) analysis files (code numbers and themes that have appeared in the analysis); and 3) fieldwork files (the researcher’s research methods and personal reflections). After finishing coding of the raw data and establishing a codebook and portfolio, the researcher further categorized the data with the construct of a conceptual framework, and assigned initial codes to relevant quotes. It led to the ongoing refinement of what became the final coding schema.

This study used a combination analysis of categorization and contextualization. As for the specific operation method, the researcher managed and analyzed the data

manually through the analysis process. In the traditional way of cutting and paste, the researcher put all the data belonging to a certain code number or several related code numbers on the floor, and checked, moved or spliced them. This traditional method was easier to help the researcher visually discover the various relationships implied in the data. Moreover, during the analysis of data, the researcher used several analysis tools in the process as needed, such as writing memos and content abstracts, as well as constructing various charts.

PART TWO

Social Enterprise and the Weight of the State in China

Chapter 4: Social Enterprises in China

China is still at the primary stage of market economy, and the regional differences are great. Social enterprises are considered to have good prospects in developed areas with high levels of economic development and strong purchasing power of social services, but they could be struggling in underdeveloped areas. But the ambiguity of the concept of social enterprise, the complexity of its management, and the connection with China's existing policies have affected the perception and attitude of high-level government officials on social enterprise. The policy environment mainly depends on the understanding of government officials at all levels and fields, as well as the reshaped relationship among government, market and society due to the comprehensively deepening reform. Report No.1 analyzes a few reasons why it is still immature for making national special laws and regulations for social enterprises even though the macro policy environment seems promising. The social and economic benefits of social enterprise and social investment remain to be further assessed. The impact of existing regulatory policies and systems on social enterprise and social investment also needs to be further clarified in practice.

1. The National Framework

At the 18th National Congress of the Communist Party of China (CPC) in 2012, in-depth exploration of paths to good governance in community construction, and making arrangements to promote urban and rural community governance were discussed. In 2016, the Central Committee of the Communist Party of China issued *Recommendations for the 13th Five-Year Plan for Economic and Social Development*, in which five development concepts: innovation, coordination, greenness, openness, and sharing were identified, which intensively reflect China's development direction during the 13th Five-Year Plan (2016-2020) and beyond. In 2019, *The Decision of the CPC Central Committee on Major Issues Concerning Upholding and Improving the System of Socialism with Chinese Characteristics and Advancing the Modernization of China's System and Capacity for Governance*, which was deliberated and adopted at the Fourth Plenary Session of the 19th Central Committee of the CPC, clearly identifies these objectives: to maintain and enhance social welfare systems for urban and rural residents to satisfy the growing needs for a better life, maintain and improve a social governance system based on collaboration and broad participation with the goal to bring benefits to all, and ensure social stability and national security, as well as build a social governance system led by the CPC committees and implemented by the government, based on consultation, broad participation and the rule of law, and supported by technologies. Under the national guidelines, the governments at different levels (provinces, prefectures/prefecture-level cities, counties/districts) have issued local policies to explore and build a social governance system based on collaboration and broad participation. With this background, social enterprise as an important participant in such a social governance system has gradually come into the vision of the local public agenda.

B. Li (2018) identifies three kinds of DNA of social enterprise in China. Culturally, he compares social enterprise to the neo-Confucian merchant, who traces back to Confucianism notions such as “a gentleman loves money and takes it in a proper way,” not “for the sake of wealth and not benevolence,” and not “drain the pond to get all the fish,” for these ideals encourage people doing business with integrity, taking both justice and profit and pursuing sustainability. In a similar connection with the past, Yuan Ruijun, another Chinese scholar in the field of social entrepreneurship, identifies the emergence of social enterprises in China a thousand years ago. For example, in the Song Dynasty (960-1127), Wang Anshi, who initiated reforms in 1069 as the prime minister, when distributing grain seeds to victims during the sowing season, required them to be returned when harvested. This way of disaster relief is somewhat similar to today’s poverty alleviation micro-loans. Historically, in mid 1950s to 1970s, state-owned enterprises in China undertook many social functions while engaging in their own production, from kindergartens, to cinemas, to hospitals, to nursing homes, nearly from the cradle to the grave. In the period of economic reform and opening up in 1978, separating government functions from enterprise management at the level of state-owned enterprises was carried out, as well as separating operation and social functions at the enterprise level to liberate productivity. After 40 years of market-oriented operation, enterprises are able to take both economic and social benefits into account when the “sociality” is returned in the form of social enterprise. Socially, the economic reality is that a large number of “quasi-social enterprises” already exist in the Chinese economy; that is, the concept of “private non-enterprise unit” was proposed by General Office of the State Council in 1996. This term refers to social organizations which are established by enterprises, institutions, associations or other civic entities as well as individual citizens using non-state assets, and conduct not-for-profit social service

activities. Marked by the “Regulations on the Registration and Administration of Private Non-Enterprise Units,” promulgated by the State Council in October 1998, China has 360,000 (by the year 2017) private non-enterprise units in the fields of education, culture, scientific research, and health. Xu (2017) points out that the significance of the private non-enterprise system is that the state has opened up to the private sector part of the public service sector which used to be completely monopolized and managed by itself, and has designed a vague public-private space to attract social investment and allowed private investment into the public service sector through this system in order to expand the scale of supply in quasi-public products and ease the contradiction between supply and demand of people’s livelihoods. For a long time, the private non-enterprise system has had the problem of ambiguity in the relationship between private assets and public assets, profit and non-profit, and private interests and public welfare. With the gradual improvement of laws and policies, this situation has been changing. With this background, B. Li (2018) argues that these private non-enterprise units could be existing social enterprises, but they need to be sorted out and guided by certification.

Three Ways of Calculation

The newly published *China Social Enterprise and Social Investment Sector Research Report No. 1* (“Report No.1”) by the Beijing Sheqi Social Organization Construction Promotion Center and Narada Foundation, provides three ways of calculating the number of social enterprises in China.

A simple and conservative way of calculation is using the certification number by China Charity Fair (CCF). The definition of its Chinese social enterprise certification refers to those organizations which:

have been legally registered and established in China for more than one year, a full-time salaried team of no less than 3 people, and an enterprise or social organization with a sound financial system and independent accounting. The organization's purpose or primary goal is to solve social problems, improve social governance, serve the interests of disadvantaged and special groups or communities, and carry out environmental protection, and has mechanisms to ensure the stability of its social goals. Meanwhile, through market-oriented operation to solve social problems in innovative ways, its social impact and market results are clear and measurable. (Report No.1, 2019, p.3)

The number of social enterprises in China according to CCF was 234 by the end of 2018 (CCF, 2018). However, considering that many social enterprises do not know or agree with CCF's social enterprise certification, this data is considered to greatly underestimate the number of Chinese social enterprises.

Another way of calculation is based on directory collection. Deng (2019) and the research team collected a list of various social enterprises in China, which includes those that identify themselves as social enterprises and are recognized by others as participating in industry activities. The list includes 1,374 social enterprises compiled at the China Social Enterprise and Impact Investment Forum (2019), the CCF-certified social enterprises, social innovation cases provided by the YouChange China Social

Entrepreneur Foundation⁶, and also a social enterprise directory provided by Charity Academy⁷. After summarizing the above lists, Deng and the research team eliminated some of the closed institutions and ones which were counted twice. The final count of the number of "conscious" social enterprises in China was 1,684 by July 2019 (Report No.1, 2019).

The third way of calculation is more inclusive. J. Li (2018) claims that social enterprises in China should include China's farmer specialized cooperatives, people-run non-enterprise units and social welfare enterprises, which raises the number to 1,750,000. This way of calculation is similar to Xu (2017)'s assessment, that 80 percent of private non-enterprise units in China should be considered as potential social enterprises. On the other hand, the vast majority of these social enterprises are "unconscious", and they may not agree with their identity as social enterprises, nor are they known or accepted by others (Report No.1, 2019). But, whether conscious or unconscious social enterprises, they all have social or environmental goals, and are able to use business methods to achieve them.

Deng (2019) and the research team surveyed 371 "conscious" social enterprises and discovered that more than 58 percent of their main income comes from market operations, and 18 percent comes from government purchasing. Among the social

⁶ "YouChange China Social Entrepreneur Foundation is a nationwide charitable organization approved by the State Council and registered at the Ministry of Civil Affairs of the PRC. The mission is to establish social innovation network support platforms for cross-sectoral cooperation." (Source: official website, at <http://en.youcheng.org/index/about/about.html>, retrieved on November 19, 2020.)

⁷ "Charity Academy is an academic exchange platform jointly initiated by a group of domestic and international scholars who are concerned about the development of China's philanthropy. It is a platform for experts and scholars in the field of philanthropy to post in-depth comments and academic achievements. In 2017, it was officially registered in the Beijing Municipal Civil Affairs Bureau." (Source: official website, at [http://www.charityschool.org.cn/ Home/Introduce? evt=6](http://www.charityschool.org.cn/Home/Introduce?evt=6), retrieved on November 19, 2020.)

enterprises surveyed, nearly 40 percent do not restrict the distribution of their profits at all, but more than 80 percent of social enterprises reinvest their net profits.

Many entrepreneurs consider that the value and function of social enterprise in China is in promoting public values and adhering to social missions, serving the disadvantaged and marginalized groups, promoting economic growth and creating employment opportunities. Table 2-1 shows the scale of social enterprise in China in 2017. According to Deng (2019)'s research, 21 percent of the 371 social enterprises surveyed are in education, and 13.4 percent of them are in community development, followed by employment and skills (12.3 percent) and environment and energy (9.8 percent). Deng (2019) concludes that, the "conscious" social enterprises in China have mainly played roles in education in the above areas, while those "unconscious" social enterprises in China are in the areas of education, social services, rural development and poverty reduction.

Table 2-1 The Scale of Social Enterprise in China in 2017		
	Plan 2 ("conscious" social enterprises)	Plan 3 (including China's farmer specialized cooperatives, people-run non-enterprise units and social welfare enterprises)
Number	1684	1750420
Annual income (100million RMB≈14.6million USD)	93	22143
Paid employees (10 thousand)	7.9	1923

(Source: Narada Foundation, 2019)

2. Practices of Local Governments

Many scholars think the development of social enterprises in China has seemed promising since 2018, when it came to the agenda of public policy at local levels (Yuan, 2019; Deng, 2019; J. Li, 2018). Deng (2019) points out that four regional governments (Beijing, Chengdu, Foshan and Shenzhen) have intensively issued policies related to social enterprises or social investment, which has provided new impetus for the development of social enterprise in China. With a strong policy demonstration effect, it could be seen that more local governments will encourage the development of social enterprises through learning and imitation in the future. Deng (2019)'s survey also indicates that the social performance of most social enterprises was showing an increasing trend in 2017, including an increase in the total number of beneficiaries, and improvement of the quality of products and services. Meanwhile, the financial performance (total income, total assets, and market operating income) of most social enterprises showed a clear growth trend in 2017 as well. This suggests a larger scale of social enterprises and more significant socio-economic functions, as well as an increasing awareness of government and society of the expected roles of social enterprises in the future.

In 2015, the China Social Enterprise and Social Investment Forum was founded by 17 institutes for the purpose of promoting the development of social enterprise and social investment by integrating resources. The forum has hosted an annual event since then, and has organized related research and study for the development of Chinese social enterprise and social impact investment. Also in this year, China Charity Fair (CCF) started certification for social enterprises, together with six other institutes. Seven out of 69 applicants acquired the certification. Table 2-2 shows the number of social enterprises certified by CCF, by city, from 2015 to 2019.

Table 2-2
Number of social enterprises certified by CCF, by city (2015- 2019)

Rank	City	Total certification number	Ratio	Total ratio	
1	Chengdu	63	20%	52%	77%
2	Shenzhen	59	19%		
3	Beijing	41	13%	19%	
4	Shunde	16	5%		
5	Shanghai	16	5%		
6	Hangzhou	15	5%		
7	Guangzhou	14	4%		
8	Nanjing	7	2%		
9	Suzhou	7	2%	6%	
10	Kunming	6	2%		

(Source: China Social Enterprise and Impact Investment Forum, 2019)

Yuan (2019) observes that one of the main characteristics of social enterprise development in China is government-led; the government plays a very important role in this phenomenon. Yuan and her team mark the year 2017 as important for the development of social enterprise in China, as that is when it entered the agenda of public policy (Yuan, 2019).

Beijing, Chengdu, Shunde District-Foshan and Futian District-Shenzhen have published a series of policies to encourage and help the development of local social enterprises. Beijing first proposed in the documents of the provincial government to develop social enterprises in 2011. It has carried out special research and pilot projects,

and promoted the development of social enterprises that focus on serving people's livelihoods and public welfare. In the "Opinions of the Beijing Municipal Committee of the Communist Party of China on Strengthening and Innovating Social Governance to Promote Social Construction in a Comprehensive Way," issued in 2011, Beijing clearly states that it is necessary to comply with new expectations of people for a better life, with the focus on improving social services and the innovation of social governance, and to encourage more social forces to participate in social construction. Under such guidelines, it has provided an institutional guarantee for government to purchase services from social enterprises. In 2018, it set up the Beijing Social Enterprise Promotion Association, and published the certification method.

Chengdu took notice of the concept of social enterprise later than Beijing, but has released a series of supportive policies in the last two years, and local enterprises have developed fast. In 2017, in government documents, Chengdu identified social enterprises as a new tool to strengthen and improve urban and rural community governance, and encouraged communities to explore and establish social enterprises that serve the residents. A new government department, the "Urban and Rural Community Development and Governance Committee," led by the minister of the organization department of the municipal party committee, was set up in September 2017. The local government office in Chengdu also issued "Opinions on Cultivating Social Enterprises to Promote Community Development and Governance." The division of responsibilities involves eight departments. It also requires that all district (city) county governments should include the development of social enterprise and the project operations of social enterprise on the important agenda, and incorporate into the annual target management system for performance appraisal. Chengdu's implementation is relatively strong. Overall managed by the Urban and Rural Community Development

and Governance Committee, the City Industry and Commerce Bureau has been in charge of the development of social enterprises. Preliminarily, it constructed a policy system of social enterprise in Chengdu. It also cooperated with a third party, Star of Social Innovation, for the certification of social enterprises. By December 2018, Chengdu had relatively strong supportive policies at the district level. Nearly twenty specific policies were introduced, including registration convenience, certification awarding, incubation support, rent subsidy, talent support and event support.

Shunde District, Foshan started to conduct its own social enterprise certification in 2014—the earliest one to do so among local governments. It has strived to construct an inter-departmental support system led by its Social Innovation Center. Futian District, Shenzhen has promoted the construction of social impact investment highlands to the strategic height of regional development. Currently, it has high-profile publicity of policy trends, and has tried to build a cross-border platform to promote social enterprise and social impact investment.

Each local government has its own emphasis on policy (see Table 2-3).

**Table 2-3
Practices of Local Governments**

Beijing	Chengdu	Futian District, Shenzhen	Shunde District, Foshan
<ul style="list-style-type: none"> • SE research • Pilot projects • Government purchase • Certification method 	<ul style="list-style-type: none"> • As a tool to strengthen and improve urban and rural community governance. • Place the development of social enterprise on the task list of all districts' and counties' work agendas, and incorporate it into the performance appraisal. • Overall managed by the Urban and Rural Community Development and Governance Committee. City Industry and Commerce Bureau has been in charge of development. • Strong support policies at the district level. • Certification method 	<ul style="list-style-type: none"> • Social impact investment • High-profile publicity of policy trends; trying to build a cross-border platform. 	<ul style="list-style-type: none"> • The earliest to conduct social enterprise certification • Led by the Social Innovation Center in constructing an inter-departmental support system.

(Source: information from the governments of Beijing, Chengdu, Futian District and Shunde District. The author summarized the information from a series of issued local policies.)

From the practices of these four local governments, the competent authority of social enterprises has broken through the social field and expanded to the economic management department. In 2018, the four local governments stepped forward to introduce their certification, management and support policies. Some scholars believe that 2018 could be called the “first year of social enterprise.” However, at present, the implementation rules are still being formulated. The implementation of the policies and the relative effects need to be tracked and evaluated (The Report, 2019).

In particular, the emergence and development of social enterprise in Chengdu caught the author’s attention, since this Chinese provincial capital has been using social enterprises as a new tool to strengthen and improve urban and rural community governance, and has built up a relatively strict certification system for social enterprises.

Chengdu's mechanism for developing urban and rural community governance based on the communities, combining top-down methods with various social forces, has an impact on the government's former social governance functions, former market organization methods and public service provision methods, as well as diverse social entities. It presents some active integrated thoughts at multiple levels. In the process of cultivating social enterprises, Chengdu has introduced market mechanisms, and integrated diverse social forces to re-concentrate and optimize the public space in communities by recombining and promoting the rights to use public space resources, so as to expand community service resources, gradually forming a collective impact in the field of social governance and social innovation, in which social enterprises are becoming essential players. On the other hand, with the transfer of the right to use community public space resources, social enterprises integrate social space and cultural space, thereby innovating the organizational forms and the resource operation mode when participating in social governance.

Currently, considering the supportive policy framework, the number of certified social enterprises (by CCF and Chengdu's own), as well as the changing government roles, Chengdu has been becoming an innovative center in China, especially in SE practice.

Chapter 5: Social Enterprises in Chengdu

Chengdu is located in the western part of the Sichuan Basin, on the eastern edge of the Qinghai-Tibet Plateau. In 2017, the city's land area was 14,335 square kilometers, accounting for 2.95% of the province's total area (485,000 square kilometers); the urban area was 3,369.81 square kilometers, of which the city's built-up area was 885.6 square kilometers. Chengdu is a sub-provincial city and serves as the capital of the Chinese province of Sichuan. It is one of the three most populous cities in western China. As of 2018, the administrative area housed 16,040,500 inhabitants, with an urbanization rate of 71.9%. Chengdu has 11 districts, 5 county-level cities and 4 counties, with more than 4,300 urban and rural communities.⁸

⁸ Although sociologists have differing definitions of communities, they have basically the same understanding of the basic elements that constitute a community. George Hillery found that social interaction, area, and a common tie are commonly found in community life when he went through 94 definitions, and found that 59 are in accord with those three aspects (Hillery, 1955). The communities involved in this study are based on geographical factors and are bounded by administrative power jurisdictions.

1. The Role of Social Enterprise in Community Building

Government failure, market failure and voluntary failure are the three basic theories put forward by Weisbrod (1975), Hansmann (1980) and Salamon (1995), respectively, in research on the non-profit sector. Weisbrod (1975) proposed the “government failure” theory to explain the following practical questions: Why is there a non-profit sector between the government and the market? The logic of analysis with this theory is still based on the traditional “demand-supply” paradigm of economics. Weisbrod proves the necessity of the non-profit sector, but does not analyze important issues such as why the non-profit sector can provide public goods and what its organizational characteristics are. These issues were later developed by Hansmann (1980) and Salamon (1995). The “market failure” theory was put forward by Hansmann (1980), in response to questions such as: what is the difference between a non-profit organization and a for-profit organization, and what factors make certain activities only able to be conducted by non-profit organizations but not by for-profit organizations? Starting from the limitations of for-profit organizations, he began to analyze the functional needs of non-profit organizations, arguing that consumers and producers have had obvious information asymmetry in quality of products and services. In this sense, relying only on contracts between producers and consumers would make it difficult to prevent producers from cheating or hurting consumers, which results in a “market failure/contract failure” situation. The two theories put forward by Weisbrod (1975) and Hansmann (1980) criticize the government and the market, but do not point out the flaws in the non-profit sector itself. In 1995, Salamon used “voluntary failure” in his book *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State* to raise various practical problems with the non-profit sector: 1) Philanthropic insufficiency. This is based on two aspects. One is the “free rider

problem” (Olson, 1965), which is common in the supply of public goods. Most people tend to enjoy the benefits provided by others at no cost, but lack incentives to provide benefits for others. Therefore, the service that can be provided is definitely less than the social optimum. On the other hand, the source of funds for charity is also vulnerable to economic fluctuations. Once an economic crisis occurs, caring people can hardly make ends meet, let alone help others. Only taxes established on a compulsory basis could provide stable and sufficient resources. 2) Philanthropic amateurism. According to the relevant theories of sociology and psychology, the care of special groups needs to be carried out by trained professionals. However, voluntary organizations are often unable to provide sufficient payment to attract professionals to join due to funding constraints. These tasks can only be done by caring amateurs, which affects the quality of service. 3) Philanthropic paternalism. This refers to the tradition of non-profits being funded by wealthy private donors; their influence extends into service delivery.

Considering the complementarity of various departments (government, market and non-profit sector) in their respective organizational characteristics, integrating different resources to jointly solve social problems could be a possible solution to the three kinds of failures. The theory of “poly-centric governance” has broken the government’s monopoly on public administration, bringing in the concept of “diversified participation and co-governance,” which has gradually become widely accepted because it has broken through the dual opposition between government and the market and the notion of the single dominant, emphasizing guidance and consultation, and encouraging diversified participation in social governance. Thus, the third sector, NPOs, NGOs, associations and other organizations have participated in the process of social governance, and have played an important role in public affairs and public interests.

We can refer to the concept of “community building” developed in Japan in the 1960s. Its main goals were to maintain the diversity and uniqueness of a region as well as to explore its traditional cultural potential. After World War II, Japan’s rapid urbanization process and fast-growing economy resulted in many environmental and social problems. Therefore, a grassroots movement which aimed to “rebuild the charming hometown” had risen in Japan, advocated by social organizations and local governments. The concepts of the movement have gradually extended to all walks of life. Moreover, the process of promoting community well-being to the public well-being also meets the objective of community building.

Today’s China has been facing similar issues and problems. Like many cities across the country, Chengdu has been also facing multiple problems, such as the increasingly diversified social structure, the complex and diverse appeals of people’s interests, the profound changes in information dissemination methods, and the increasing difficulty of governance at the primary level. At the same time, it also has faced the challenge that the traditional urban governance system⁹ is not compatible with the excessive concentration of population in megacities (Q. Li, 2019). In the last ten years, Chengdu has had an average annual net population growth of 500,000, while the foreseeable future large-scale population inflows and the increased complexity risks faced by social governance have made it difficult for the government to maintain a governance model that promotes development through a “big package”. In the past few years, the governance of urban and rural communities in Chengdu was divided up into numerous departments, such as Civil Affairs, Development and Reform, Finance, Housing Construction, Human Resources, Social Security, and Justice. This kind of

⁹ Mainly, there is a reliance on the government. There is no long-term mechanism for other social forces to participate, and community autonomy and service functions are insufficient.

community governance has lacked top-level design; overall planning and coordination, and government functions, were scattered across more than 40 departments, lacking an institutional mechanism for coordinating the community, stimulating vitality, and efficiently integrating multiple resources. Innovation in social governance has become a top priority in Chengdu.

In 2017, Chengdu made major changes in its organizational leadership system, and specifically established a functional department responsible for overall planning and promotion of urban and rural community development and governance reforms: the Urban and Rural Community Development and Governance Committee (community governance committee). This committee is led by a member of the CPC Standing Committee of Chengdu, who is also a minister of the organization. It mainly undertakes the following duties: 1) top-level design. It is responsible for coordinating the promotion of urban and rural community development and governance systems and mechanisms, reforming and taking the lead in formulating the city's long-term goals and interim tasks in urban and rural community development and governance; 2) resource integration. It leads the establishment of a resource coordination mechanism for urban and rural community development governance, and a guarantee mechanism for human, financial, and material inputs; 3) overall coordination. It is responsible for overall planning and promotion of the construction of a diverse governance system in urban and rural communities, and overall planning and promotion of the reform of human resources in urban and rural communities support system; 4) making key breakthroughs. It strives to organize, guide, and coordinate the city's social governance work to form a demonstration effect; 5) standards assessment. It supervises the implementation, and formulates an assessment standards system and evaluation system for urban and rural community development and governance, as well as to organize the implementation to

ensure the work has been processed pragmatically. Since its establishment, the social governance committee has carried out several major practices at the primary level of four sectors. In terms of top-level design, the social governance committee has successively formulated “30 Urban and Rural Community Development and Governance” and constructed a “1+6+N” supporting policy system (see Table 2-4), which provides a framework design for flexible operation at the primary level, which includes sub-districts, counties and townships.

Policy Type	Policy Document	Publish Date
“1”	30 Items of Urban and Rural Community Development and Governance	Sep 2017
“6”	Implementation Opinions on Changing the Functions of Sub-districts (Townships) and Promoting Urban and Rural Community Development and Governance	2017
	Chengdu Municipal Government’s Implementation Opinions on Purchasing Services from Social Organizations	Nov 2017
	Implementation Opinions on Further in-depth Development of Sustainable Overall Construction of Urban and Rural Communities	Mar 2018
	Implementation Opinions on Comprehensively Improving the Level of Property Service Management and Building a High-quality Harmonious and Livable Living Community	Apr 2018
	Measures for the Administration of Professional Social Workers in the Chengdu Community	Apr 2018
	Opinions on Cultivating Social Enterprises to Promote Community Development and Governance	Apr 2018
“N”	"Five Actions" Three-year Plan for Community Development and Governance in Chengdu	2017
	Implementation Plan for Deepening Community Volunteer Service in Chengdu	2017
	Incentive Measures for Volunteer Service in Chengdu	2019
	Chengdu International Community Construction Plan (2018-2022)	Jan 2019
	Policies and Measures for the Construction of International Communities in Chengdu	Jan 2019
	Overall Plan for Chengdu Urban and Rural Community Development and Governance (2018-2035)	Oct 2019

(Source: Chengdu Urban and Rural Communities. Information organized by the author.)

The official departments at the primary level can build and construct different governance plans based on their own situation, in combination with the framework. Meanwhile, Chengdu has restructured the internal institutions of the subdistricts, towns and townships; promoted comprehensive administrative enforcement at the primary level; abolished functions of attracting investment and the corresponding evaluation indicators for the primary official departments including subdistricts, towns and townships; and established a subdistrict power and responsibility list system and decentralized access control, to strengthen key functions of residents' autonomy, people's livelihood services, and comprehensive management at the primary level. In terms of community rights and responsibilities, Chengdu has completed and improved the access system for community work matters, created an operating mechanism for residents' councils and supervisory committees, given the community the power to make suggestions for major decisions, and empowered the coordination rights for community matters. In regard to specific actions, Chengdu has coordinated the implementation of the renovation of old urban areas, the renovation of back streets and alleys, the creation of special streets, the improvement of community services, and the creation of safe communities. These five "big actions" have implemented a total of 6661 projects, with a total investment of about USD 7.4 billion (Q. Li, 2019).

After the 2008 Wenchuan earthquake in Sichuan Province, Chengdu's non-profit organizations have developed rapidly. They have also begun to actively participate in social governance and community building. This mechanism of community development and governance based on the community and top-down approach, in combination with social forces, has given an innate advantage for Chengdu to cultivate and develop social enterprises. In 2018, the Chengdu municipal government took the lead in issuing a series of documents such as "Opinions on Cultivating Social

Enterprises to Promote Community Development and Governance.” This document clearly states the relevant tax policies and regulations toward the development of social enterprises. The key policies include: incorporating social enterprises into the scope of support of the Chengdu New Economic Development Fund; supporting social enterprises, social entrepreneurs, and social enterprise projects which meet conditions in accordance with relevant policies for new economic development that the city has focused on; implementing financial and tax policies which have already been released to support social enterprises; including qualified small and micro social enterprises in the city’s SME growth project; increasing government purchases from social enterprises; and encouraging and supporting social enterprises to participate in government procurement through fair market competition. The City Industry and Commerce Bureau has successively issued “Trial Implementation Measures of Chengdu Social Enterprise Certification Management” and other series of supporting documents. Led by the social governance committee and the City Industry and Commerce Bureau, the policies, regulations and management mechanisms for cultivating social enterprises have been improved. In terms of certification management mechanism, Chengdu has cooperated with third-party Star of Social Innovation to formulate Chengdu Social Enterprise Certification Measures to cultivate and support local social enterprises in a targeted manner. These series of policies have made Chengdu the first city in China to promote the development of social enterprises from the perspective of the whole city; the first city to clarify that social enterprises are not launched by registration, but by evaluation and certification; and the first city in which certified social enterprises are entitled to use “social enterprise” in their company names as operational characteristics.

As of December 2019, Chengdu has 13,000 non-profit organizations, 39 certified social enterprises, and 32,000 community self-organizations that have carried

out various activities in communities, and 2.2 million residents have become community volunteers¹⁰ (Y. He, 2019).

2. The Social Enterprise Certification

According to the Opinions on Cultivating Social Enterprises to Promote Community Development and Governance, the Chengdu government defines social enterprise as a specific business type that is registered by the enterprise registration authority, whose main purposes are to help solve problems, improve social governance, and serve disadvantaged and special groups (such as elderly, migrant workers, unemployed, disabled and low-income families) or community interests, taking innovative business models and market-oriented operations as the main tools, and reinvesting profits in their own business, the community or public welfare based on their social purpose, which should be continuously stable.

Chengdu's social enterprise review and accreditation work is carried out by a third party entrusted by the Chengdu Municipal Market Supervision Administration: Star of Social Innovation. As a non-profit organization, SSI is responsible for technical support and specific implementation of the review and accreditation work. The members of the expert review team consist of university scholars, industry experts, social entrepreneurs, relevant members of functional departments for Chengdu social enterprise development, credit management agencies, and representatives of various districts, cities and counties. Each year, no less than seven people are randomly selected from the accreditation work force to form the Chengdu social enterprise accreditation

¹⁰ Community voluntary service is the act of community organizations and individuals voluntarily using their own time, skills and other resources to provide help or services to residents and community charities and public welfare undertakings in the community.

expert review team. The goals of the review and accreditation work are to cultivate and develop a group of social enterprises with a certain scale and radiation influence, to form a support system that encourages social enterprises to effectively participate in social governance, to promote social enterprises to play an active role in innovating social governance, and to become an important force for the effective improvement of urban governance capabilities and governance levels. The scope of certification is the enterprises that have been registered by the enterprise registration organs at all levels in Chengdu and have completed the filing of a social enterprise charter. Stated in the accreditation standard, Chengdu focuses on the evaluation and accreditation of social enterprises based on the priority of the social goals of the applicant organizations, the stability of the social goals, the market and innovation, and measurable social impact results.

In detail, here are the key indicators in the accreditation standards (materials come from *Social Enterprise Certification Handbook 2019*):

1) Basic Information

Definition: an enterprise that has been registered as a limited company or a joint stock limited company by the enterprise registration organs at all levels in Chengdu and has been established and operated for at least one year before the deadline for application.

In order to encourage local social organizations to transform into enterprises, all social organizations registered with civil affairs departments at all levels in Chengdu are main shareholders of corporate enterprises which are basically consistent with their main business, social goals, main controllers and stakeholders, whose date of establishment is no less than six months prior to the deadline for application. Enterprises that have been operating continuously for no less than two years (including

the operating time of the social organizations) with at least three team members can apply for certification. As of 2019, Chengdu Social Enterprise Certification accepts applications from farmers' professional cooperatives that are registered with the enterprise registration authority and hold a business license. The applying enterprise needs to file the social enterprise charter with the enterprise registration authority, which must include a system design that specifically guarantees the social goals. Social goals should be clear for different fields. Business projects include but are not limited to residents' life service projects such as community environmental protection, food safety, family services, health care services, and garbage sorting; public service projects such as community culture, health, education, and fitness; basic livelihood service projects such as employment assistance, poverty alleviation, and assistance to the disabled; projects that serve rural economic development such as micro-finance for farmers, and agricultural economic cooperation services; and new economy projects such as air treatment, sewage treatment, and the development and application of new energy and new technologies. The applying enterprise should have no court enforcement order or involvement in any of various illegal and untrustworthy acts within three years before the application date.

2) Transparency Management

The corporate structure, the stakeholders and the corporate controller structure should be clear. The organization is transparent, and relevant company governance structure and product information are publicly disclosed. Companies are encouraged to make corresponding adjustments to the corporate governance structure on a voluntary basis, including but not limited to shareholder meetings to increase unfunded employees and representatives of public interests and community interests; it is preferable for them to have voting rights. Certified social enterprises should actively disclose to society

social responsibility, public welfare activities, performance, profit distribution and other information which they carry out. (This refers to non-private information, focusing on certified social enterprises; those who fail to follow the public disclosure system with serious circumstances will be considered for delisting.) Moreover, there should be stable, efficient, and experienced team members. (Companies should provide an employee roster, their title certificates or expert certificates in related fields, and information on past work performance or work accomplishments.)

3) Social Benefits

There should be measurable evidence to show the social value the enterprise creates, including enterprise input, output, social problem improvement data, annual number of beneficiaries, resource conservation, environmental friendliness, employee security, and social impact. Profit distribution clauses and dividend commitments related to corporate social goals must be clearly indicated in the charter; it is recommended that social enterprises use part of the annual profit to support community development, social welfare, philanthropy, designated community foundations, or company development, or for its social goals (not mandatory). When the company is liquidated or dissolved, after satisfying the repayment of all debts and responsibilities (including but not limited to employee compensation and supplier arrears), if there are any remaining assets, it is recommended that members or shareholders voluntarily transfer the remaining assets to other social enterprises, community foundations, or charitable organizations with similar goals, in a certain proportion.

4) Finance and Sustainability

A certified social enterprise should have clear and valuable products or services, and provide a product/service list (including price, product/service content, etc.), with a clear business model including but not limited to product or service description, price

system, income certification, market share, and customer feedback, and a wide range of services that can prove that the company has certain market competitiveness and core capabilities. It must be able to provide true financial statements of the previous year (including balance sheets, income statements, and cash flow statements) which meet accounting standards; it is preferable to provide the previous year's audit report as performed by a third-party audit agency. Companies established for less than one year can provide balance sheets, income statements and cash flow statements since the time of opening. The company should provide financial statements, project information, sales contracts, payment receipts, etc., from the past year which could indicate the proportion of the company's income that comes from commercial or operating income (including competitive government purchases) and financial sustainability (generally not less than 60%). It should show the ability to acquire external resources, including funding, investment, borrowing, voluntary services, property, space, technology, and authorization.

5) Innovation

There are two kinds of innovation specified in the social enterprise certification: model innovation and technological innovation. For model innovation, the organization describes itself and provides corresponding materials to prove that it follows one or more of the following innovative support models: entrepreneurship, market intermediary, employment, service charge, low income group orientation, cooperative, market link, cross subsidy, or organization.

Technological innovation could be proved by relevant domestic and foreign invention patent certificates, intellectual property certificates, software copyright certificates, high-tech enterprise certificates, national, provincial, or municipal key science and technology project certificates, copyright certificates, major science and

technology competition award certificates, or effective technical solutions and other relevant supporting documents. Innovative achievements are essential as well. The organization needs to report that it has used market mechanisms, modern information technology and other innovative means and methods to effectively promote the solution of social pain and difficulties as well as the “last mile” in social governance at the primary level.

6) Social Impact

There should be systematic assessment materials for the social impact of the organization from the beneficiaries, government, customers, media and other relevant stakeholders or third-party professional institutions. Proof of service coverage is required.

The application and review process is shown as Figure 2-1.

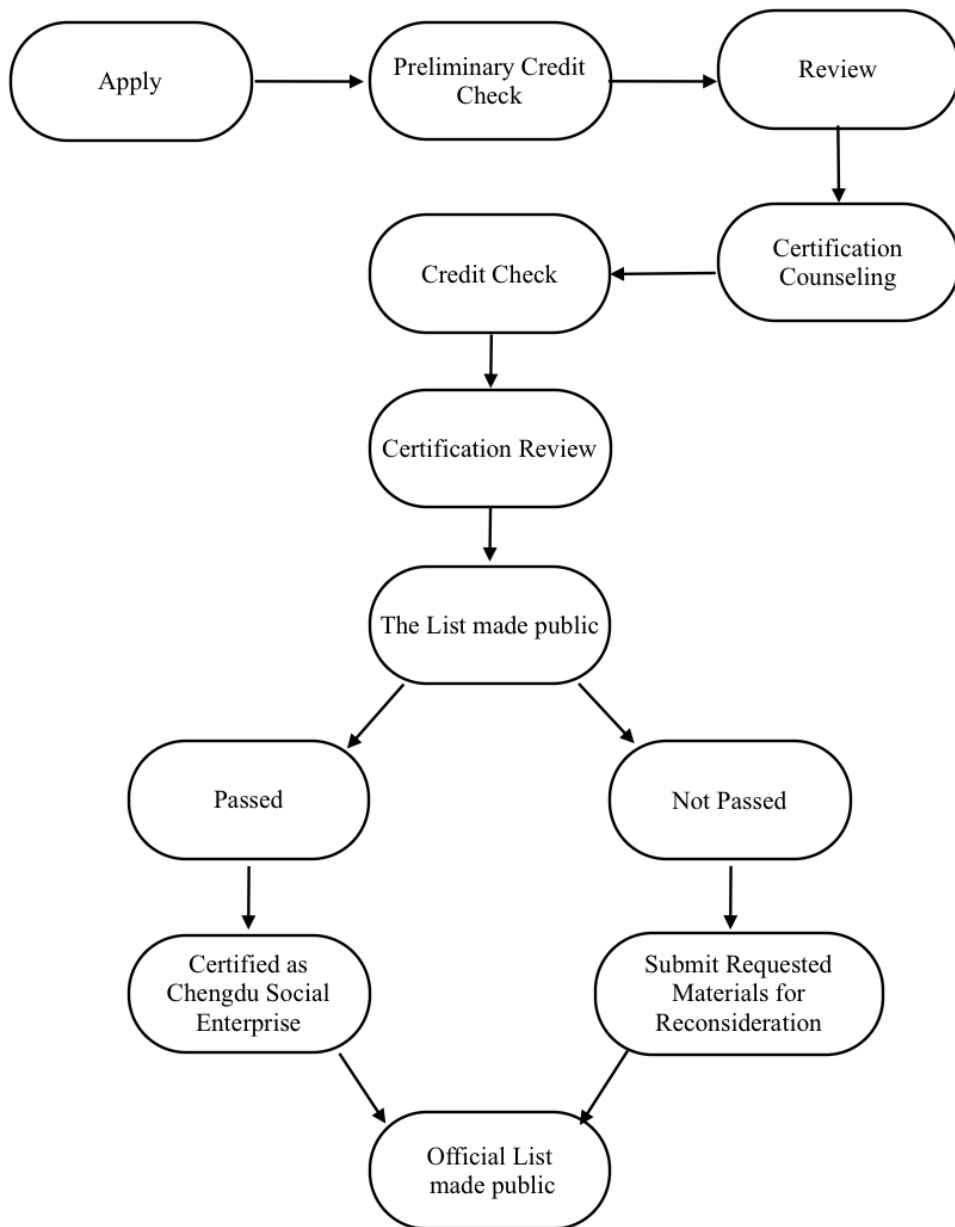


Figure 2-1. The Process of SE Certification in Chengdu

(Source: *Chengdu Social Enterprise Certification Handbook 2019*)

The applying enterprise shall apply through the Chengdu Social Enterprise Comprehensive Service Platform (online). The third-party organization (SSI) will accept the application within ten working days. The district (city) and county market supervision bureaus conduct a preliminary credit check on the declared enterprises within their jurisdiction. The third party will start reviewing those enterprises which pass the preliminary credit check by materials review and site visits, and then provide

guidance on certification for qualified enterprises. A second round credit check (including a due diligence investigation) will be conducted by the third party, with review scores provided for qualified enterprises. After the Chengdu Municipal Market Supervision Administration and the various credit departments in Chengdu hold conferences on corporate credit verification, the third-party will organize an expert review meeting on social enterprise certification. If enterprises which pass the credit check get half of the votes of experts, they pass the social enterprise review, and a public announcement will be made. Enterprises that receive no objection after publicity (the list of ones that passed are published on official channels, such as SSI's WeChat official account and the Chengdu Social Enterprise General Service Online Platform) can be recognized as certified social enterprises in Chengdu, and an official announcement will be made. In some cases, if the publicizing enterprises receive any objections during the first announcement, they need to provide supplement information as required, and only those enterprises that have obtained half or more of the expert votes after reconsideration can pass the review and be announced to the public. The whole process of certification follows the principle of confidentiality, and social enterprise proposal information will not be disclosed to any third party (except in the case of conforming with national laws).

The time schedule for 2019 certification is shown as Table 2-5. The whole process takes about seven months.

Table 2-5 Timetable for Social Enterprise Certification in Chengdu (2019)	
Preliminary Training	March-June
Notice Published	June
Application Period	June-August
Mid-term Training	July-August
Due Diligence	July-September
Review and Publicity	September
Official Release	September

(Source: *Chengdu Social Enterprise Certification Handbook 2019*)

Social enterprise qualification in Chengdu is valid for two years from the date of approval. Upon expiry, the social enterprise shall submit an application for re-examination and conduct the evaluation again in accordance with the above procedures. If the qualification of a social enterprise is cancelled for some reason, a re-application for recognition of the enterprise will not be accepted within the following three years.

Certified social enterprises are publicized through the "Chengdu Credit Network" and can enjoy relevant policy support issued by the government. In addition, certified social enterprises are entitled to use the words "social enterprise" as a business feature in the company name, and apply to the company registration authority for name change registration. This is the first such implementation in China. Moreover, the registration of the business scope of social enterprises has been broadened, and separate registration of corporate residences and business premises are allowed, thus implementing "one site with multiple licenses" and "one license with multiple sites."

The Application Overview of Chengdu Social Enterprise Certification

(2018-2019)

According to the *White Book on Social Enterprise in Chengdu (2018)* and the summary report (2020) of Star of Social Innovation, in 2018, there were 77 enterprises and 23 social organizations (100 in total) applying for Chengdu Social Enterprise, and 12 out of 100 passed the certification. In 2019, there were 141 enterprises and 30 social organizations applying, and 27 out of 171 passed the certification. Judging from the passing rate of the preliminary review (see Figure 2-2) , the quality of the applicant enterprises has been improving.

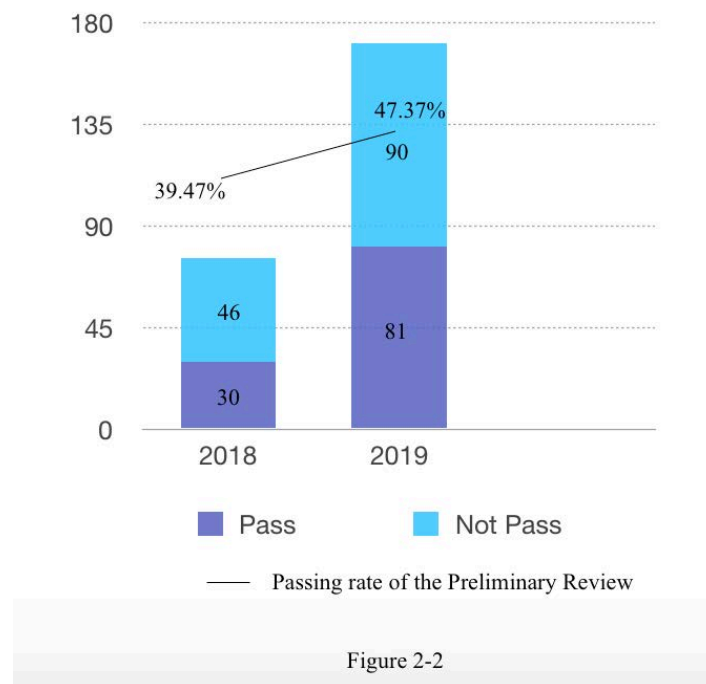


Figure 2-2. Passing Rate of Preliminary Review, 2018-2019
(Source: *White Book on Social Enterprise in Chengdu 2018*)

As for the main social areas of the applicant enterprises, in 2018, the main focus was on traditional community service projects, such as community development, rural development, youth and children education, medical and health, and elderly care, with a total of 61 applicant enterprises, which reflects the deep connection between social

enterprises and community development and governance, with clear Chengdu characteristics. In 2019, the main focused was on residents' living services and rural development (118 in total), public services (26), and basic livelihood services (14).

Figure 2-3 shows the social areas of the certified social enterprises in Chengdu, for 2018 and 2019.

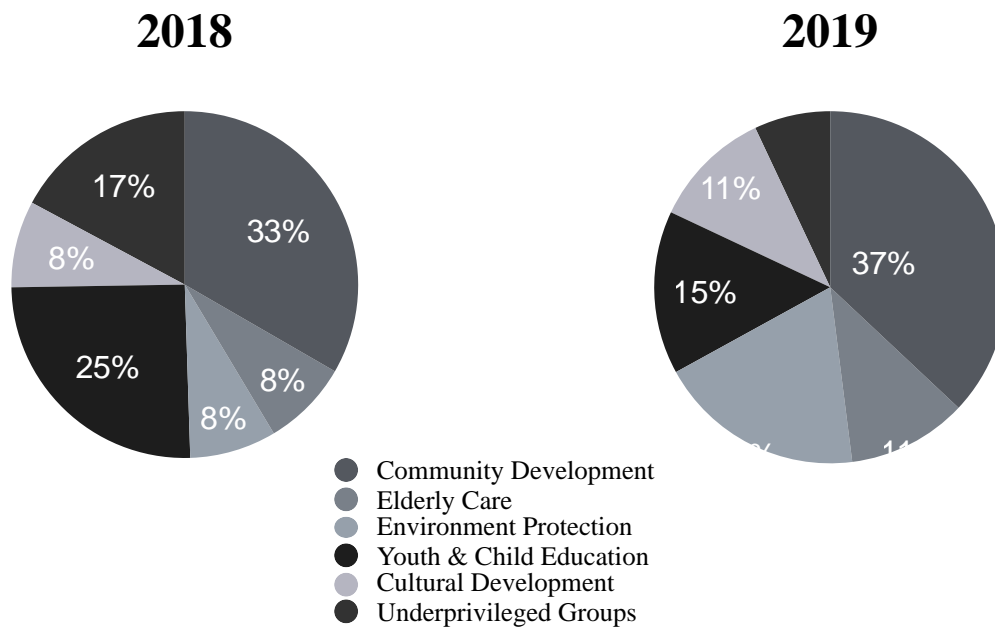


Figure 2-3. Social Areas of Certified Social Enterprises in Chengdu
 (Data source: *Summary Report 2020 of Star of Social Innovation*. Graphics made by the author.)

3. The Structure of the Social Enterprise Ecosystem

Based on the fieldwork and interviews with relevant parties, the author has drawn the structure of social enterprise ecosystem in Chengdu (see Figure 2-4).

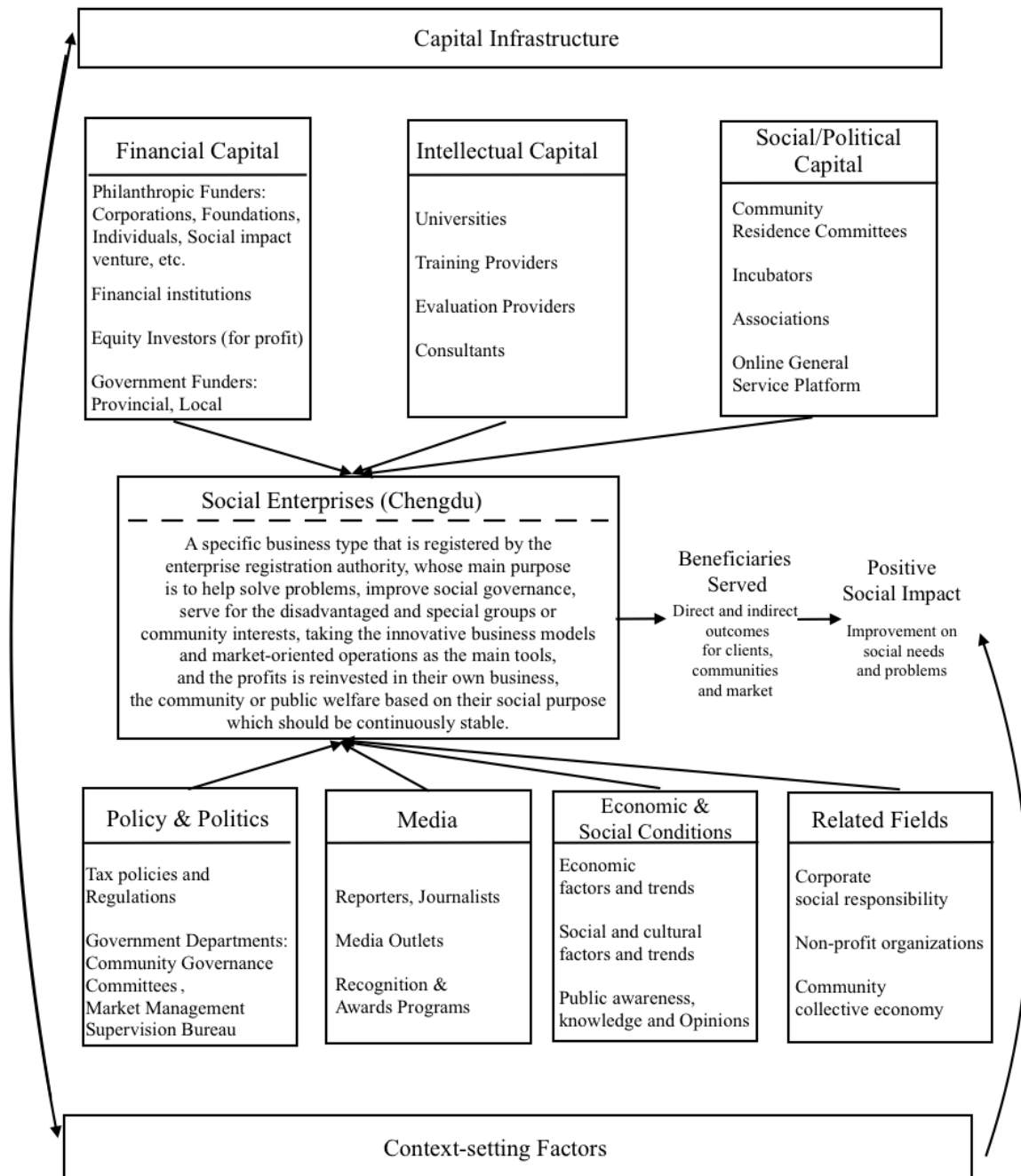


Figure 2-5. The Social Enterprise Ecosystem in Chengdu

(Note: Chart is modified from the ecosystem of social entrepreneurship [CASE, 2008].)

The entrepreneurial ecosystem theory “outlines the holistic understanding of what specific types of environments support firms to benefit from clustering” (Pratono

& Sutanti, 2016, p.107). J. Li (2018) points out that the ecosystem perspective not only focuses on the importance of a single core creator, but also focuses on the interaction of core innovators with other suppliers, customers, and organizations that provide ancillary services. In this sense, a social enterprise ecosystem could be described as the environmental factors that affect the ability of social enterprises to achieve their social goals and intended social impacts.

Two main aspects have been playing essential roles in this social enterprise ecosystem: partners and forms of capital. These aspects interact with each other and together create the environment for social enterprises in Chengdu.

Partners and Forms of Capital

Three forms of capital: financial capital, intellectual capital and social/political capital, are very important to the social enterprises in this ecosystem. As for financial capital, there are several financial resources which could provide funds to social enterprises. Social investment refers to the practice of generating positive social impact and certain financial returns through the provision and use of funds. It has two basic characteristics: it puts social impact first, which is fundamentally different from commercial investment that emphasizes the priority of financial return, and it has the expectation of financial return to a certain extent, which is different from philanthropy, which only emphasizes social impact. Therefore, social investment is an innovative method that lies between business investment and charitable donations, and has some of the characteristics of both (Report No.1, 2019). Currently in China, impact investment and venture philanthropy are two important areas of social investment in regard to investing in social enterprises. An impact investment is an investment that aims to generate positive, measurable social or environmental impact, accompanied by financial

returns (The Global Impact Investing Network, 2018). It places more emphasis on the expectation of positive financial returns, or at least capital preservation. Thus, using commercial investment tools (such as equity, bonds, etc.) as methods, it has more prominent commercial attributes in the field of social investment. In comparison, venture philanthropy emphasizes flexible funding methods and prefers grants in the form of investment. In order to generate sustained impact and create greater social value, venture philanthropy's demand for financial returns is also lower than that of impact investment, and lower than the market return level (Report No.1, 2019). In today's social enterprise ecosystem in China, there are five types of social investment institutions which combine the two types of social investment: public offering foundations (impact investment, venture philanthropy), non-public offering foundations (impact investment, venture philanthropy), government agencies (venture philanthropy), specialized social investment agencies (impact investment, venture philanthropy), and traditional commercial investment agencies that include social investment (impact investment). Narada Foundation's survey report¹¹ released in 2019 found that the ultimate goals of social investment by various institutions have covered three aspects: social impact, environmental impact, and financial return, but three types of institutions (foundations, government agencies, and commercial investment institutions) each has its own focus. The biggest difference between institutions is in financial returns.

¹¹ The total number of survey samples of social investment institutions is 44. Among them, there are 19 foundations, including 6 public offering foundations and 13 non-public offering foundations, developing social investment through impact investment and/or venture philanthropy, with self-owned funds and charitable donations as the main source of funds. There are 13 government agencies, all of which have carried out venture philanthropy, with welfare funds and financial appropriations as their main sources of funds. There are 12 commercial investment institutions, including 7 specialized social investment institutions and 5 traditional commercial investment institutions including social investment businesses, with their own funds and commercial funds as the main sources of funds, which mainly use impact investment. 36 surveyed institutions are located in the eastern region, one is located in the central region, and three are located in the western region. There are four surveyed institutions with institutional registrations in Hong Kong and Macao and overseas.

Government agencies do not pursue financial returns in venture philanthropy, while foundations and commercial investment institutions have made clear their pursuit of financial returns in impact investment. In terms of the areas of greatest concern in social investment, education and training, health and medical care are unanimously favored by foundations, government agencies, and commercial investment institutions. Meanwhile, foundations have paid special attention to industry support services, and government agencies have increased focus on community development, while commercial investment institutions have paid special attention to food and agriculture. In Chengdu, the government has clearly expressed support for local social enterprises in the financial area. According to the Opinions of the General Office of the Chengdu Municipal People's Government on Cultivating Social Enterprises to Promote Community Development and Governance, it guides financial institutions to increase their services and provide financial services to qualified social enterprises, and encourages equity investment funds to support eligible social enterprise projects in order to promote the development of social enterprises. Moreover, it encourages and guides all social forces to support outstanding social enterprises and brand projects to become bigger and stronger through venture philanthropy and impact investment.

In regard to intellectual capital, SSI has been playing a key role. SSI mainly provides social enterprise certification and evaluation services for social enterprises in Chengdu. It also provides services such as incubation, training, management consulting, communication, and financial services. It is a third-party service purchased by the Chengdu Market Supervision Bureau with a yearly contract. SSI reports work progress and results monthly to the Market Supervision Bureau, and provides a periodic report every half year. In addition to its own team members, the certification review team in the preliminary review also includes teachers and students from several universities.

There were more than ten people on the review team in 2019. Usually in January, SSI starts the evaluation for those certified social enterprises from the previous year, which typically lasts about half a year. Firstly, it provides training for those social enterprises which will be under evaluation. After the social enterprises have compiled and submitted their respective information, SSI evaluates the information and conducts field visits, then analyzes the data and issues an evaluation report. In the evaluation session in 2019, SSI introduced a third-party consulting agency to help build an impact evaluation framework and logical model. The chief officer of SSI admitted that the evaluation process needs to be gradually optimized. At present, the domestic social impact assessment does not have a complete and mature model, which requires continuous exploration and cooperation. Additionally, the government also encourages local universities to establish social enterprise research centers to cultivate a group of social entrepreneurs who are familiar with international rules and have an international perspective, through cooperation, exchanges, purchase of training services, etc. For example, the Center for Philanthropy and Social Enterprise (CPSE) at the University of Electronic Science and Technology of China (UESTC), based in Chengdu, is a leading research and education center for students, scholars and practitioners to explore and share ideas for how it could create social change at both the local and national level. The center has conducted fundamental and prospective research in the fields of corporate philanthropy, corporate social responsibility, and social enterprise and global sustainability, and has also devoted itself to cultivating social entrepreneurs as well as providing strategic planning and policy recommendations for companies and government.

As for social/political capital, the *community residents' committee* is a core base in this area. It is a residents' organization of the "community" in districts of urban

streets and administrative towns in mainland China, and is also a grassroots mass autonomous organization. The chief officer is selected through free elections, and has no staff status of government-affiliated institutions. The chief officer has played a very important role. As Ms. Chen, the former chief officer of Xiangheli Community, described in a personal interview, “This person is like a bridge. He/she must take a neutral role, and needs to consider the community’s 3-year and 5-year plans from the perspective of community development. At the same time, he/she should also be like a resource link platform, so this person’s awareness must be superb. In fact, community chief officers are quite lacking of talent staff.” The reason for this is that the salary system and promotion system of community work are somewhat flawed, and so it is difficult to retain talent. The sense and attitude of community chief officers directly affects the launch of social enterprise projects in communities. In the cases of Mordo, Sanhua Creative, and City Window, the communities have used idle sites and facilities to provide these organizations with office space and office facilities services, which truly helps those social enterprises reduce their operation costs and have convenient working/activity bases inside the communities.

Incubators such as Qing Yang District Social Entrepreneurship Support Center have been outsourced by the social governance in this district. Their main function is to incubate social enterprises and social organizations, mobilizing them to perform service projects that support community development and governance, and integrate the resources of the whole district, and even the outer districts. The above center is responsible for the incubation of social enterprises at the macro level as well as the meso and micro levels. The macro level involves conducting interactive discussions on social enterprises with the relevant leaders of the district government, and holding seminars in various departments and townships. At the meso level, the aim involvest

two dimensions of incubation work. The first type is from scratch, which means the center is to incubate some new types of things. For example, it could provide the whole process of counseling for social entrepreneurs to start a social enterprise, including registration and establishing internal systems and processes. The second type is to assist existing social enterprises with brand packaging and project promotion. The senior manager of this support center, Fuyou Deng, offered an interesting opinion regarding the relationship between the center and government departments. Besides the advantages of their work profession, they (as a third party) have unique strengths due to subtle tensions among government departments such as the Civil Affairs Bureau, the United Front Department of the Party Central Committee, and the Women's Federation and Social Governance Committees. He explained:

“For example, in our social entrepreneurship support center, those departments now have a lot of things in this work field, and sometimes they come to us. It is more difficult to have cooperation between those departments because they all have their own political agendas. They're probably thinking, ‘If this matter is given to you. I can't get any credit, right?’ But us, as a third party, are actually better at coordinating with various departments. In fact, these are all complementary, and we introduce some resources to them as well. China's political system is structured, and the social governance committee is a department that coordinates resources, not a department that mobilizes resources.

Speaking of which, you can coordinate all departments, but the problem is that you are essentially another department.”¹²

Other than community residents’ committees and social entrepreneurship incubators, the online general service platform is also an important tool for local social enterprises. The general service platform for social enterprises has been established in a four-in-one manner involving a WeChat official account¹³, Weibo¹⁴, a website and social groups. This is done in order to increase publicity and provide local social enterprises with services such as corporate empowerment, resource links, exchanges and cooperation. The online general service platform is mainly divided into five major sections: social enterprise reports, social enterprise services, social enterprise cases, course and activities, and certification channels. (The applications for social enterprises are all completed through this platform.) At the same time, relying on this online platform, the government has been cooperating with social dynamics to explore a supervision model that separates the economic and social attributes of social enterprises, guides social enterprises to follow public disclosure of social enterprise information as promised, and also implements a social enterprise withdrawal (delisting) system.

Two government departments are essential for social enterprises in Chengdu: the Urban and Rural Community Development and Governance Committee (the

¹² Fuyou Deng is senior manager of an SE incubator in Chengdu Qingyang District. The information comes from a personal interview conducted at Chengdu Qingyang District Social Entrepreneurship Support Center, on April 29, 2020.

¹³ WeChat has risen to dominate the Chinese social media space. WeChat Official Accounts are the WeChat equivalent of a Facebook page: they are an interface a brand can use to gather followers, send them push notifications and redirect them to a website/e-commerce. Users can then open the account to access a conversation interface where they can either click on push notifications or access information through the bottom menu interface.

¹⁴ Sina Weibo is a Chinese microblogging (weibo) website. It is one of the biggest social media platforms in China.

“community governance committee”) and the Market Supervision Administration. As for their relationship, the chief officer of SSI has an interesting metaphor: “I will put it in a quite simple way. The Market Supervision Administration is like the birth mother of Chengdu social enterprise, but the community governance committee is the one who has to raise it.” After the launch of a social enterprise, it is the community governance committee’s duty to help promote and develop it in the context of communities. Taking Jinniu District (Mordo’s location) as an example, the officer of this district’s Urban and Rural Community Development and Governance Committee, who has been in charge of the development of local social enterprises, explains the “how”. Firstly, she mentions that at the beginning of 2019, the municipal government issued notice to promote the development of social enterprises, setting up the first batch of pilot districts and counties; Jinniu District is one of them. This notice was entitled the Opinions of the General Office of the Chengdu Municipal People’s Government on Cultivating Social Enterprises to Promote Community Development and Governance. The development goal is to cultivate and develop a group of social enterprises with a certain scale and certain impact and radiation, and essentially form a support system that encourages social enterprises to effectively participate in social governance. Social enterprises play an active role in innovating social governance and serving community development. In 2018, the committee guided a group of social enterprises to become implemented in communities, and carried out the first batch of social enterprise review and accreditation to promote the formation and development of social enterprises. In 2019, it started a second batch of social enterprise reviews and accreditation, through social enterprise evaluation and identification, demonstration and guidance, to cultivate and develop more social enterprises and social entrepreneurs in the city. In 2020, it improved the mechanisms of cultivation and evaluation for social enterprises, and formed

reproducible institutional results for the effective participation of social enterprises in social governance. Key tasks include facilitating the registration of social enterprises; supporting social forces to invest in the establishment of social enterprises; giving priority to the development of community life services and rural agricultural social enterprises; strengthening the cultivation and incubation of social enterprises; and encouraging various incubation platforms to provide incubation services for social enterprises. Meanwhile, 22 districts and counties have been encouraged to build their own social enterprise incubation bases. Jinniu District had the original social entrepreneurial center, which was built by the district to provide workplaces for social organizations and social enterprises, so a social enterprise incubation base was founded at this center. Secondly, different districts and counties have different incubation models for social enterprises. Some districts and counties (such as Qingyang District) directly outsource the incubation business, and some districts and counties (such as Wuhou District) use social impact investment as a method. In Jinniu District, social enterprise incubation has been achieved by holding a nationwide social entrepreneurship competition. Through a series of training camps and binding project landing services, the bonuses of the competition are directly used as subsidies for the winning enterprises to conduct business in Jinniu District. At present, 15 community projects have been implemented through this form. The third item regards how to explore existing social enterprises. There are currently three ways for doing so in Jinniu District. With one way, the sub-district offices provide information on potential social enterprises to the district social governance committee, and then the district social governance committee contacts them later. Another way is to open some channels to enterprises to actively provide them with information, such as the district social enterprise seed bank (a group for those who have the potential to become certified social enterprises). Enterprises

entering the seed bank will enjoy preferential tax treatment in the district, which is relatively attractive to many enterprises. After enterprises register for the seed bank, an evaluation team is formed, composed of representatives from the municipal social governance committee, market supervision bureau, and administrative examination and approval bureau, as well as some experts and financial personnel.

The officer of the community governance committee in Jinniu District explained the difficulties and challenges of their work:

“We mainly rely on the sub-districts and communities to promote the concept of social enterprise. If they can’t keep up, our work would be very difficult to carry out. Also, there are our work partners, such as the Market Supervision Bureau and the Administrative Approval Bureau. Each of us thinks from different angles and positions. It is such a big challenge to achieve a balance of work and make a win-win situation.”¹⁵

This officer describes two difficult points: one is how to coordinate between different government departments, the other is how to cultivate or change people’s thinking of sub-districts and communities in the matter of social enterprise.

Use of media would have a high potential in this ecosystem, since currently the main broadcasting sources are official ones (online general service platform, training sessions, etc.). In late 2019, the China Social Enterprise and Impact Investment Forum was held in Chengdu; more than ten media outlets (such as Caixin Global, China

¹⁵ L. Qiu, government officer. Personal interview conducted at the office of community governance committee in Chengdu Jinniu District. May 14, 2020.

Philanthropy Times, Innovator, and Shanda960) which pay attention to the field of social entrepreneurship provided deep coverage of this event. The case of Chengdu has also been widely discussed. During the forum, China Charity Fair awarded certain social enterprises with designations such as China Good Social Enterprise and Golden Social Enterprise. This series of media activities has been helping to shape the branding of social enterprise and promote public awareness on this concept. However, the public awareness of social enterprise is still very inadequate. There are still multiple, conflicting understandings in this ecosystem, together with obstruction of mutual interactions as well as internal conflicts, which have become obstacles for forming an effective collective impact.

Chapter 6: Case Study: Becoming a Social Enterprise

Case studies can help us to better understand the evolution of certain social enterprises in Chengdu in depth, including the formation stage, conflict stage and transformation stage, and to see problems previously unnoticed.

A purposeful sampling procedure was used to select this study's sample. Patton (1990) proposes a series of strategies for purposeful sampling. First of all, the author sought to locate certified cultural social enterprises in Chengdu. Thus, the sampling strategy employed in this study was homogeneous sampling, which refers to selecting for research a group of cases with similar internal components. Its purpose is to allow for carrying out in-depth discussion on certain kinds of cases within the research, so it can focus on an in-depth analysis of some phenomena within these cases. "Intensity sampling" selects cases with higher information density and intensity for research. Its purpose is to find those cases that could provide very dense and informative information for the research question. The criteria for selection for participants were:

- Social enterprises presently certified by the city of Chengdu, and
- Social enterprises categorized in the cultural sector by SSI, the third party in charge of certification and assessment, and

- Social enterprises with founders who are active members of the management team and are involved in the initiative to become a certified social enterprise.

Among Chengdu's 39 certified social enterprises, there are four certified social enterprises in the cultural sector in total (1 certified in 2018, and 3 in 2019) in the category specified by SSI. Meanwhile, by the end of March 2019, there were more than 300 observational social enterprises in Chengdu.¹⁶

The following form (Table 2-6) shows very basic information for the four selected cultural social enterprises, including the name, the year of certification, and their social missions.

¹⁶ Source: data from the City Industry and Commerce Bureau (2019).

Name	Chengdu City Window Cultural Development Co., Ltd. (City Window)	Chengdu Mordo Culture Communication Co., Ltd. (Mordo)	Chengdu Sanhua Cultural Creative Management Consulting Co., Ltd. (Sanhua Creative)	Sichuan Dingyi Cultural Heritage Protection Co., Ltd. (Dingyi Heritage)
Founder(s) (age range, gender, education)	Y. Yuan; Age: 45-54 Female Master's Degree	H. Yang; Age: 55-64 Female Associate Degree	Y. Liao; Age: 45-54 Female Associate Degree	L. Zhang Age: 18-24 Male Associate Degree
Year first certified	2018	2019	2019	2019
Mission	Help with the employment and survival of women at home and left-behind women in poor areas	<ul style="list-style-type: none"> • Inherit and develop the grand traditional culture of ethnic minorities • Help poor women in rural areas and people with disabilities acquire skills and work at home 	<ul style="list-style-type: none"> • Discover the local culture of Chengdu, promote the traditional culture • Plan and participate in community building in the cultural sector 	Inherit and protect cultural relics and intangible cultural heritage
Methods	In-depth interview	<ul style="list-style-type: none"> • Full-time work • In-depth interview 	In-depth interview	In-depth interview

(Source: the official materials of each social enterprise, organized by the author.)

The companies are: Chengdu Mordo Culture Communication Co., Ltd. (Mordo) and Chengdu City Window Cultural Development Co., Ltd (City Window), both related to handicrafts, and which aim to improve the lives of poor women and help them acquire skills and make money; Sichuan Dingyi Cultural Heritage Protection Co., Ltd. (Dingyi Heritage), which inherits and protects intangible cultural heritage; and Chengdu Sanhua Cultural Creative Management Consulting Co., Ltd. (Sanhua

Creative), which has been dedicated to discovering local culture and promoting traditional culture.

Yang Huazhen, Mordo's co-founder, is the Chinese national intangible cultural heritage¹⁷ inheritor (it is a national project organized by China's Ministry of Culture and Tourism aiming at protecting traditional culture while also recognizing outstanding individuals) of Tibetan and Qiang embroidery, who has collected and refined these two kinds of embroidery techniques. Liao Dingyi, Dingyi's co-founder, is the Sichuan intangible cultural heritage inheritor of the "Shu Mounting" traditional technique for paintings and calligraphy. Mordo and Sanhua Creative both build very close relationships with local communities, planning and organizing events and classes for the residents to promote Chinese traditional culture. In summary, these four certified social enterprises share similar internal components in the cultural sector in Chengdu. Mordo is a case with higher information density and intensity, making it suitable for this research.

This multi-case study focused on the above four certified cultural social enterprises in Chengdu. In seeking to understand in what kind of ecosystem they are currently operating in, as well as their evolution in this ecosystem, three types of information needed to be obtained in this study: contextual, perceptual, and demographic.

Contextual information refers to information that describes the culture and environment of the setting (Bloomberg, 2012), such as how the social enterprises interact with other stakeholders and how those multi-stakeholders understand certified social enterprises, as well as how they describe their work challenges in such context. In

¹⁷ An intangible cultural heritage (ICH) is a practice, representation, expression, knowledge, or skill considered by UNESCO to be part of a place's cultural heritage.

this study, it is important to obtain knowledge about the history, vision, products or services, operating principles, business strategies, leaders and the management structure, systems, staff, roles and procedures of the four certified cultural social enterprises, and it is necessary to collect information of other key stakeholders, such as the City Industry and Commerce Bureau, the Chengdu Urban and Rural Community Development and Governance Committees, local communities, Star of Social Innovation (the third party which is in charge of certification and assessment), other related social organizations and social impact investors, in order to describe the current ecosystem.

We also pay attention to demographic information, which reflects the profiles of each social entrepreneur in this research sample. As a social enterprise is an individual project, this kind of information includes the four social entrepreneurs' age, gender, education background, and discipline.

It would also be helpful to understand what may be underlying the four social entrepreneurs' perceptions, as well as similarities and differences in perceptions among them. Perceptual information would effectively be uncovered from the researched parties' descriptions of their experiences. It is essential to find out the values and entrepreneurial orientation of the founders (co-founders) of those four certified cultural social enterprises, how they identified /evaluated opportunities and how they viewed the relationships with multi-stakeholders (governments, social organizations, communities, customers, beneficiaries, employees, investors, etc.), as well as what they saw as the difficulties and challenges for the development of certified social enterprises.

The four certified cultural social enterprises in Chengdu are all in the early stage of organizational development as social enterprises, even though most of them (Mordo, City Window and Sanhua Creative) have already been operating for over ten years as

commercial companies.¹⁸ Mordo and City Window also started their own non-profit organizations in the last few years;¹⁹ both of them have chosen to combine/connect the aspect of business from the original companies with the aspect of public welfare from the non-profit organizations, and become social enterprises based on the features. Becoming a social enterprise has made them rethink their business models and internal governance accordingly, and the four founders said they are still exploring the most suitable and sustainable ways for themselves regarding organizational development.

In terms of market operations, the market structure of these four social enterprises presents a diversified state. Their main source of income is self-operating income, but they have made a general evaluation of their business operations capabilities (based on strategic management, production management, marketing and brand management, human resources, financial management, legal tax management, and stakeholder relationship management). However, each of the four social enterprises clearly pointed out that they are relatively weak in marketing and brand management and human resource management.

In terms of mission and social values, these four social enterprises have clearly stated in their charters that they restrict profit distribution and implement asset lock-in (the purpose is to ensure that the assets of social enterprise are used to achieve social missions rather than private interests). For example, Mordo stipulates in its social enterprise charter: “The part of the company’s annual profit used for shareholder

¹⁸ Dingyi Heritage was founded in 2017 as a commercial enterprise.

¹⁹ The founder of Mordo founded the Tibetan and Qiang Culture Museum in 2012. It provides a platform for the display of Tibetan and Qiang ethnic cultures, helping rural women to increase their income through training their skills and producing handicrafts with elements of Tibetan and Qiang intangible cultural heritage, also protecting and inheriting Tibetan and Qiang cultures in the production practices. City Window’s founder established a social organization in 2015 aiming to help the employment of left-behind women in poor areas through the handicraft industry.

dividends is not more than 35%, and the remaining part is committed to be used for the company’s development and social goals. When the company is dissolved and liquidated, it promises to donate 40% of the remaining property to those social enterprises, charity funds or other charitable undertakings with similar missions and goals.”

In terms of organizational scale and growth, the four social enterprises are all small- or medium-sized organizations²⁰ based on indicators such as their total annual income, total assets, and total financing. From the perspective of the number of salaried employees, they are all small businesses. In fact, this is also in line with the current general situation of Chinese social enterprises.

Table 2-7. The Sizes of the Four Certified Cultural Social Enterprises in Chengdu

Social Enterprise	Number of salaried employees	Number of full-time employees	Divisions
Mordo	19	14	Design; Operation; Accounting; General Management
City Window	15	15	Handicraft Teaching; Design; Marketing; Accounting (outsourced)
Sanhua Creative	80	80	Operation; Finance and accounting; General Management; Marketing; Publishing
Dingyi Heritage	13	13	Technical; Accounting (outsourced); General administration

(Source: interviews with the founders of each social enterprise; organized by author)

²⁰ In China, small- and medium-sized enterprises are divided into three types: medium-sized, small-sized, and micro-sized. The specific standards are formulated according to the indicators such as enterprise employees, operating income, and total assets, in combination with industry characteristics. In the industries of social work, culture, and sports and entertainment, small, medium and micro enterprises have less than 300 employees. Among them, those with 100 or more employees are considered medium-sized enterprises, those with 10 to 100 are small enterprises, and those with less than 10 employees are micro-enterprises.

Additionally, two of the four social enterprises stated that they are in a relatively healthy financial situation. Dingyi Heritage stated that it has been greatly affected by the COVID-19 pandemic in 2020, with cash flow broken and the company needing to rely on borrowing to pay employees' salaries. City Window's business has also experienced a shortage of funds, and is currently actively contacting financing. According to a national survey on the survival of social enterprises (including certified and non-certified social enterprises) and social organizations during the COVID-19 pandemic, conducted by China Social Enterprise and Impact Investment Forum in early 2020, out of 112 samples, a total of 36 certified social enterprises participated, 58.33% of them said that existing funds can only be maintained for three months, and 38.89% plan to fundraise 1-10 million RMB.

In terms of financing, the original capital of the four social enterprises mainly comes from social entrepreneurs or family; after their establishment, the success probability of financing is low and the financing scale is limited. In the interview, Mordo and City Window, which have financing needs, are considering equity investment from commercial companies. On a larger scale, commercial venture capital institutions, emerging social investment institutions and traditional commercial banks have not become the main sources of financing for social enterprises.

1. Government's Role through Community Residents' Committees

All of the interviewed social enterprises knew about social enterprise certification from their local community residents' committees. Dingyi Heritage was proactively asking their local community residents' committee for relative support policies of workplace subsidy, and the staff recommended that they apply to become a

social enterprise. After checking all the requirements, the founder of Dingyi Heritage thought it might be worth trying:

“We just wanted a workplace to start with. We didn’t hold any hope when applying for social enterprise. I prepared all the required materials all by myself and went through the whole process...So when they (SSI) called to tell me the result that we successfully passed, I was kind of shocked. The follow-on support policies are good, and the district will award us RMB100,000²¹.”²²

The other three social enterprises knew about the social enterprise certification through their local community residents’ committees as well, but the circumstances could be divided into two categories. One is passive training by the government, as in the cases of City Window and Mordo. As City Window’s founder remembers,

“We knew about it (social enterprise certification) because Chengdu conducted a training session on social enterprise at that time. It was in early 2018, and then the first batch of social enterprise certification was being promoted. The training session was mentioned on a notice issued by the Market Management and Supervision Bureau and sent to the communities. Our community informed us to participate directly, saying that there was training

²¹ RMB 100,000≈ USD 14,655.

²² L. Zhang, founder of Dingyi Heritage. Personal interview conducted at the office of Dingyi Heritage. April 23, 2020.

on a new concept...It was during the training that we first gained some knowledge about social enterprises.”²³

Similar to City Window’s case, Mordo also received a training notice from the community, and was recommended by the community to apply for certified social enterprise at the district level (Jinniu District). After becoming a Jinniu district social enterprise, Mordo continued to apply for Chengdu certified social enterprise in the same year.

The second category is the need for the government purchases. This was the case with Sanhua Creative, whose founder explained in an interview,

“In fact, I don’t know why I started a social enterprise. I didn’t know at all that I would do a social enterprise... Last March (2019), a community chief officer invited us to open a bookstore in their community. Since we usually open bookstores with local cultural characteristics at tourist attractions, he felt that our quality was very suitable for their community. After we agreed to do it, the chief officer said that if they want to purchase our services for community cultural activities in the future, we need to participate in biddings as a social organization or social enterprise. I thought it was very troublesome, but in May, I was recommended to apply for social enterprise because we had met its conditions. So, if there

²³ Y. Yuan, founder of City Window. Personal interview conducted at the office of City Window. April 22, 2020.

was no such community project, I would not want to be a social enterprise.”²⁴

Two specific questions could be raised regarding the above descriptions for the launch of social enterprises in Chengdu:

1) Even though all these social enterprises obtained the certification information through their local communities, why did they learn about it in different ways (by proactive inquiry or passive training)?

2) What are the social enterprise training sessions held by the government like?

The first question could be answered by knowing the founders' social backgrounds. The ones who were asked to participate in training sessions (City Window, Mordo, and Sanhua Creative) all have a government background. Some of them used to work in the government or currently have titles in group organizations directly led by the government, such as Chengdu Women's Federation and Chengdu Federation of Literary and Art Circles. As the exception here, the founder of Dingyi Heritage did not have any connections with government, which resulted in the company learning the information about social enterprise certification by accident to some extent. A follow-up question is: how were these enterprises chosen by the government? In Mordo's case, the company first applied for the seed bank under the recommendation of the community, and gave a 20-minute presentation in front of the evaluation team, stating what it does, what the income goal is, and what social problems it solves. After the enterprises were put in the seed bank, the district social governance committee would visit them and recommend qualified enterprises to apply for social enterprises in

²⁴ Y. Liao, founder of Sanhua Creative. Personal interview conducted at the office of Sanhua Creative. April 18, 2020.

Chengdu. As an alternate approach, the municipal leaders would sometimes pay attention to certain enterprises, and would inquire to district social governance committees to learn more about them.

As for the second question, according to the *White Book on Social Enterprise in Chengdu (2018)*, Chengdu has targeted relevant municipal departments, district and county social governance committees, market supervision administrations, subdistricts (townships), communities (villages), and observational social enterprises under corresponding jurisdictions, carrying out a series of special trainings on the themes of “Social Enterprise Concepts and New Social Governance Models” and “Social Enterprise Certification and Social Entrepreneurship.” Scholars and social entrepreneurs are invited to give lectures on social enterprise theories and cases to help trainees to expand their vision and thinking on social innovation and social enterprise, as well as to improve their theoretical understanding and practical abilities in this field. As of the end of March 2019, a total of four training sessions have been held, with more than 1,000 trainees participating, of which more than 70% of trainees were from enterprises and social organizations.

We could see that the government has played an essential role in the broadcasting and launching of social enterprise and its certification application, which to some extent has caused a limitation of communication channels and information coverage. It is clear that the development of social enterprise in Chengdu is in a policy-driven mode, and a social enterprise ecosystem initiated by the government has been emerging.

Before depicting the specifics of the social enterprise ecosystem, there are several concerns regarding this policy-driven and government-led mode for the development of local social enterprise, which can be addressed using the following

questions: Are there any differences between social entrepreneurs who have participated in the training sessions and those who have not? What are the related parties' (social entrepreneurs, chief officers of the community residents' committees, government officers, SSI, social organizations, etc.) understandings of the concept of social enterprise? Could this mode hinder the initiative of social entrepreneurs or trigger any speculation?

2. Ambivalence of the Notion

It is possible that the current mode could hinder the initiative of social entrepreneurs because the understanding of social enterprise has been presented in different ways among relevant parties.

The chief officers of third parties such as SSI, which has been in charge of the assessment and certification of Chengdu social enterprises, and the Qing Yang District Social Entrepreneurship Support Center, which has been providing incubation services for social organizations and social enterprises in Qing Yang District as an outsourcing party, have a relatively comprehensive understanding of the concept of social enterprise, for they are the ones to train and evaluate those enterprises and social organizations which are interested in becoming social enterprises. These officers are also sensitive to the related policies, seeing them as good opportunities for the development of the third sector. The chief officer of SSI explains her understanding of social enterprise as follows:

“I insist that corporate social responsibility (CSR) and social enterprise are two distinct concepts. The simple understanding is

that CSR involves throwing money directly into it (social problems). The money cannot be collected, and the only way to expand the business is from the impact gained. However, the money invested by a social enterprise needs to be recovered. The social enterprise that wants to make money is an enterprise, and cannot be confused with CSR. It (the concept of social enterprise) is at an exploratory stage, and there is no way to unify it, but you can focus on a few core issues. The first is what kind of social problems you are solving; the second is whether you use market-oriented means; the third is your social achievements and social impact.”²⁵

The chief officer of SSI further asserts that there is no contradiction whether social organizations or enterprises become social enterprises. Social organizations have social attributes in nature, but we need to see whether their financing can be sustained and if there are mature products that can be sold on the market; conversely, enterprises use commercial means to do business, but we need to see if they are able to solve social problems in this process. Thus, the focus is different. The financial sustainability of enterprises must be abided by, and the social attributes of social organizations must be adhered to. The finances of the former are stronger, and the social attributes of the latter are stronger, so it is not contradictory in this sense. However, since the launch of Chengdu’s social enterprises are led and supervised by the Market Supervision and Administration Bureau, there is more emphasized on the market aspect.

²⁵ Song Ai, chief officer of Star of Social Innovation. Personal interview conducted at the cafeteria of Community Development and Governance Support Center in Jinniu District. April 27, 2020.

Similar to the opinions of SSI's chief officer, the senior manager of the Social Entrepreneurship Support Center in Qing Yang District contends that the realm of social enterprise lies between social organizations and the market. Its real position lies in the areas where the government is unable to do, enterprises are reluctant to do²⁶, and social organizations are not able to do well²⁷. Therefore, social enterprises must grasp the gaps and find their own position. Meanwhile, social enterprises are enterprises; they actually integrate some of the advantages of the third sector and the second sector, while overcoming some of the shortcomings of the second sector.

There are also diverse voices inside the government in regard to the understanding of social enterprise. The officer who has been in charge of social enterprises in Jinniu District explained, in an interview, that when she first came to the social governance committee in 2018, she actually didn't know much about what social enterprises are. She started by reading relevant literature and documents, and after a year of work, she has gradually gained some understanding. She believes that a social enterprise is an enterprise to begin with, and it must solve its own survival problems first before it can solve the social problems it targets. Another officer, who has been working in Qingyang District on social enterprise issues, confesses that since the social governance committee is a newly-established department, the staff have all been transferred from other government departments, so at first they don't know much about the concept of social enterprise. In her opinion, social enterprise is a kind of semi-profit enterprise. However, she also notes that the Qingyang District Social Governance Committee offers some specific management training, such as community development

²⁶ "Because they don't make much money and the rate of investment is low."

²⁷ "The core resources of social charity organizations are relatively fragmented, and government purchases also have a certain mechanism... many services require continuous profession to get process."

and social enterprise cultivation, which is guided by city and domestic experts and officials in the field.

Through the interviews (individual in-depth interviews and a focus group) with some government officers in this field, one thing which needs noting is that these new policies in Chengdu are relatively avant-garde from a domestic perspective, aiming at developed regions and advanced practices internationally. However, the officials at the primary level may not be able to reach the level of understanding behind the policy. This gap comes from two kinds of tensions: one is the lack of understanding and ability of the overall cadre team, and the other is the limitation of resources. The work content of the social governance committee has been increasing, but the budget has not changed, and the number of personnel is also insufficient (usually there are about 10 people in social governance committees in a district, and there is only one staff member responsible for the development of social enterprises), so it is hard to effectively process their work. In the past, public attitudes (not considering community work to be a highly professional job), low wages, low thresholds, and few workers, had been forming a vicious circle. After the establishment of the social governance committee, in terms of personnel composition, the government has begun to recruit professionals from colleges and universities to do this kind of work. For example, the staff member responsible for social enterprises in Jinniu District is a postgraduate from the Department of Sociology of the University of Hong Kong. Her understanding of community work and social enterprise development is indeed relatively prominent among the interviewees. Under the same internal training system, the differences in the personal qualities and professional backgrounds of the staff of the social governance committees in different districts have also led to different perceptions of social enterprises.

Community residents' committees have very close links with social enterprises, especially in Chengdu's new social governance system. Xiangheli community²⁸ has won first place at the public welfare entrepreneurship competition among more than 100 communities three years in a row from 2015 to 2017. Led by the then chief officer Ms. Chen, Xiangheli community's projects, such as Children's Home²⁹, Commercial and Residential Alliance³⁰ and Food Festival,³¹ fully reflect her ideas of community development, which is —

“It's a change in people's consciousness. The community first allows them to participate in the public affairs of the community, and then displays their strengths in the process of participation, but they must also have the awareness of paying. Why is the government so tired now? It has provided too many free services, so it now feels like an abyss. The government proposes to stimulate the vitality of social organizations, and then to involve diversified social forces in the social governance, and to

²⁸Xiangheli Community is located in Chenghua District, with a community area of 0.32km² and a green area of 52.100km². There are 6,781 households in the community, 5,100 migrants, 220,000 inhabitants, and 49 residential communities. There are 60 resident representatives in the Xiangheli Community Residents' Committee, and there are 5 working committees in it: Community Service Working Committee, Public Security Working Committee, Family Working Committee, Health and Environment Working Committee, and Culture and Education Working Committee.

²⁹ This is a Community Child Care Service.

³⁰ In this alliance, residents can spend their hours as volunteers in the community to redeem goods/service discounts from cooperative stores/businesses in the community.

³¹ There is a food street in this community, and businesses and residents (especially near shops or on higher floors) have always had some conflicts, such as because of the noise and smell. This food festival was originally funded by merchants in October every year, specifically inviting residents who have been in conflict with them to taste food at a very low price. Later, the community set up a community fund to combine the food culture and the public welfare. The scale of the current food festival has become much larger, and not only businesses participate, but also those resident interest groups incubated by the community.

modernize governance capabilities and governance systems, for it can no longer support communities like before. The financial funds are very tight, especially after the COVID-19 pandemic this year...so we must establish a social community where everyone is responsible, and everyone shares.”³²

In the practice of introducing social enterprises into community projects, Ms. Chen also has developed her own understanding of social enterprises. She believes that social enterprise is an inevitable trend of social development. Social enterprises need to find their own social values and economic values. Her assessment of social enterprises is as follows:

“We (communities) also encourage the transformation from social organizations to social enterprises. Social enterprise is actually an upgraded version of social organization, because social organizations basically rely on government financing, and most social organizations will die if they cannot get financial support from government financing; meanwhile, social enterprises need to find resources on their own, which is a sustainable development mode. Social enterprises have the attributes of public welfare and market, but they must have boundaries...Some enterprises will use the title of social enterprise to promote its other business.”³³

³² Y. Chen, former chief officer of Xiangheli community residents’ committee. Personal interview conducted at the office of Sichuan Red Cross Foundation. June 22, 2020.

³³ Y. Chen, former chief officer of Xiangheli community residents’ committee. Personal interview conducted at the office of Sichuan Red Cross Foundation. June 22, 2020.

The above statement clearly reflects a kind of popular understanding of social enterprise among community staff and even some government officers, which is that “social enterprise is actually an upgraded version of social organization.” How has this prejudice been formed? An explanation could be that the market aspect has been overly emphasized, as the launch of Chengdu’s social enterprises have been led and supervised by the Market Supervision and Administration Bureau, as the chief officer of SSI mentions in the interview. Another possible explanation could be the current situation and characteristics of social organizations in China.

Chinese social organizations are bred in the social field of economic system reform, social system reform, the gradual opening to the outside world, and a regional economic ladder-type development (Fang, 2017). They are deeply affected by China’s national conditions and institutional environment, which causes China’s social organizations to have clear differences compared to civil society organizations in the west. The autonomy of Chinese social organizations is not sufficient. Compared with western countries, Chinese social organizations display obvious local characteristics such as “duality between officials and citizens,” “transitional,” and “unbalanced” (Fang, 2017). China’s social organizations began to develop fast in the 1980s, closely related to the development of the market economy, the transformation of the economic system, and the transformation of government functions. From the perspective of the institutional environment of the generation of social organizations, the rise of social organizations in China has characteristics of mandatory institutional change (Fang, 2017). The government plays a leading role in the generation path, development model, and intervention fields of social organizations. In this way, under the influence of political power, China’s social organizations lack sufficient autonomy in fundraising methods, resource acquisition, and activities. In the context of government

transformation, the government has promoted the development of social organizations in several ways: one is in taking over some of the functions transferred from the government, and assisting the government in social governance; another is in guiding social organizations to participate in the provision of public services and assist the government in solving some economic and social problems. Driven by these utilitarian motives, the establishment of Chinese social organizations and associations has been either directly organized by the government and incorporated into the administrative management system, such as with the Youth Federation and Women's Federation; organized by relevant departments authorized by the government to undertake government functions, such as consumer associations. Therefore, China's social organizations have been mainly established under the promotion of administrative power. In the 1980s, with the repositioning of the relationship between the state and society in China, China has started the reforms "separation of government and enterprise" and "separation of government and society." Grassroots organizations of non-governmental associations have gained room for development, but a large number of official social organizations will still exist for a long time.

Moreover, different from the early development of non-governmental organizations in western countries, most social organizations in China grew up after the reform and opening up in the 1990s. The autonomy, independence, and voluntary characteristics of social organizations are not yet obvious, and the development of social organizations bears a strong mark of institutional transition (S. Wang & C. Song, 2013). This transitional nature of social organizations is consistent with the macro background that the entire society, including civil society, is undergoing a transition period. Consistent with transitional characteristics, the operation of many social organizations in China is not standardized nor professional. Currently, although most social

organizations in China have established councils and other institutions, the internal governance of social organizations still follows the “patriarchal” model. The problem of arbitrariness in major decision-making is common, resulting in insufficient legitimacy and lack of credibility of social organizations. As far as the external legal environment, although the Chinese government has formulated and promulgated a number of laws and regulations related to social organizations in recent years (led by the *Opinions on Reforming the Management System of Social Organizations to Promote the Healthy and Orderly Development of Social Organizations*, issued by the central government in 2016), there are still a few defects in the legislative concept, legislative level, or legislative framework, which leads to the anomie of operation of some social organizations, and even corruption (Fang, 2017).

Additionally, since the reform and opening up, China’s social organizations have shown a trend of unbalanced development while the total amount has been growing. In terms of industry layout, social organizations and private non-enterprise units are mostly concentrated in a few areas, such as education and social services. Also, the institutional resources and social impact of social organizations are not balanced. The development of “top-down” social organizations is faster, and their social impact is relatively larger than those “bottom-up” grassroots organizations formed by the private sector, and the latter have had difficulty conducting activities. The situation is closely related to how the social organizations are established, their growth paths, and their distance from government departments. “Top-down” social organizations not only have an official background, but also have obvious advantages in resource acquisition and development opportunities, which is difficult for private grassroots organizations to achieve.

With this background, when many social organizations are given tags such as “unprofessional” and “unsustainable,” it is not surprising that people take for granted that the new concept of social enterprise is a better “professional” and “sustainable” choice.

In regard to the understanding of the concept of social enterprise, differences still exist among social entrepreneurs of certified social enterprises. Among the four certified cultural social enterprises in Chengdu, two founders (Mordo and City Window) have taken the training sessions in the process of their certification application. Their understandings of social enterprise are more consistent with the official publicity, stating that social enterprises are enterprises in essence but with good business and social missions. Additionally, the founder of City Window mentioned the word “altruism” several times. She said the spirit of altruism was her original understanding of social enterprise before she attended government training sessions in 2018. She states, “the role of social enterprises is to guide everyone in business for good while avoiding vicious competition; its existence must be based on altruism.” This made the author think of the famous “two Guangs’ fight.” In response to Xu Yongguang’s (chairman of Narada Foundation) book *Public Welfare to the Right, Business to the Left*, professor Kang Xiaoguang of Renmin University of China released an article highly critical of the opinions expressed in the book. The fierce conflict of opinions between the two triggered a big discussion in the public welfare community, and the “two Guangs’ fight” thus became a major event in the Chinese public welfare community in 2017. Xu Yongguang believes that the marketization of public welfare is about an efficient mechanism for the allocation of public welfare resources and the operation of organizations. Socialization is the goal of public welfare, and marketization is the path to this goal. Xu Yongguang agrees with Peter Drucker’s statement that social

problems could be finally solved only by turning the solution of social problems into profitable opportunities. Kang Xiaoguang opposes Xu Yongguang's view of the corporatization of organizational forms, as well as the commercialization of public welfare projects. He argues that such distinct public welfare and commerce no longer exist, but the basic spirit of public welfare cannot be blurred. The opinions expressed by City Window's founder coincide with those of Kang Xiaoguang and his supporters in essence. However, in the current practice of social enterprises in Chengdu, such discussions are rarely mentioned.

Compared with Mordo and City Window's founders, who underwent some related training sessions, the other two founders (of Dingyi Heritage and Sanhua Creative) did not undergo any training about the concepts of social entrepreneurship and social enterprise. They confessed that the monetary reward and support policies were the most important reasons for them to apply for social enterprise certification in the first place. Dingyi Heritage's founder has been confused about the company's social mission following certification. Chengdu's social enterprises are expected to be involved in the local communities' services and activities, but Dingyi Heritage's original social mission was the protection and restoration of calligraphy and painting for the sinking market (in third- and fourth-tier cities, where it is difficult to rely on official cultural heritage protection personnel), and to cultivate the awareness of preventive protection of calligraphy and painting for the cultural museum industry, which was not suitable for the needs of community. The founder of Dingyi Heritage said in the interview,

“It seems that the current definition of social enterprise is different from what I think...Social enterprises are enterprises, and can

create value for the society. Depending on what you do, you will create a kind of value. I don't know if it's my own conceptual problem...It seems that (cultural) social enterprises are more expected to provide services to the community. We are always asked, 'what can you offer the community?' But what we do (painting and calligraphy restoration) requires security, such as monitoring and fire prevention; people cannot come in casually. The current venues in the community are more open to the public, and it is difficult to match the nature and content of our work. After we applied for the certification of social enterprise, we think we may also train some disabled people. For example, if the community is willing to provide venues, we can provide training on restoration of calligraphy and painting for people with certain types of disabilities.”³⁴

Different from Dingyi Heritage, which passively finds the work points in the community, Sanhua Creative develops its new business in the community, and calls it the “social enterprise sector.” The founder of Sanhua Creative introduced their upcoming community projects after becoming a certified social enterprise, including “Bookstores in the Community,” “Art Life in the Community,” and “Cultural and Creative Projects in the Community.” Sanhua Creative takes the government as its main customer, the founder explained in the interview:

³⁴ L. Zhang, founder of Dingyi Heritage. Personal interview conducted at the office of Dingyi Heritage. April 23, 2020.

“We just want to meet the needs of the government and communities. The government wants to strengthen cultural construction in the communities, and we can do it; they could purchase our services. Our public welfare is reflected in relatively cheaper prices... In fact, it is market economy behavior.”³⁵

As for the understanding of the concept of social enterprise, the founder of Sanhua Creative explained:

“I don’t know much about social enterprise. In fact, do social enterprises need to understand what their social responsibility is? How do we improve the ideological consciousness of entrepreneurs? But to transform this kind of social responsibility requires a stronger and higher level of social sense.”³⁶

We can see that the founders of Dingyi Heritage and Sanhua Creative both regard social enterprises as community-based enterprises with required social responsibilities. This kind of understanding stems from the local government’s consideration of social enterprises as one of the diversified social forces for community building and community development. With this background, social entrepreneurs who have learned the concept of social enterprise through local practice may attempt to tailor

³⁵ Y. Liao, founder of Sanhua Creative. Personal interview conducted at the office of Sanhua Creative. April 18, 2020.

³⁶ Y. Liao, founder of Sanhua Creative. Personal interview conducted at the office of Sanhua Creative. April 18, 2020.

their business solely for community expectations, which may be affected by a narrow or even biased understanding of social enterprises.

Moreover, the way consumers and community residents think of social enterprises is complicated. The chief officer of SSI shared with the author the story of one case, in which as a social enterprise offering child education in a community experienced many residents coming to their community activities who showed great curiosity about this new form of “social enterprise.” Some people think it has the government’s endorsement as well as a good social calling, so they are willing to support its business in the community and share the idea with people around them. However, some other cases have revealed difficulties and challenges in how consumers view social enterprises. For example, Sanhua Creative encountered some criticisms when it launched its community projects; several community residents were dissatisfied about paying for its services, as they regarded social enterprises as a sort of charity or non-profit organization, in which the government had already purchased the services, so there should be no need for them to spend any money. Sanhua Creative’s founder sees this as a social problem affecting social enterprises’ survival. She worries that it will take a much longer time to persuade community residents to pay for a social enterprise’s products or services when they are used to getting community services for free.

In sum, the understandings of social enterprise among related parties in Chengdu are various. The government has played a key guiding role in creating a policy environment, implementing relevant departments (Market Supervision Administration and Social Governance Committee) to supervise, and coordinating the development of local social enterprises. The government’s understanding of social enterprise is more toward practicality and functionality, and its communication channels for social enterprise and its certification are limited (mainly focusing on official communication

channels), which may hinder social entrepreneurs' initiatives and explorations to some extent. If the policy benefits disappear, will the development of social enterprises stagnate or regress? Meanwhile, the different perceptions of related parties in the ecosystem regarding the concept of social enterprise may result in diverse effects on the development of social enterprises, based on diverse expectations.

PART THREE

Social Enterprise- An Ambiguous Notion for Enterprise?

Chapter 7: Identity Problems of Social Enterprise

Several conflicts and challenges which have been encountered by the four certified cultural social enterprises in Chengdu will be covered, both from internal issues and outside interactions and relationships. The author has placed these into three specific categories: labeling of social enterprises, family management issues, and financial considerations.

1. Is Labeling Useful?

Since the launch of social enterprises in Chengdu is dependent on third-party certifications, it is very important to understand the circumstances of membership claims and subsequent category promotion in this ecosystem. Gehman and Grimes (2017) define *category promotion* as “members’ efforts to champion the labels or cultural artifacts signifying the category” (p. 2294). They assert that although the strategic value which organizations derive from their category memberships have been studied by organization theorists, the concept of category promotion has not been

examined enough, and the distinction between membership claims and category promotion needs to be seen and addressed by scholars despite the studies which have shown that membership claims could vary over time due to category leniency³⁷ (Pontikes & Barnett, 2015) and category legitimacy (Navis & Glynn, 2010).

Regarding the widespread scholarly agreement that certifications could offer relevant legitimacy or promotional benefits (Rao, 1994; Wade, Porac, Pollock & Graffin, 2006), the chief officer of SSI, the third party which acts as a powerful categorizing agent, granting category membership to organizations that uphold the category's standards in Chengdu, also expressed similar opinions. She contended that social entrepreneurs need certification to obtain a certain identity. After obtaining legitimacy, there can be mutual learning and supervision within the group. In particular, Chengdu, as the only city in China that allows certified social enterprises to add "social enterprise" to the company name, would have a clear brand effect after certification. However, the chief officer of SSI also pointed out in the interview that how to use social enterprise certification to achieve brand effect and business growth mainly depends on how social entrepreneurs take the issue and whether they value social enterprise certification. SSI conducted a series of interviews with the first batch of 12 certified social enterprises last year. One social enterprise engaging in community education stated that its business and team size had tripled after being certified. The reason is that the government recognizes and trusts its social enterprise identity, which would be an advantage for it to be chosen for government purchases. Due to the government's endorsement, the acceptance by community residents has also grown. In addition to successful examples, the chief officer also mentioned an opposite case. One social enterprise has engaged in landscaping and wetland protection. In addition, it also

³⁷ Pontikes and Barnett (2015) argue for the importance of membership diversity and flexibility.

conducts nature education by creating ecological landscapes. After certification, the social enterprise confessed that it did not get any benefits other than the identity itself.

The chief officer of SSI attributes the cause of this issue to the sense of the social entrepreneurs, thus she suggests that those social enterprises which are unable to get any benefits from the certification should reflect on themselves regarding the promotion of the brand of “social enterprise.” Her opinions and suggestions are to some extent based on an assumption that all certified social enterprises are willing to do category promotion due to the great efforts they have taken to obtain the certification. However, is it the complete story?

In order to have a more comprehensive understanding of this situation, the author has looked into the issue through the case study of all four Chengdu certified cultural social enterprises. Based on the results, none of them could be regarded as doing a kind of positive category promotion. On the contrary, Dingyi Heritage has even purposely abstained from promoting itself as a social enterprise. Its founder explained in the interview,

“In all our official publicity profiles, the fact that we are a social enterprise has not appeared, nor do we think about what we would do with this title, because this title could not bring us business. If the clients don’t know much about the concept of social enterprise, then they won’t take a second look at you even though you tell them about it. They may have more concerns about how many restoration experts are on our team or what we have repaired, which means they actually prefer professionalism and technology in our field (social enterprise). As an honor, it is optional (for

clients) and does not have much impact. For us, after getting this certification, the sense of morality has grown.”³⁸

The above statement from Dingyi Heritage’s founder has well reflected some recent research on the concept of promotional forbearance, “wherein an organization voluntarily restrains from publicizing associations it is legitimately entitled to make” (Gehman & Grimes, 2017, p. 2295). Gehman and Grimes (2017) point out that limited research has been done, and offer little theoretical basis for understanding promotional forbearance among category members, while much existing research on certification and categories more broadly focuses on membership rather than the phenomenon of category promotion. If, as Vergne & Wry (2014) put it, “opportunities abound to explore the ways in which organizations strategically signal their affiliation(s) within an existing category system” (p.78), then it is possible that category promotion serves a means of signaling distinctiveness relative to organizations from the broader context, in comparison with membership claims, which serve as a means of establishing similarities with category peers (Gehman & Grimes, 2017, p. 2297). Additionally, considering the situational circumstances (Durand & Paoletta, 2013) the category members are in, the “same” membership could possibly “offer organizations more or less distinctiveness, depending on contextual differences” (Gehman & Grimes, 2017, p. 2297). Geographical (e.g., regions, cities) and virtual (e.g., industries, fields, professions) contexts are two important vectors which have influenced organizations’ actions (Marquis, Davis & Glynn, 2011; Greenwood, Suddaby & Linings, 2002; Gehman & Grimes, 2017). In the case of Dingyi Heritage, its business is distinguished

³⁸ L. Zhang, founder of Dingyi Heritage. Personal interview conducted at the office of Dingyi Heritage. April 23, 2020.

from other cultural social enterprises, not to mention other social enterprises in general, and it is comparably hard to be suited for community building, which has set a key tone in the political/policy environment for Chengdu's social enterprises. In other words, social enterprises in Chengdu currently have a very close relationship with communities, but Dingyi Heritage mainly serves cultural institutions in third- and fourth-tier cities in China. Having a relatively special existence among social enterprises in Chengdu, the social enterprise certification may not help Dingyi Heritage highlight its uniqueness in the industry and region, other than bringing it bonuses and preferential tax policy. In this sense, the phenomenon of promotion forbearance has appeared. It may be regarded as a strategic act for Dingyi Heritage to restrain from publicizing associations (certified social enterprises) voluntarily, for stating its distinctiveness.

As for the other three cultural social enterprises in Chengdu, even though they have not shown promotional forbearance, some of them have doubts or wait-and-see attitudes towards category promotion.

The founder of City Window expressed her doubts regarding the labeling. She has been bothered by a few questions since becoming a social enterprise. "When telling others that we are social enterprises, what do we want to convey? Is the support from the society, or your superiority because of this label? If this is the case, would it weaken the market competitiveness of social enterprises?" (Y. Yuan, personal interview, 2020, April 22). Due to this self-awareness and uncertainty about the external environment, the founder of City Window has been hesitant to do any kind of category promotion. In her judgment,

“Now social enterprises have very low public awareness; they mainly rely on the publicity of the official media. Also, because they are social enterprises, the standards may be lower; they have not competed in accordance with commercial thinking. The problem with most social enterprises is that they have poor initiative. Throw us into a group of commercial enterprises and we may be wiped out.”³⁹

The founder of City Window regards social enterprise certification more as an official honor, which makes her ambivalent in actual business operation. To cite a specific example, City Window owns a panda doll IP. The team originally hoped to use a very popular marketing tool known as “live commerce.” Live commerce is a form of online shopping that is interactive and takes place in real time, and is creating new and innovative ways for brands and retailers to connect with consumers. The format has gained wide popularity in China particularly. It centers around influencers, known in China as key opinion leaders (KOLs), broadcasting live to millions of viewers and showcasing products, using them, trying them on, and describing them. However, the founder has worried that the live broadcasting method may trigger online violence against social enterprises, with claims such as they are “not conducting business properly” or “selling the reputation.” She thinks that the macro environment has not truly supported social enterprises, and they may face big risks of suffering reputation damage with the new entertainment marketing method due to public ignorance or misunderstanding.

³⁹ Y. Yuan, founder of City Window. Personal interview conducted at the office of City Window. April 22, 2020.

On the other hand, Mordo and Sanhua Creative have shown wait-and-see attitudes. The co-founder of Mordo thinks that they have not received any substantive promotional benefits from social enterprise certification other than the reward money. However, he mentioned that Mordo has started to have more communication opportunities with government officials and other fellow social enterprises through the visiting trips organized by the government, the community residents' committee, and SSIr. As for Sanhua Creative, it has explored and built up new businesses (bookstores and arts projects) in communities after gaining the title of social enterprise. The founder of Sanhua Creative clearly expressed a willingness to do category promotion, in particular "putting social enterprise into our blood," while the biggest challenge for her is how to use it. She said it is a new area for their business since they had never before done such things in/with communities (Sanhua Creative has been a commercial enterprise in cultural tourism for more than ten years). Social enterprise is just a title for Sanhua Creative for now; "it is a clear direction but with vague ways." One particular thing may have revealed how greatly the founder of Sanhua Creative wanted to do something with the certification. During the interview, she kept asking if the author would like to work with her, since she thought Sanhua Creative needed some "experts" who are familiar with the government policies towards social enterprises as well as ways to combine public welfare and business models in communities.

Considering the above situations of these cultural social enterprises, we can see that the plan and policy of the government has deeply shaped the external environment of social enterprises in Chengdu. Due to the specific expectations and the relatively limited official broadcasting channels, social enterprises may find it difficult to actively explore and plan their own category promotions. Moreover, the phenomenon of promotional forbearance has appeared in some social enterprises' strategic acts. One

possible reason for this could be that there is no subordinate category based on the social enterprises' *contextual distinctiveness*, which is a concept defined as “the degree to which a particular subordinate category offers its members technical, material, and/or symbolic resources to distinguish themselves from organizations that are not members of the subordinate category yet belong to the same basic category” (Gehman & Grimes, 2017, p.2295). Gehman and Grimes argue that differences in a subordinate category's contextual distinctiveness with regard to the extant regional and industrial practices among non-members could explain why members engage in category promotion. While the bright side is that the government's policy and SSI's role have made high the “currency” (the extent to which there is a clear meaning and positive appeal [Kennedy, Lo, & Lounsbury, 2010]) of social enterprise certification, which explains why many social enterprises in Chengdu regard it as indicative of good reputation, in that the certification has established conformity to particular societal standards or authentication of certain achievements. This high currency is also expected to provide a basis for deriving certified social enterprises' identities and making inter-organizational comparisons that guide competitive and cooperative strategies⁴⁰ (Porac, Wade, & Pollock, 1999). However, due to the lack of consideration of contextual distinctiveness, the cases of competition and cooperation between Chengdu's social enterprises have still been very inadequate.

Moreover, the doubts of the City Window's founder have raised two specific concerns, which have shaken her position in category promotion. One is the competitiveness of social enterprises, and the other is public awareness of social enterprises. It seems that the government has gradually paid more attention to these

⁴⁰ This is applicable to Mordo's case. The founder mentioned that they have more opportunities to communicate with the fellow social enterprises after the certification.

issues. The official of the Social Governance Committee of Jinniu District introduced a change to their work method. When they first started social enterprise training sessions for the staff in sub-districts and communities, they simply gathered people for classes. Later, it was found that the trainees had shown very low enthusiasm, and many trainees even played with their mobile phones during the training, which led to poor training results. In 2019, the Jinniu Social Governance Committee began to hold a social entrepreneurship competition. While empowering social enterprises to improve their market competitiveness (the competition provides eight iteration courses for participants who advance to the second round), the Jinniu Social Governance Committee also invited representatives from sub-districts and communities to form a public judge team for the finale. For each participating social enterprise, when its project was supported or selected by a community, this could be taken as a signal that the community wanted such a social enterprise to conduct business in their community. Meanwhile, the communities learned about social enterprises from this process. After the competition, the representatives of communities and the chosen social enterprises would exchange contact information and continue to discuss the possibilities of cooperation. Of note, a community called Hengde introduced four social enterprise projects after the competition last year, including parent-child education, garbage sorting, and food culture. The officer of the social governance committee in Jinniu District spoke about the effects of the competition: “We have tried to promote the public awareness of social enterprise through the social entrepreneurship competition, which has effectively increased the enthusiasm of the staff working at community residents’ committees to participate, thereby gradually expanding the influence of social enterprises” (L. Qiu, personal interview, 2020, May 14). This kind of promotion and training method has diversified the information channels for social enterprises directly engaging with their

stakeholders. When talking about whether the government's support policies would cause the dependence of social enterprises, thus affecting the market competitiveness of social enterprises, the officer explained (emphasizing that it is her personal opinion) that the government can help good social enterprises to connect business with matched communities. It is more of a process connection, not a specific business promotion or development. She pointed out that if the development focus of a social enterprise becomes how to ask the government for money and policies, it will also hinder its future development.

As the government officer put it, "Our act of seeking recognition and support for social enterprises is also a market-oriented act." Perhaps this statement could help strengthen the confidence of some social enterprises like City Window in regard to using more market-oriented promotional tools such as live commerce. Gehman and Grimes (2017) believe that social media offers "a particularly rich context for examining the dynamics of category promotion, as organizations use these new channels to convey their distinctiveness" (p.2316). Furthermore, as they point out, it could be worth exploring how differences in category promotion affect important outcomes such as resource acquisition, organizational survival, and social impact, which will also become quite an issue as this ecosystem of social enterprise in Chengdu continues to evolve.

2. With or Without Family Management?

One of the key challenges for the certified cultural social enterprises in Chengdu has been the severe human talent shortage. It is important to have a picture of what the current situations of organizational governance in these social enterprises are, as well as

how they have dealt with this challenge, and what possible ways there may be to break through this predicament. The author put focus on their characteristics of organizational governance as well as the development phase of the entrepreneurial/working teams, and then to possible transitions internally targeting this talent predicament.

In terms of organizational governance, democratic governance is a typical feature of social enterprises in many countries. In the process of organizational governance of social enterprises, multiple stakeholders (including clients, employees, volunteers, investors, and community representatives) can influence the organizational decision-making of social enterprises through councils and other institutions. This governance model of democratic participation is an important mechanism to ensure the realization of the commercial and social goals of social enterprises (X. Yu, 2012). These four social enterprises all have a basic institutional framework for organizational governance. They all set up councils, but in terms of the actual roles and functions of the councils, there are essentially three situations: 1) the council makes decisions on important institutional issues, while the daily affairs are decided by the management team; 2) the council performs advisory functions; and 3) the council exists in form only, but does not perform any actual function. Among the four social enterprises, in three of them the major decision-making party is the founders, while in the fourth it is a board of directors. Chengdu's social enterprise certification requires that the applicant organizations have the institutionalization to promote organizational operations, including clearly setting organizational mission and vision, and formulating social enterprise charters and business development plans. Compared with social enterprises in other regions in China, certified social enterprises in Chengdu have been more complete in this aspect.

Despite having a basic institutional framework for organizational governance and taking measures to promote the institutionalization of organizational operations, in actual operations, many social enterprises are still trapped in the family management model, which has been common in the operation of small- and medium-sized private enterprises in China. Similarly, in the fieldwork, this characteristic was found in most of the surveyed social enterprises in Chengdu (3 out of 4 cases), which caused the author to question if the family management model to some extent has a mutual cause and effect relationship with the talent predicament.

Z. Wang (2004) defines a family business on the basis of literature analysis as having traditional culture as the core and focusing on interpersonal relationships; people with blood or marriage relationships hold ownership and control rights in the business and adopt a certain governance structure to operate the business, members are promoted first to serve as managers according to certain standards, and there is a specific organizational form that takes the interests of the family and the enterprise into account and conveys ownership and control to the next generation of family members. Some scholars indicate that a family business is not a fixed model, but is applicable if the following three conditions are met: 1) the family shareholding ratio is greater than the critical shareholding ratio; 2) family members or relatives within the second degree serve as chairman or general manager; and 3) family members or relatives within the third degree (which includes great-grandparents, great-grandchildren, great aunts, great uncles, and first cousins) hold more than half of the company's director seats (L. Zhang, 2009). The definitions of family business and family management vary, but share some similarities, although there is currently no unified concept in academia. F. Hu (2016) suggests that the distinction should be made from the perspective of ownership and management. When ownership is controlled by family members, it is a family business;

when management is in the hands of family members, it is family management. Family businesses are further divided into traditional ones and modern ones. Traditional family businesses are family management businesses; the ownership and management of the business are not separated, and are controlled by family members. In modern family businesses, the ownership of the business is gradually separated from the management power. Family members only hold the ownership, and the management power is transferred to non-family members (H. Zheng, 2003; C. Wang, 2006). There is also a kind of enterprise (mainly small and micro enterprises), which often maintains the form of a “mom-and-pop shop” due to its small scale; that is, the ownership of the enterprise belongs to only one family, and the managers are family members. This is the most common form of family management in China. According to *40 Years of Chinese Family-owned Enterprises*, edited by the Family Business Committee of China Private Economic Research Association, family-owned enterprises made up about 80% of all private-owned enterprises in China in 2016.

The reasons for this phenomenon (family management of small businesses) have been widely discussed. One is the deep influence of the Chinese-style "home" culture. Chinese society has attached great importance to the family since ancient times, and the family logic and norms have not been completely replaced by modernized corporate management regulations. At present, family businesses and family management account for a large proportion of Chinese enterprises, which is a continuation of historical traditions (F. Hu, 2016). For the current small social enterprises, choosing family management is a logical manifestation. A second reason is the choice of private SMEs to control costs. Small- and medium-sized enterprises generally have difficulty in starting a business, financing, and developing. They need to control costs and ensure benefits. In this sense, family is an effective governance structure that can effectively

avoid trust risks, reduce information costs, and save resources, and it has a small agency cost. The advantage of family management lies in the high level of trust among family members. X. Li (2008) points out that Chinese-style inter-family trust is a special kind of private trust, which also includes rejection of outsiders. Mordo is a typical case of family management. The founder's son is deeply involved with the business. Even though he has another full-time job, the founder still makes him fully participate in business planning and management, and directly arranges work for him. The author was invited into the management team at Mordo, but found it difficult to be involved in the decision-making process. Mordo's council does not play a practical role, as the founder's family members (the founder, her husband and her son) make all the decisions for the social enterprise. The founder's son described the scene of their internal meetings thusly:

“When the three of us have a meeting, my mother is the one who makes the final decisions, but sometimes my father can also be very aggressive, so the two of them may get into a quarrel. In this case, I am the one responsible for balancing their opinions and finally reaching a more feasible plan. In fact, none of us has a specific division of labor in the business. It is equal.”⁴¹

Sanhua Creative and City Window also could be categorized as classic “mom-and-pop” enterprises. Both of the founders started their enterprises with their husbands. Similar to the situation with Mordo, their working teams and corporate councils usually

⁴¹ Y. Feng, co-Founder of Mordo. Personal interview conducted at the office of Mordo. April 17, 2020.

do not get involved in the decision-making process; the core family members have been fully in charge of their social enterprises. However, after the start-up period, such social enterprises will face challenges such as scale expansion and development transformation. At such a time, family management exposes many problems, such as unclear power divisions, immature internal governance systems, and unreasonable rewards and punishments. There is a sharp contrast between internal trust and external trust, and the enthusiasm of the working team may be difficult to stimulate and maintain. In this case, the internal culture would be very difficult to build up. The family management model in social enterprises not only would be an obstacle to the recruitment of talent, but also is not conducive to the cultivation and growth of internal talent.

Almost all the interviewed social enterprises (except Dingyi Heritage) emphasized that they are short of talent, especially the ones who are professionals in business management. Mordo's founder mentioned "knowledge structure" several times during the interview. She explained the knowledge structure in her business as the ability to study traditional arts and culture, the build-up of a talent team, and the knowledge of operation and management. The lack of internal professional talent has led to a serious stagnant period in business development for Mordo. City Window's founder shared a story on the talent predicament in her social enterprise. She used to provide management training to a young staff member because she had seen strong potential in that person. However, after she sternly pointed out some problems with that person's work, the person quickly submitted a letter of resignation. This incident made her worry about cultivating internal talent outside of her family. In addition, the City Window founder notes that the existing team is completely unable to meet her requirements and expectations to establish standardization and specialization in the

handicrafts industry. The founder said she has been desperate to have a professional management team, especially one with talent in marketing and financing, which would be able to free her from dealing with trivial daily affairs, so she could have the energy to deal with more macro and strategic affairs for the social enterprise.

All of these social enterprises have been taking measures to try to alter their severe circumstances. The solutions of Mordo, City Window and Sanhua Creative all point to one key word: empowerment. Mordo's founder plans to transfer the management role to her son, who has been trained with qualified "knowledge structure" all through these years; then her son will establish a new management team. The son explains the current situation: "They (the founder and her husband) have to hand over the management power...the company used to depend on my mother's personal charisma to support the operation and development, but now we need the business itself to switch on." (Y. Feng, personal interview, 2020, April 17). As a second-generation member of the family, it seems that the founder's son has a strong motivation to transform their company from "family management" to "scientific market management." City Window has currently been seeking more financing resources, including social impact investment and even bank loans, along with the previous private investment. The founder of City Window would like the investment party to be able to bring new resources into the company, such as talent, management tools and models, and business consultation. She has taken the financing as an opportunity for City Window to embrace the wider world by introducing new blood to deeply engage in the development of the company in the near future. For Sanhua Creative, the founder would like to bring more community working staff members, as well as local residents, to the operation and management of their social enterprise business in communities.

While exploring methods to improve their circumstances, these social enterprises need to avoid falling into the empowerment trap of internal talent management. The concept of empowerment was formally proposed by Solomon in the field of social work in 1976. After more than 40 years of development, it has become an important practical framework. The empowerment theory states that if individuals or social groups lack resources and cannot achieve their goals, they will have a sense of powerlessness; the process of empowerment can promote the ability of the served party to acquire and enhance the sense of life control, and realize independent decision-making and participation in social life (Soloman, 1976; Gutierrez, 1990). The main purpose of empowerment is to help the served party to enhance their ability and confidence to use power, and transfer rights from certain groups and individuals, helping the served party to obtain the rights to decide and act in their own lives (Payne, 2005). F. Wu and P. Wu (2018) point out that the empowerment theory, with its distinctive humanistic orientation, emphasizes the cultivation and development of the potential of the served party. In the theoretical research and practice of social work in China, researchers have utilized diverse perspectives such as economics, politics, and culture, but they all emphasize the importance of empowered parties' active participation, awareness of rights, and promotion of self-expression.

However, the concept of empowerment has the risk of falling into alienation, and empowering failures (such as inefficiency, ineffectiveness or even deprivation of power) occur from time to time. These empowering failures can be called "empowerment traps." In a general sense, a trap refers to a position or situation that is difficult to escape). An empowerment trap, then, could be used to describe a situation where, in the process of trying to use the method of empowerment to carry out work, the meaning of empowerment may be deprived, and the weakened meaning of

empowerment would be returned to people again, resulting in the deprivation of power that people feel (Adams, 2008). Similarly, in the internal management as well as in the recruitment and development of talent in social enterprises, especially with those family businesses which are in the process of transformation, empowerment traps may still exist.

The author would like to use an explanatory framework based on C (context), R (relations), and E (experience), proposed by F. Wu and P. Wu (2018), to further discuss the issue of talent empowerment of social enterprises. With this framework, the influence mechanism of the context on the individual acts through the prescriptiveness (institutional and non-institutional factors) contained in the context and cultural significance. In a certain social context, if the decision-makers of social enterprises and cooperating talent, internal and external, are able to describe and explain social phenomena reasonably, they can often support and protect the effect of empowerment. In the formation and operation of the relationship between the two, two main influence mechanisms (normative influence and information influence) play a role. Normative influence refers to an influence in which an individual meets the positive expectations of others, and information influence refers to obtaining information from others and using this information as actual evidence of action (Festinger, 1954). Based on the author's working experience in Mordo, if the significance of normative influence and information influence is to put excessive emphasis on talent, it would cause the decision-makers of social enterprises or the talent themselves to ignore the subjective participation in relationship construction, which may lead to an empowerment trap. Whether talent is willing to actively express their attitudes, ideas and feelings towards themselves and the content of empowerment to the decision-makers of social enterprises directly determines the effect of empowerment. If the talent has sufficient experience,

positive self-interpretation and social communication, the relationship between the two parties would be promoted to a healthy state of operation. F. Wu and P. Wu (2018) point out that there is a structural relationship between C (context), R (relations), and E (experience). The prescriptive nature and cultural significance of contextual factors guide the positioning of the relationship between the two, and the relationship between the two determines the level of personal experience of the talent to a certain extent. Based on the survey of the four social enterprises, the author believes that social enterprises urgently need to pay attention to the construction of internal humanistic entrepreneurship, which is a core foundation organically linking the C (context), R (relations), and E (experience). The author adopts this concept from Lundstrom and Zhou (2014)'s three-dimensional perspective of entrepreneurship, which combines social, commercial and humanistic dimensions. The humanistic dimension is defined as the creation of a shared inner value system in an organization; its outer performance would affect the public recognition of that organization as well as the recruitment of potential employees (Lundstrom & Zhou, 2014). They argue that the humanistic dimension is different from the other two dimensions, mainly in that it better reflects the formation of internal value generated by the combination of the company's products and services. In regard to the case of social enterprises in Chengdu, the author argues that they should be integrating a complete value creation strategy with the three-dimensional perspective, but the humanistic dimension has been neglected while the social and commercial dimensions are overly emphasized. The talent predicament which these social enterprises are currently encountering is closely related to their family management model and the lack of internal humanistic entrepreneurship caused by this model.

3. The Myth of Scale-up

Regarding the sustainable development of social enterprises, there are some unavoidable questions as to whether they will scale up or not, as well as how they could achieve scalability through financial ways.

The co-founder of Mordo clearly stated that they would not scale up:

“Just like embroidery, we want to have every stitch and every foot in place. There is no shortcut. We also don’t want to scale up at once and become a so-called platform-based social enterprise. We just want to build a century-old enterprise and a millennium enterprise step by step.”⁴²

In contrast with the choice made by Mordo, the founder of City Window has been seeking funds for the expansion of the business. She believes that obtaining investment funds is the only way for the company to integrate the arts and cultural resources it already has, and continue to expand the business. Additionally, the founder emphasizes that what she expects from capital intervention is to bring in talent. On one hand, the company would be able to increase the pay for talented workers, which would be helpful for attracting and maintaining them; on the other hand, the investment could bring in knowledge and human resources as well. Regarding investment subjects (sources), she has analyzed in detail the issues faced in obtaining funds/investment from commercial capital sources and government investment institutions. For commercial capital, there would be more legal issues and investment risks involved. “They

⁴² Y. Feng, co-Founder of Mordo. Personal interview conducted at the office of Mordo. April 17, 2020.

(commercial capital) are really concerned how we could make money and have good profits...If they give you 8 million⁴³, they will take 10% at least” (Y. Yuan, personal interview, 2020, April 22). The founder related, with a tinge of sadness, “My lawyer has suggested that we take bank loans, since the interest rate is not any higher.” She is also aware of the risks for getting such investment, such as the possible debt pressure if things go wrong. However, she insists that introducing commercial capital to the social enterprise would be a good way to “make the cake bigger.” As for government investment institutions, she seems to be bothered by their diversified investment strategies:

“The government may be worried that too much money is invested in just one social enterprise. If it fails to do so, there will be problems in the accountability and rumors of corruption may arise, so it will fund a certain number of social enterprises. But if each social enterprise is given a little bit, it can’t form a synergy, nor can it set a benchmark. Moreover, this company was funded last year, and this year, it is very likely that it cannot be funded again due to the need to take care of other companies. But if everything is transparent, what are they worried about?”⁴⁴

Scaling up through commercial capital has been a trend in the world since the 1990s. Not only have business elites begun to converge in the field of social entrepreneurship, but investment and financial management in the social field has also

⁴³8 million RMB \approx 1,194,975 USD.

⁴⁴ Y. Yuan, founder of City Window. Personal interview conducted at the office of City Window. April 22, 2020.

introduced business thinking. Under the influence of the concept of “virtuous capital” (Letts, Ryan & Grossman, 1997), foundations, international organizations and government investment institutions have also begun to adopt commercial tools and methods. In China, social investment is also a relatively new concept, and its development is still at an early stage. Having a big picture would help better understand the external investment environment for these social enterprises and their corresponding challenges.

Narada Foundation’s report in 2019 has drawn such a big picture of social investment in China, with three different kinds of social investment subjects (commercial investment institutions, government investment institutions, and foundations):

For the commercial investment institutions, out of 12 surveyed ones (mainly located in coastal and economically developed areas, including three international commercial investment institutions that are actively engaged in investment business in mainland China), they mainly generate positive social impact (100%) and financial returns (91.7%). Impact investment is the main social investment form of the surveyed commercial investment institutions, with equity investment used by the majority. 66.7% of those institutions have a funding period of 5 to 7 years, and more than half of them provide non-financial support services, including daily management guidance, linking to social resources, marketing, financing strategy and income management, human resource management, and financial management/accounting services.⁴⁵ Risks of concern in the screening of their social investment projects mainly include business model/project implementation and management risks, social and/or environmental impact risks, market demand and competition risks.

⁴⁵ These are sorted by appearance, with the most offered services listed first.

The report also shows that the surveyed commercial investment institutions have good confidence in investment in social enterprises. The financial performance and influence performance of the surveyed commercial investment institutions in social investment projects are mostly in line with or higher than expectations, and 70% of them have growth plans for the next three years in the scale of social investment. However, several factors have been restricting commercial investment institutions in this field, including that additional laws and regulations of social investment are needed, market norms are insufficient, professional talent is in short supply, and there is no comprehensive social impact evaluation mechanism.

As for government investment institutions, out of 13 surveyed ones, they all provide venture philanthropy mainly through funding, and do not require financial returns. They invest with goals to pursue maximum social impact (100%) and positive environmental impact (46.2%), and the main expectation is that their investees are able to achieve the expected social goals or environmental targets to meet the needs of public services. Government-based venture philanthropy prefers social enterprises in the initial stage (69.2%) and growth stage (53.8%) that urgently need to be nurtured and supported by resources, and focus on improving the capacity building of social organizations/ social enterprises in the initial stage. The investment cycle is relatively short, within one year (46.2%) or 1-3 years (30.8%), and the investment amount of a single project is relatively small, 50,000-200,000 RMB (61.5%). Government investment institutions generally adopt the principles of risk aversion (38.5%) or risk neutrality (30.8%) in venture philanthropy, with parallel methods of financial support and non-financial support used, aiming to help improve the organizational capacity of social enterprises through a series of value-added services, which is also one of the important characteristics of venture philanthropy that distinguishes it from traditional government

purchasing. Among them, “linking to social resources” (92.3%), “daily management guidance” (76.9%), “financial management or accounting services” (61.5%), and “operation management” (53.8%) are the most widely provided value-added services.

Due to the lack of a systematic venture philanthropy evaluation index system and key indicator design, it is difficult for the current evaluation methods to effectively reflect the social impact of venture philanthropy. Affected by the government’s fiscal management policy, the exit mechanism of government investment institutions is different from that of traditional commercial investment institutions. Generally, its exit mechanism is not designed based on whether the financial return is achieved or not; the government investment institutions exit at the end of the funding period.

In regard to social investment foundations, out of 19 surveyed ones (including 13 non-public foundations and 6 public foundations), the social investment funds come mainly from their own capital (78.9%) and charitable donations (68.4%). The social investment methods of the surveyed foundations include two types: venture philanthropy funding (63.2%) and impact investment (63.2%). The funding period of venture philanthropy is less than 5 years, with the most common period being 1-3 years (58.3%), and there is no requirement for financial returns. The funding period of impact investment is mainly 3-5 years (50%) and 1-3 years (41.7%), most of which expect returns either below the market rate (41.7%) or close to the market rate (25%). In addition to financial support, they all provide various forms of non-financial support services to help investment objects or funding objects grow rapidly. The social investment risks of most concern by the surveyed foundations include business model or project implementation and management risks (89.5%), social and/or environmental impact risks (73.7%), and financial risks (47.4%). Nearly 70% of the surveyed foundations have conducted impact assessments or item evaluations on social

investment projects, and the vast majority of them have adopted a self-designed evaluation system for the invested projects. The constraints of the foundations also include compliance risks caused by unmatched external policies, and a lack of internal talent.

In the context of the Chengdu social enterprise ecosystem, SSI has been expected to coordinate and manage the entire process in the sense of collective impact. However, as an outsourcing agency of the Market Supervision Administration, it needs to directly report to this government department. It lacks effective resource integration capabilities beyond the scope of certification. As for the other government department in this ecosystem, the Social Governance Committee, as a new department, it has been facing great challenges in resource integration as well. Due to the different positions of the government departments and their own performance evaluation tasks, it is difficult to coordinate and achieve effective cooperation among them. Additionally, in the aspect of impact assessment, the various investment institutions, SSI, and communities have not reached a consensus on how to measure and evaluate the results, which also makes it difficult for multiple parties to have a common goal in problem solving. In the author's opinion, the social enterprise ecosystem is diverse and has various levels of complexity. In this system, various stakeholders still have different interpretations of social enterprise despite the clear definition from the Chengdu government. Meanwhile, this system is not a closed one. It has characteristics of external absorption and self-evolution, and the participants (and the factors that affect them) are very diverse. This can also be seen from the multiple cognitions and different practices of SE in China and the world. Therefore, collective impact could only be an idealized methodology to a certain extent, and it is difficult to be promoted to a more open social innovation system.

Chapter 8: Problems with the Social Enterprise Ecosystem

In addition to the identity problems discussed in the last chapter, some systematic problems also need to be explored. The author will address two essential problems using two typical cases. One is Serve for China (SFC),⁴⁶ a national non-profit organization striving to work on poverty alleviation through rural entrepreneurship and social innovation. The author was an insider witnessing this elite non-profit organization falling down during the process of becoming closed to commercial capital while an instance of alienation occurred, both at the individual and organizational levels. The other case is the Hongmen community-based social enterprise in Chengdu. As an emerging new form of a community social enterprise, this award-winning social enterprise has been encountering serious ethical issues regarding the involvement of public assets.

⁴⁶ The author has published an article using this case. See Pan, S. (2020). Conflicts inside an elite Chinese social organization: A theory of resonance perspective on social entrepreneurship. *International Journal of Entrepreneurship*, 24(1), 1-12.

1. Alienation in the Social Enterprise Ecosystem

Serve for China (SFC) has committed to working on poverty alleviation through rural entrepreneurship and social innovation by annually awarding a two-year fellowship to a highly select group of Chinese top university graduates, training and sending them to poor villages. The mission is to facilitate economic equality and make sustainable social impact in the underdeveloped regions of China through educating future leaders. SFC's fellows have been from top universities worldwide such as Yale, Columbia, and Cambridge. Qin Yuefei, one of the founders, who graduated from Yale University and worked in poor villages in Hunan province for over five years, has become a role model for the young fellowship awardees. SFC initiated its fellowship program in 2016, and has rapidly developed in the last few years. Recruited young graduates receive a one-week intensive training and then are allocated to different villages in impoverished counties, in small teams of 2-3 members each. They are required to propose a business plan after a one-month period of independent industry research in their assigned villages. The business plans usually involved setting up farmers' specialized cooperatives with locals, trying to help with the poverty reduction through entrepreneurship. Those fellows would then work in the cooperatives as general managers without earning any salary or dividends from the business (except for the monthly service subsidies paid by SFC). All the profit was for the locals who joined the cooperatives, or would be reinvested in the business. Since 2016, SFC has sent a total of 69 fellows to 25 villages in an impoverished county in Hunan Province, and by the end of 2017, 12 rural cooperatives had been established by those fellows, in six main industries: crop farming, livestock breeding, processing of agricultural products, rural tourism, handicrafts and a training program for local youth (social services).

Si et al. (2019) have reviewed a large body of poverty literature selected from top-tier journals and summarized five main perspectives on poverty reduction through entrepreneurship (see Table 3-1): the remediation perspective, the reform perspective, the social and plight perspective, the learning and change perspective, and the subsistence and innovation perspective. Each of them has a different focus. The remediation perspective focuses on resources; the reform perspective emphasizes that a productive institutional regime could encourage innovation and entrepreneurship; the social and plight perspective suggests solving specific difficulties is an effective way to help the poor escape their plight; the learning and change perspective focuses on the leaning mindset of the poor and behavior change; and the subsistence and innovation perspective strives to create a more sustainable development at the individual and household levels through micro-finance and the development of local enterprises.

Table 3-1.
Five Main Perspectives on Poverty Reduction through Entrepreneurship
(Si et al., 2019)

Remediation Perspective	It generally focuses on resources. It “sees poverty as driven by scarce resources such as a lack of seed capital or other physical assets” (Si et al., 2019). McCloskey (2010, 2017) points out that capital accumulation and provision, in history, have not provided lasting advantages to an economy or its firms or citizens.
Reform Perspective	It focuses more on reform than resources and capital investment. It assumes that institutional voids and other social issues noticeably cause the poverty. Rodrik, Subramanian and Trebbi (2004) claim that institutions matter a great deal in terms of economic growth, and Acemoglu and Robinson (2012) further note that a productive institutional regime generally encourages innovation and entrepreneurship.
Social and Plight Perspective	It suggests that solving specific difficulties and removing onerous restrictions to help the poor get out of plight could be “an effective individual or community level solution” (Si et al., 2019).
Learning and Change Perspective	It centers on the learning mindset of the poor and behavior change. Scholars (Dweck, 2007; Si et al., 2015) mention the key for this perspective is to allow trial and error learning, while entrepreneurship would be encouraged during the process and learning innovation is emphasized, rather than failure being punished. (Dweck 2007, Sims 2013, Si et al. 2019).
Subsistence and Innovation Perspective	Si et al. (2019) explain subsistence entrepreneurship as “ventures in settings of poverty in which a new venture offers little in terms of the potential to significantly improve the entrepreneur’s life or that of the entrepreneur’s family,” but rather is done out of necessity. This area of poverty reduction is “beyond delivering resources to the poor and seeding development ... It seeks to create a more sustaining development at the individual and household level through the development of local enterprise, microfinance and also the delivery of simple innovations” (Si et al., 2019, p.8).

(Table 3-1. Source material from Si et al., 2019. The content is summarized and developed by the author.)

In the case of SFC, the learning and change perspective and the social and plight perspective have been reflected in most fellows’ social ventures. The preliminary research they performed was expected to identify specific opportunities and help the fellows design a feasible business project for effectively removing troublesome restrictions. However, during the operation of their entrepreneurial projects, many fellows gradually encountered severe difficulties with productive communication with the villagers, lack of necessary management knowledge, and lack of sufficient money for conducting the project.

The key issue with the above difficulties is the conflict between the core values of certain poverty reduction perspectives through entrepreneurship and the strict time norms resulting from the logic of competition. For instance, the learning and changing perspective allows trial and error learning, and the social and plight perspective works by identifying specific difficulties of the poor people in the area. However, the fellows were socially or even culturally unfamiliar with those villages which they were assigned to, and they were requested to finish preliminary industry research in only one month with a feasible business proposal to help with the local economy. Moreover, the service period for each fellow was two years, which means they had to create a sustaining local farmer specialized cooperative while under much time pressure. Other tasks such as being interviewed by the local and national media at different stages of their entrepreneurial projects were also taking up their time. They were expected to constantly contribute touching and inspiring stories to the SFC PR division, as powerful and convincing materials for the purpose of fund-raising⁴⁷ for the organization. Those fellows had been trained to strictly meet time norms, as Rosa (2013) discusses. In the face of extremely long interdependence chains, modern society meets the needs of cooperation, regulation, and synchronization through strict implementation of time norms, schedule and deadline rules, as well as urgent satisfaction and response. Rosa (2013) further points out that this time norm has an overwhelming influence on the production of “guilty subjects;” modern society creates guilty subjects, but without any compassion and forgiveness. In this case, if the fellows had failed any expectation or fallen behind on their schedules, it would be very difficult to be forgiven by the surroundings and even themselves. Under such conditions, those fellows had to try their very best to catch up with the schedule and meet all the requirements, even if some of

⁴⁷ In 2017, SFC’s fund-raising income was 12.025 million RMB (≈1,780,616 USD).

the tasks were not what they expected to do when they joined SFC. One fellow spoke out after she finally quit SFC, saying that she felt very uncomfortable exaggerating what her team had done and what social impact they had made for the local people. She said they had to accompany different government officials, investors and journalists to tour around their villages and cooperatives, being a shining “poster boy” or “poster girl” of SFC, which had taken up so much time that they were not able to contribute to the social venture itself. This fellow later wrote an article expressing how sorry she felt for the poor villagers she worked with, for she did not bring real change for them, but only made some unsuccessful trials. Statements such as this clearly reflect a sense of alienation. As Rosa (2013) observes, whenever we are voluntarily doing something, but it also violates our “true will,” we may feel alienated.

SFC’s subsequent reforms pushed the conflicts with its fellows to an extreme. In April of 2018, SFC initiated a series of changes to its operations. All the projects were requested to present at a roadshow to be judged by six representatives from various venture capital corporations, and those who passed the evaluation would be given more financial and business support from venture capital corporations. The judging criterion stated by SFC was how much the project would empower poor villagers and produce sustainable revenue. SFC expected to scale up and expand its social impact through the deeper involvement of commercial capital. Sixteen fellows of 2017-2019 resigned from SFC after the announcement of the reforms. After the roadshow was held in May, 11 projects (24 fellows) did not pass the evaluation; only 2 projects (6 fellows) passed. Although there was a second chance for presentation, fellows started questioning the reforms, and some of them claimed they had already expanded by the commercial capital. Many fellows were confused about the nature of social entrepreneurship, criticizing why SFC was putting commercial capital into such a

crucial position, and even establishing their opinions as the standard in the poverty-reduction entrepreneurial projects. It could be seen that the six judges placed greater emphasis on resources, and their remediation perspective did not match the fellows' entrepreneurial concepts regarding poverty reduction. This kind of conflict demonstrates that creativity, subjectivity and passion are no longer for the autonomy of the old "modernity," but rather to enhance competitiveness (Rosa, 2013), and the logic of escalatory acceleration and the logic of competition have already invaded the nature of social entrepreneurship, causing alienation of some of its elements.

Alienation can occur not only in the individual's aspect, but also in the aspect of the SFC's structure. The SFC's structure was mainly divided into two parts: the "frontline," which refers to the fellows who worked in the villages directly running the cooperatives; and the "backline," which includes other divisions (public relations, fund-raising, finance, fellow recruitment, etc.) of the organization. The "backline" was supposed to provide support for the "frontline," such as by organizing management training for the fellows, providing monthly subsidies for the fellows, and conducting marketing/branding events for the fellows and the projects. According to inclusive and extended definitions of social entrepreneurship, SFC perfectly stayed in the social entrepreneurship zone. In the author's opinion, what is special is that SFC has been covering two regions in the social entrepreneurship zone (Swanson & Zhang, 2010) at the same time: the social improvement region (SIEVs' home), and the social transformation region (STEVs' home). Social entrepreneurs of SIEVs "initiate and operate these organizations to, in part, apply sustainable business practices to support social change" (Swanson & Zhang). In SFC, the "backline" played the role of SIEV, with different divisions working together to support the fellows' social entrepreneurial ventures, while the "frontline" played the role of STEV, which, as defined by Swanson

& Zhang, is “initiated by entrepreneurial individuals or groups who want to transform social conditions through their organizations...these individuals or groups take direct action toward initiating social change through applying business concepts” (2010, p. 83). The conflicts inside SFC could be regarded as the alienation of social entrepreneurship by the coexistence of SIEV and STEV in one organization. Rosa (2013) argues that if our relationships with time and space, action, experience and interactive partners are alienated, it is difficult for us to avoid deep self-alienation. As discussed, the fellows (frontline) had self-alienation in their relationship with the organization (backline), and the social entrepreneurship itself also became alienated during the process. Meanwhile, the reforms initiated by the backline intensified its conflicts with the fellows, and this action resulted in SFC deviating from the nature of social venture, continuing to break what Rosa called “axes of resonance” (2018). The horizontal axis describes a subject’s resonant form with the surroundings, which includes family, friendships, political system, etc., while the vertical axis is “existential,” describing the resonant form between one’s own existence and nature, and even beyond nature, such as religion, universe, art, and history. At the end of August 2018, only eight fellows remained at SFC. On August 18th, a group of fellows who had left SFC published an article online called *Seven Questions for Qin Yuefei*, in which they criticized SFC’s financial transparency, Qin’s integrity and the backline’s profession to support them. The article spread quickly nationwide within a week; more than 100,000 people have viewed it. Because of this incident, SFC, as a national star social organization, has been going through its biggest public crisis since its founding. In mid- 2020, the author contacted 42 fellows to see how many of them still work in public welfare. The result is surprising in that only eight of them have stayed in the

public welfare industry.⁴⁸ Some fellows confessed that they feel depressed about this industry because of their experience with SFC.

As for the author, this case has been like a close-up view of the conflicts of two kinds of values: social values, as the fellows wanted to insist, and market-centered values, as adopted by SFC, in which alienation occurs on different levels. More generally speaking, such conflicts have occurred in the field of social entrepreneurship in nature. Rosa's analysis explains well that SFC chose to deeply embrace capital, and the Chengdu government clearly defines "social enterprises as enterprises," which is essential for enhancing competitiveness and continuing to adapt to the accelerating society. Additionally, the author thinks that the concept of the two social forms compared by Z. Bauman (2000), solid modernity and liquid modernity, would also help us deepen our understanding of this issue. Solid modernity is the era of conquering space, characterized by the integration of capital, labor, and land. It is a heavy, solid, concentrated, systematic modernity. Liquid modernity is the era of the end of spatial or geographic significance, characterized by the separation of capital, labor, and geography. It is a lightweight, fluid, decentralized, network-like modernity. In liquid modernity, the time dimension is more important than the space dimension. In Bauman's view, liquid modernity does not refer to the changes and development of a "whole society," but specifically refers to the flow of the various rules, norms, frameworks, patterns, etc., in which people live. But those things are precisely indispensable tools and means for people to establish ideals and change reality. Its continuous liquefaction means that the existing order has lost the possibility of choice, or even has no choice but is in the state of flow stagnation. In addition, Bauman

⁴⁸ Ten fellows are doing master's/PhD programs, and 24 fellows are working in industries other than public welfare.

believes that in liquid modernity, the market-mediated lifestyle allows market mechanisms, norms, and values to permeate each level of human existence, and replace social classes as the primary definer of social identity and difference (Davis, 2008).

The author argues that in the society of acceleration, all stakeholders in the social enterprise ecosystem and every individual involved in its activities are also facing the risk of deep alienation. Questions including what kind of identity the social enterprise forms in this social context, how to ensure that their missions do not drift under the conflict of the two values, and what internal mechanism needs to be established to achieve possible “mediation” and “digestion,” would be worth more in-depth explorations. Moreover, society and the public should see the risks and challenges of the “consumer’s position” in the development of social enterprises, instead of taking this position for granted without any criticism. Emphasizing the necessity of “planning,” “productivity,” and “efficiency,” as well as the rationalization of “means-objectives” also bring relevant ethics risks in the development of social enterprises. The author has noticed that a new kind of community-based social enterprise is emerging in Chengdu; through the case of Hongmen community, the author will specifically discuss the concerns of ethics.

2. Ethical Concerns in the Social Enterprise Ecosystem

Community entrepreneurship has come into sight, especially for local and regional development. Peredo and Chrisman (2006) define the concept of *community entrepreneurship* as a community cooperative action in which entrepreneurs and entrepreneurial enterprises pursue common public welfare, and note that it involves the process of establishment of new enterprises and the activities that enable them to

operate within the existing social structure of the community. Moreover, community entrepreneurship is also recognized by the government for its ability to bring social reform (Ratten and Welpe, 2011). The OECD (2011) points out that there are an increasing number of local and community-based enterprises and groups between the public and private sectors, helping the local economy transform into an enterprise-oriented innovation community, and providing these communities with more and better jobs. Therefore, social forces have the confidence to regard community-level enterprises as a way to transfer economic and social crises and achieve sustainable development. Community entrepreneurship is considered to enable individual entrepreneurs to seize the opportunity to create social benefits for the community, so as to meet needs of the society due to structural changes, lack of innovative culture, lack of resources, or weak organization (OECD, 2011). After extensive literature review and analysis, Pierre, von Friedrichs and Wincent (2014) found that local sustainable development, socio-economic value, community development, networking, collectivism and enthusiastic individual entrepreneurs are important attributes of community-based enterprises.

Chengdu takes social enterprise as an essential tool for community development. What are the characteristics of social enterprises rooted in the communities of Chengdu? What role do they play in Chengdu's social enterprise ecosystem?

During fieldwork as a full-time staff member at Mordo, the author had many opportunities to connect with other fellow social enterprises and communities in Chengdu after Mordo received their certification. In October 2019, the author represented Mordo at the 2019 China Social Enterprise and Impact Investment Forum,

which was held in Chengdu. As a part of the forum, three different site visits⁴⁹ (all held at the same time) were organized by the host of the forum. The author chose the visit to a community-based social enterprise, as it was closely related to this study.

We focused on a fast-growing community-based social enterprise in the Hongmen community⁵⁰ (it is also a certified social enterprise in Chengdu). Hongmen community is located in the Yulin sub-district of Wuhou District. It covers an area of 0.7 square kilometers, with 45 residential courtyards, more than 6,328 households, and a population of more than 15,000. There are four grid areas under the community and seven autonomous resident management teams. It is a medical resource concentration area that gathers four high-level hospitals, including West China Hospital of Sichuan University, and a large number of high-end medical institutions. It is a pilot project for the reform of community governance in Chengdu, and a practitioner that actively explores the construction of the “Community Party Committee +” model. This model refers to the reuse of community space resources, with community residents’ committees establishing community-based social enterprises. The operation of community-based social enterprises is combined with community building, and then coordinated with the use of community funds to build up some form of urban community collective economic reconstruction. For example, the Hongmen community residents’ committee has proposed a “3+N” system for community-based social enterprises, which involves establishing a company (Sichuan Hongmen Yilin Residents’ Service Co., Ltd.), a fund (Hongmen Community Public Welfare Fund), and a system

⁴⁹ One site visit had the theme of community governance (visiting a community-based social enterprise in Chengdu); the second had the theme of technology empowerment (visiting a technology-based social enterprise in Chengdu); the last theme was good business (visiting a good business enterprise in Chengdu).

⁵⁰ The author has published an article using this case. See Pan, S. (2021). The emerging community-based social enterprises in Chengdu: Ethical concerns and future considerations. *Academy of Strategic Management*, 20(3), 1-11.

for supervision (funds supervision, internal supervision of the company, supervision of the use of public welfare funds, etc.), as well as implementing multiple projects. It uses the “public welfare + marketization + sustainability” operational model, which combines market mechanisms and social capital to attract social resources into community services and thereby enhance community service functions. The organizational structure of the Hongmen community-based social enterprise is shown as Figure 3-1.

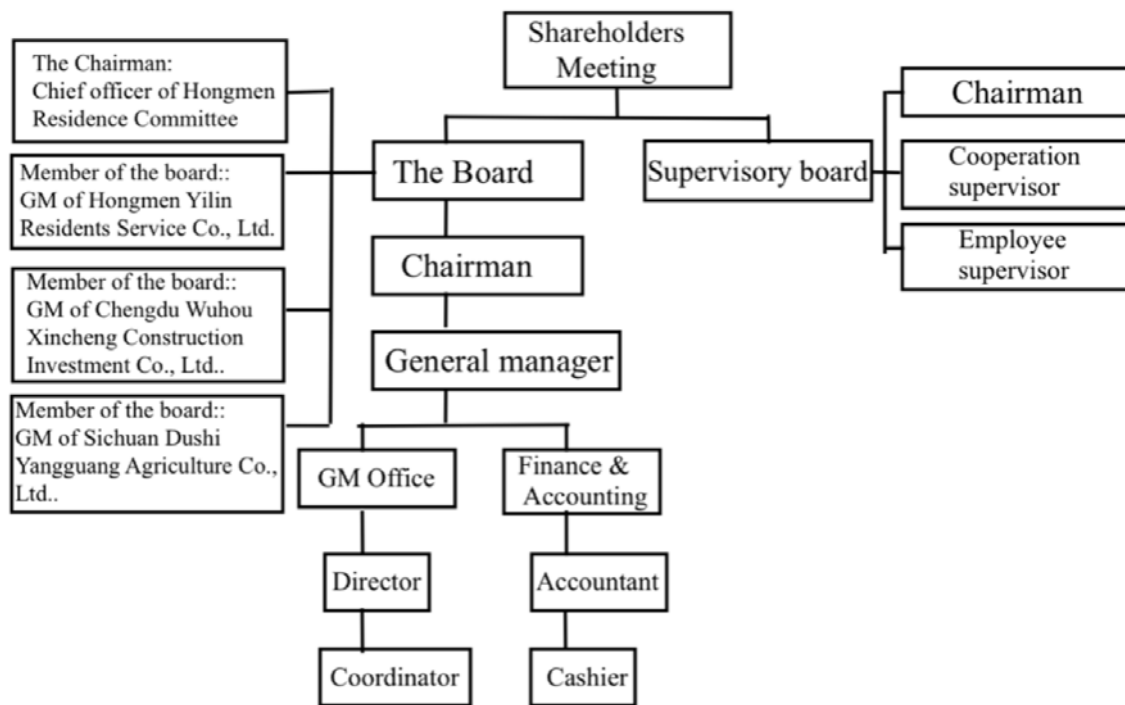


Figure 3-1. The management structure of Hongmen community-based social enterprise (Source: official materials of Hongmen community-based social enterprise.)

We can see that a special feature of this type of social enterprise is that the chairman (legal representative) is the community chief officer, and the shareholders of

investment come from various sources, of which private capital has accounted for a large share.

Hongmen community-based social enterprise states that their social attributes have been reflected by the participation of the community residents and the establishment of a community public welfare fund. The former specifically refers to the fact that the community-based social enterprise has opened a share subscription to the community residents, in which they may purchase shares. As of October 2020, 18 residents have subscribed for 285,000 RMB⁵¹ worth of corporate shares of the company. The latter is specifically reflected in that, 20% of the company's remaining after-tax profits would be devoted into the community public welfare fund for the community to carry out projects such as poverty alleviation, assistance for the elderly, assistance for the disabled, and education for the community residents and children.

Six projects had been executed by the community-based social enterprise by the end of 2019, in areas ranging from health management and culture, to new retail.

Elderly Care

The project is a community-based embedded health care center established by the community-based social enterprise based on the high-quality medical resources of West China Hospital, in cooperation with Chengdu Elder Lesheng Technology Co., Ltd. and China Telecom. The project area is 1630 square meters, with 91 beds inside. The combination of “medical care and elderly care” is used to provide community health care services such as long-term care, day care, and postoperative rehabilitation for the elderly. The project has been in operation since May 2019, and ten elderly people have been accommodated.

Health Management

⁵¹ 285,000 RMB ≈ 42,244 USD.

The project is a health management center established by the community-based social enterprise to integrate the resources of experts from West China Hospital, Sichuan Provincial Hospital, and the University of Traditional Chinese Medicine, and cooperate with Chengdu Qingyang Yankang Medical Union Clinic Co., Ltd. There are five expert studios to provide residents with professional gynecological, pediatric and other diagnosis and treatment and health management services. Also, the center's goal is to build an online and offline integrated enterprise and personal health management service platform. The project officially opened in early July 2019.

Grandma Kitchen

The project was jointly built by the community-based social enterprise and Sichuan Dushi Sunshine Agriculture Co., Ltd. It is located in the community Hongmenli-Huaxiba Humanistic Life Experience Center, which can accommodate 180 people for dining at the same time. 20% of the profits are extracted to provide free meal delivery services for people over 80 years old in the jurisdiction.

Arts & Tech Cafe

The project is a "Chengdu Slow Life" experience project, jointly created by the community-based social enterprise and Sichuan Sanlian Culture Communication Co., Ltd., which integrates humanities and art appreciation, modern technology perception, traditional tea art experience, and community talent training. The project is located in Hongmenli-Huaxiba Humanistic Life Experience Center, offering services such as art appreciation training, a robot club, and a children's reading club.

Smart Shared Bookstore

The project is a community "library" jointly built by the community-based social enterprise and Chengdu Shanrong Technology Co., Ltd. The project is based on intelligent shared bookstores spread across communities, schools, streets, and stations

(subways). Through the "Internet +" method, a book can be borrowed and returned at any spot in the community.

New Retail

The project is an effort by the community-based social enterprise and the local chain supermarket Hongqi Chain to explore the scene-oriented and fragmented needs of residents' shopping, and to build a "15-minute community convenience life service circle." The project mainly distributes to hospitals, schools, residential communities, commercial buildings and other locations where there is a large flow of people, but related services are missing. Currently, the project has signed an agreement with West China Hospital of Sichuan University, and the first batch of 21 spots have been implemented. 7% of the project's operating income will be invested in community public welfare funds.

According to a report of the Hongmen community-based social enterprise, since its establishment (one year earlier), it has achieved cash flow through projects of "market + public welfare" to serve residents. The community-based social enterprise has a market valuation of 30 million RMB, and an output value of more than 2 million RMB, which basically balances revenue and expenditure with a slight surplus. More than 100,000 RMB has been invested in the community public welfare fund to carry out 52 charity activities such as helping the poor, supporting the disabled, and caring for children, serving more than 5,000 people.

This type of community-based social enterprise in Chengdu has been receiving much attention in China, and their achievements have already won some local and national awards. The role of community-based social enterprises with development resources is clear to all in driving the vitality of community development and promoting community governance. These communities with resources and capable community

cadres are encouraged to use the concept of “operating communities” for community development and governance. Innovative attempts should be one of the important ideas for solving various problems faced by the community.

However, there are also several ethical concerns related to the emergence and development of these enterprises. Through the interviews and a focus group on this issue, various parties expressed their opinions. We can classify the opinions into five specific points, as follows:

The concerns of public assets. We can see these concerns by examining examples of some community-based social enterprises in Chengdu. (Distinct from Hongmen community-based social enterprise, there are also some community-based social enterprises in Chengdu that are wholly-owned by the community, such as Zhengyin community and Zirui community.) In order to support the development and governance of the community, governments at all levels have invested a large amount of financial funds to transform the infrastructure of the community or invest in the transformed space resources for the community-based social enterprises. Meanwhile, governments at all levels also support the development of various community-based social enterprises by injecting funds from the purchase of projects. Each community-based social enterprise uses these space resources such as government investment or community public land to conduct business operations. The national financial resources and the public space or public resources used by the community-based social enterprises are not included in the equity structure of the companies, which makes the current shareholders of community-based social enterprises only the community residents’ committee or other market investment entities, while the proportion of common assets or space resources of the community in the entire equity structure is almost zero. Since

there are risks in running an enterprise, once it closes, the public assets would be divided up.

The concerns of distribution. One of the important criteria for measuring social enterprises is their social attributes, which are how the operating income is distributed in the community, the nature of social services of operating projects, and other community integration and governance functions. At present, different communities also have differences in the distribution plan. For example, in addition to spending on basic staff salaries and a small amount of public welfare activities in the community, the community-based social enterprise in Zhengyin community mainly plans to re-invest in the enterprise, and is preparing to gradually use this income to provide an overall transformation and services improvement in the future. The community-based social enterprise in Zirui community currently is introducing social enterprises that include not only economic requirements, but also public welfare time requirements, which can be converted to benefit nearly half of the residents of the community. However, the operation of the community-based social enterprise in Hongmen community is relatively commercial, strictly implementing 20% of the profits as the community's public welfare expenditure, and there are relatively few other public welfare activities. Some public service projects are mainly for the entire market, and have a lower degree of relevance to the community itself.

The concerns of work focus in the community. Since the community-based social enterprise is funded by the community, and the community leader assumes the role of corporate management, there are concerns that the focus of the community's work could be changed from serving the residents to making more money with the business, and the community's daily work would be affected. One of the interviewees thinks there would be huge risks:

“Under the current mode of community-based social enterprise, if community leaders are not allowed to enjoy the benefits, they won’t have any motivation; if they are allowed to enjoy the benefits, what should the social enterprise do about it? When you think about it, when these community leaders have all gone to run the company, then who will do these daily tasks? I’ve only seen the facts around me, and these problems do exist.”⁵²

The concerns of moral ethics of chief officers in the community residents’ committees. A former chief officer of a community residents’ committee explained these ethical concerns, while noting that she would never cross the line to become the chairman and legal representative in a community-based social enterprise:

“I am worried that I do this thing originally from a pure nature, but later it becomes nondescript. I would rather be a member of the board of directors in a social enterprise, but would not be the legal person and manager. After all, a chief officer of a community residents’ committee is recruited by the community; his/her salary is from government financial allocation and must be managed in accordance with the system. These things are not easy to define... If you want to run a business, you probably will do something that may conflict with your community work. There are many stakeholders... If others want to check you or do something to you,

⁵² Fuyou Deng, senior manager of a SE incubator in Chengdu Qingyang District. Personal interview conducted at Chengdu Qingyang District Social Entrepreneurship Support Center. April 29, 2020.

you (as a chief officer and manager of a social enterprise) may not be able to withstand the check. Nowadays, dirt digging is often seen in public welfare. For this kind of role it is difficult to find a clean position which would not be criticized.”⁵³

Her concern was backed up by a founder of a social enterprise (non-community-based one). This founder has been very much concerned about possible corruption in the current mode of community-based social enterprise. His main argument is about the dual role of the chief officer of a community residents’ committee as well, as he/she both takes salary from the government and works at a social enterprise.

The concerns of unfair competition. Compared with ordinary social enterprises, one of the advantages for community-based social enterprises is the resource endorsement by the government, which gives them comparably lower costs. From the market perspective, this kind of social enterprise may create positive and negative effects at the same time. An example was cited by an interviewee:

“In the past, there was a private nursing center next to West China Hospital, which was dedicated to providing services for patients who could not live in the hospital. It did a good job in this market economy environment. But now, the community-based social enterprise has cooperated with West China Hospital to build a nursing center, and the place is provided by the community for free. Under this circumstance, the private nursing center, which

⁵³ Y. Chen, former chief officer of Xiangheli community residents’ committee. Personal interview conducted at the office of Sichuan Red Cross Foundation. June 22, 2020.

has to pay rent itself, would definitely be squeezed out. In the other case, does it have to be acquired by the community-based social enterprise?”⁵⁴

In a nutshell, considering the above concerns and criticism, the mode of community-based social enterprise in Chengdu still has many ethical considerations that need to be addressed while in the experimental stage.

Considerations for Strategic Focus of Public Policy in Chengdu

The development of social enterprises in Chengdu is policy-driven and based on government guidance. In order to cope with conflicts and challenges in practice, the government needs to maintain continuous improvement with respect to both the policy environment and the establishment of communication mechanisms.

Modified by Lundstrom and Zhou (2014)’s analysis, the strategic focus of public policy in Chengdu could be depicted as follows (Figure 3-2):

⁵⁴ Fuyou Deng, senior manager of a SE incubator in Chengdu Qingyang District. Personal interview conducted at Chengdu Qingyang District Social Entrepreneurship Support Center. April 29, 2020.

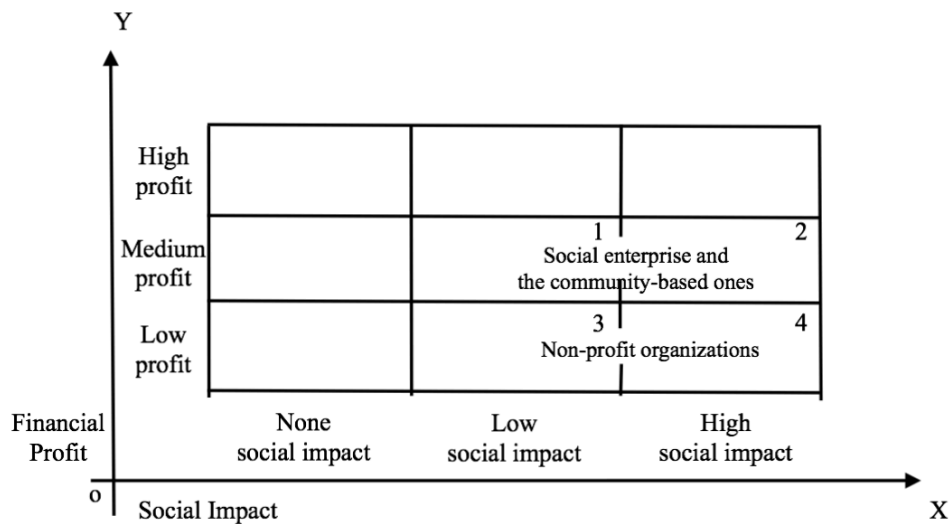


Figure 3-2. The strategic focus of public policy in Chengdu
(Note: figure is modified and developed by the author)

Quadrants 1 and 2 are the main operating areas of social enterprises in Chengdu, and non-profit organizations are in Quadrants 3 and 4, based on their characteristics. It is important to clarify the policy measures between the different quadrants. For example, in Quadrants 1 and 2, there must be a certain distinction between the certification and supporting policies of general social enterprises and community-based ones. For general social enterprises, they could continue to be reviewed and certified by a third-party agency; but for community-based ones, due to their direct use of state-owned assets and resources, and deeper reliance on government credit endorsements, they need to reflect government responsibilities and have differences in certification and cultivation. In addition, it is necessary to regulate the shareholding structure and the use of operating income of community-based social enterprises. The key issue is how to determine which of the resources used by community-based social enterprises are community public resources, state-owned resources, and private resources. It is a core issue as to how these resources could be priced into community-based social enterprises, so that residents in the community can benefit more from the development.

The next challenge would be how the distribution of the operating income of community-based social enterprises reflects the social attributes of serving the entire community. It needs to be designed at the systematic level. Presently, the existing channels for using funds are through community funds, but the channels are relatively narrow and have a lack of participation. Meanwhile, the role of community residents' committees in the community-based social enterprises should be handled carefully. It also requires specific planning on how to balance the time spent by the directors of community residents' committees between community work and social enterprise work. The author won't argue the positive effects the community residents' committees could bring into the community development, networking, and collectivism; however, in terms of having enthusiastic individual entrepreneurs as an important attribute of community-based enterprises (Friedrichs and Wincent, 2014), a sustainable mechanism for the cultivation and communication of community talent is still needed, especially for the further development of those community-based social enterprises.

Additionally, between Quadrants 1 and 2 and Quadrants 3 and 4, non-profit organizations should still be used to provide social public services that are not suitable for market commercialization, such as indemnificatory medical care, education, and elderly care services. Traditional Chinese non-profit organizations do have a need for transformation, but encouraging them to transform into social enterprises solely due to economic factors is undoubtedly risky.

Chapter 9: Modernity and Alienation

Based on the problems we have identified within the social enterprises and the ecosystem in the previous chapters, it could be seen that social enterprises are affected by the changes of economic development in China, which, in turn, reflect various issues of modernization. However, we must think of modernization at a broader and more theoretic level—that is, the concept of “modernity.” Black (1966) wrote that the concept of *modernity* has gradually been widely used to express the characteristics shared by countries that are at the most advanced level in terms of technology, politics, economics, and social development, whereas “modernization” refers to the process of acquiring the above characteristics. Modernization is mainly a category discussed at the level of economics and sociology, which shows that society has undergone fundamental changes—moving from agricultural society to industrial society—in productivity, production methods, economic growth, and social development, as well as making huge progress in urbanization, informatization, education popularization, and the improvement of knowledge. These are factual and empirical issues which can be measured by quantitative indicators, whereas modernity is a philosophical category. It examines and criticizes the modern results of civilization changes from a philosophical

perspective, abstracting the essential characteristics of the modernization process. It focuses on grasping the attributes of modern society from the aspects of ideas and behaviors, and reflects on modern consciousness and zeitgeist. Modernity belongs to the question of value, that is, the question of the rationality of its orientation, internal principles, behaviors, etc. In this sense, countries that have reached the target of modernization can be different in terms of modernity, because they can pursue different values and behaviors, which are manifested in differences in institutional norms (Chen, 2006).

Critique of the rationalism and rational concepts of western philosophy constitutes the core part of the modernity critique. Modernity is based on rationality for enlightenment and the construction of modern society. However, starting from Weber, after being analyzed as the opposition between instrumental rationality and value rationality, such a rational concept has been regarded as the source of modernity's troubles and crises. The consequence of instrumental rationality occupying a dominant position has made the utilitarian pursuit of interests the main lead in modern society, while value ideals such as social justice that enlightenment aspires to have been actually abandoned. The concept of instrumental rationality later became a major tool of social criticism in the humanism of modern western philosophy, especially in the Critical Theory of the Frankfurt School.

1. Frankfurt School in China

The New Enlightenment in China in the 1980s was an essential milestone in the history of contemporary Chinese thought. It inherited the mind emancipation movement that started in the political field in the late 1970s, and enlightened the evolution and

differentiation of the cultural field in the 1990s. *New Enlightenment* specifically refers to the thinking and discussion of China's modernity by intellectuals in the field of cultural thought. When intellectuals regained their interest in the west, the west itself had experienced a crisis of modernity and had gone through profound reflection. The changes in world history created the New Enlightenment in the 1980s in the context of western reflections on modernity. Chen (1988) analyzes the three philosophical schools of this New Enlightenment:

(1) *The scientific spirit of Going to the Future*. *Going to the Future* is a series of books edited by Jin Guantao (1984), which introduced readers to contemporary western scientific methods, theories and trends of thought. The editorial board had hoped to reflect on Chinese history and culture by promoting scientific methods and scientific rationality, so as to promote mind enlightenment. Meanwhile, the scientific spirit of *Going to the Future* also included a deep sense of reflection, including books that advocate zero growth (such as *The Limits to Growth*, which reflects the environmental issues and resource limits brought about by development). Ma (2008) comments that these kinds of books did not appear to be in line with the general trend of economic take-off in China at that time, but they were very far-sighted and had foreseen today's problems.

(2) *The cultural thinking of Culture: China and the World* (1986). The editorial board of the series of books *Culture: China and the World* introduced the modern west, especially the European humanistic philosophy tradition, to inspire thinking about the future trends of Chinese culture, which clearly contrasted with the scientific spirit of *Going to the Future*. The core figure of this series, Gan Yang (2006), proposed that in the era of a historical turning point, the most powerful

means to inherit and develop “traditions” should be “anti-tradition.” If China wanted to enter the “modern world,” then it was necessary to radically change its social system, cultural system, and personality system. This radical attitude was criticized as advocating total westernization.

(3) *The social concerns of Cultural Academy* (1984). Unlike the previous two schools, this school had a mild and harmonious attitude toward science and the humanities and tradition and modernity, as well as Chinese culture and western culture. One of its founding purposes was to inherit and carry forward grand cultural traditions through the research and teaching activities of traditional Chinese culture. Li Zhehou (1987), as its representative, emphasized the awakening and liberation of individuals in terms of the relationship between science and the humanities, but he also acknowledged the historical prerequisites created by instrumental rationality; thus, he believed that economic development was the most fundamental task. In terms of the relationship between tradition and modernity, he argued that tradition must continue to grow in the modern society; it was necessary to discover oneself from tradition, to know oneself, and to change oneself.

Lv (2019) argues that although the Critical Theory of the Frankfurt School did not really enter the vision of these enlightened intellectuals at that time, there is a certain consistency between them; the New Enlightenment in the 1980s and the Frankfurt School were both cultural critiques of their own traditions within a similar historical background. The Frankfurt School’s Critical Theory was a self-rescue and ideological criticism conducted by persecuted intellectuals when capitalism fell into crisis. The school had continued Marx’s critical position on capitalism and established an interdisciplinary research method. It also went deep into critiques of morality,

aesthetics, art, and psychology by Adorno, Marcuse, Fromm, and others. The New Enlightenment that occurred in China in the 1980s was also a cultural critique and self-help by intellectuals. After the end of the Cultural Revolution, intellectuals began to reflect on that disaster, and the criticism of feudalism had become their common target (Lv, 2019).

In 2008, a conference convened at Goethe University Frankfurt, attended by international scholars from China, Japan, South Korean, Germany, the United States, and other countries, at which in-depth discussions were held on the reception and influence of the Frankfurt School in China. Honneth (2011) contends that Chinese scholars do not pay much attention to the latest developments of Critical Theory, but rather only to certain representatives of Critical Theory during the time of the establishment of The Institute for Social Research (excluding Habermas). Therefore, he observes that there is a unique phenomenon of non-correspondence. On one hand, the latest developments of Critical Theory have gradually seen their limitations in cultural orientation; on the other hand, Asia is particularly concerned about the Eurocentric aspects of Critical Theory. Honneth (2011) then gives three explanations for this non-correspondence: (1) the specific retrogression and social symptoms caused by modernization revealed by the early representatives of the Frankfurt School have universal significance for different modernization paths; (2) the classic works of the Frankfurt School have been regarded as a kind of European cultural heritage in China today, and thus have a certain value; and (3) the works of the Frankfurt School are considered by Chinese intellectuals as a powerful tool to explain the current social and psychological problems. Fu (2011) comments that reference to the Frankfurt School's Critical Theory of modernity, which emphasizes value analysis, is scarce in Chinese literature. It is easily accepted by Chinese academics and used as a critical and

analytical paradigm to reflect on the experience of China's modernity. Thus, she argues that as long as the construction of modernity in China is not completed, Critical Theory will continue to exert its influence in Chinese academics, and not withdraw from the theoretical life of China and become a legacy in the history of thought. Regarding the issue raised by Honneth (2011) that Chinese scholars do not pay much attention to the latest developments in Critical Theory, C. He (2012) replies that the reason why Chinese scholars are more enthusiastic about the critical theories of the first and second generations, and to some extent "ignore" the latest development of the Critical Theory of the Frankfurt School—that is, the justice debate on "redistribution or recognition"—is due to the differing national conditions in China. However, his view is not so persuasive, for he simply ascribes the developments of critical theories in different periods to the differences in national conditions. Honneth and Fraser (2003), the third-generation representatives of Critical Theory, incorporated the issue of distribution into theoretical thinking, and tried to reflect on contemporary capitalism's growing economic inequality, which is also the time when social entrepreneurship and social enterprises have begun to gain more attention. The emergence and development of social enterprises in China, the reform and exploration of government departments, the voices that require diverse forces to participate in social construction and services, and the rethinking of values issues have all contributed to the formation of China's social enterprise ecosystem. The word "ecosystem" shows that intersubjectivity and the multiple interaction modes in this ecosystem are embedded in different but overlapping areas of recognition. Rosa's social acceleration theory adds a temporal perspective to the mutual understanding of contextual critique (Habermas) and recognition of contextual critique (Honneth), which is more helpful for us to understand the dynamic

changes and contradictions in this ecosystem, especially the desynchronized forms and the alienated forms.

2. Social Acceleration Theory

Rosa (2010) adopts the thinking of the Frankfurt School's Critical Theory, and observes that the problem of acceleration lies in the creation of new forms of "alienation" in modern life, using this to establish his own critical theory of social acceleration.

Regarding the purpose of Critical Theory, Rosa (2010) adopts Honneth's suggestion, believing that pointing out social symptoms is not only a core goal of Critical Theory, but also of social philosophy in a general sense. For critical theorists, the so-called social symptoms do not only indicate that the function of "social (material and/or symbol) reproduction" is distorted or disordered, but also that the process of social reproduction may have a fundamental break or change. Rosa (2010) emphasizes that the norms used to judge social systems and social structures cannot be detached from historical contexts; the normative foundation of critique should be laid on the actual experience of social actors. However, it is always possible for social actors to encounter or endure something without knowing it. He points out that if we want to judge whether people are suffering and experiencing alienation, then this judgment cannot be based solely on the external human nature or essence, but must be based on the social actors' own (negative) feelings, beliefs, and actions. Rosa (2010) believes that the most worthwhile approach in the contemporary version of Critical Theory is to critically examine social practices based on the ideas of what the actors consider to be a better life. Thus, he concludes that for Critical Theory, the most worthwhile

breakthrough point is not human nature or essence, but the suffering caused by society, and then moves to a critical analysis on the relationships between good ideas/concepts and actual social practices and society institutions. Therefore, identification of a kind of social situation in which the subject wants to pursue goodness, but is somehow prevented from being able to do so, is inevitably the primary goal of social criticism. Rosa (2010) further clearly advises that if there are social relationships that can hurt the ability of self-determination and erode the possibility of individual autonomy and collective autonomy, they should be identified and criticized, because such social relationships systematically hinder human beings from achieving a good life in their imagination.

Rosa (2010) divides the tradition of Critical Theory into two paradigms. The first of these involves the principle of “beyond the inner world.” This paradigm requires that social actors know what better life forms and social forms are. They expose the feelings of the symptoms that Critical Theory wants to identify, and then they form certain knowledge in daily practice to overcome the symptoms. With the second of these, contrary to post-structuralism’s opposition to understanding society as an integrated whole established by total structural laws, Critical Theory insists that social structure, social systems, and modes of action should all be understood as a kind of social form. Its core task is to identify and critically analyze the laws and developmental dynamics that cause the social forms.

In order to illustrate the relationship between social acceleration theory and the theories of Habermas and Honneth among contemporary critical theories, Rosa (2010) contends that social perspectives based on communicative actions and recognition models need to account for the driving force of dynamics towards social acceleration. For example, the idea of *deliberative democracy*, proposed by Habermas (1996), states

that modern political coercion can ultimately form a collectively binding law when it goes through a very multi-layered democratic process, and a lot of debate and filtering, and all social groups and individuals are able to put forward demands and arguments, for the process of deliberation and representation will gradually filter out inappropriate arguments and clarify vague arguments. Rosa (2009, 2010) suggests that under the post-modern conditions of post-conservative pluralism and increasing global complexity, the process of democracy takes more time, and the background conditions and consequences of decision-making have also become more and more complicated. With the acceleration of the process, the time resources available for decision-making have decreased. However, the high rate of technological innovation, the speed of economic transactions and the pace of cultural life requires more decisions to be made in a shorter period of time, which means the pace of decision-making accelerates. It means that the formation of a time horizon and a time model for democratic deliberation and decision-making, and the processes of technological development, economic development, and cultural development, have begun to separate and go different ways. In late-modern politics, it is not better nor more powerful arguments that can determine future policy guidelines, but rather irritating, more or less irrational, mostly hasty intuition, and inflammatory metaphors and images (Rosa, 2010). On the other hand, Rosa (2010) also sees that the speed of democracy has been improved through technology and media, and the power of some public opinion surveys can quickly form public opinion. However, doing so skips any form of deliberation process and lacks reflection. It is impossible to put forward, ponder, weigh, and examine any arguments, and there will even be some instinctive and vague power formed to resist any better arguments.

Another example is Honneth's *theory of recognition*. Rosa (2010) believes that this theory is not time-constrained as is Habermas's theory of communicative action, but

it still needs to consider the consequences of social acceleration. Rosa (2010)'s argument compares the relationship between the recognition models and the disrespect/fear in the contemporary and pre-modern era. In a hierarchical society, the distribution model and the recognition model are fixed in advance, so the struggle for recognition is possible only as a struggle against the established social structure. While status in the modern world is not predetermined, the distribution model and the recognition model would be rearranged according to the status that a person has earned for him/herself. The "dynamic" of the world becomes a prerequisite for distribution. Recognition is distributed based on the status obtained as a result of the competition that people have been engaged in. Therefore, the struggle for recognition is the struggle for the redefinition of relative status, honor, and value. However, when the process of social acceleration accelerates the pace of social change from inter-generation to intra-generation, the struggle for recognition will change its form again. Recognition and related wealth, security, rights, etc. are all distributed based on performance. In this sense, what we must strive for in the struggle for recognition has changed from status to performance, and recognition has increasingly become a daily competition. Rosa (2010) explains that in the late-modern era, recognition can no longer be accumulated, and it may be in danger of complete devaluation at any time due to changes in the state of affairs and changes in the social landscape. A person's status is very important for maintaining and gaining opportunities for social evaluation, but he/she still cannot securely hold this status, nor can he/she be sure that this status will have the same importance in the near future. Rosa (2010) thus concludes that the struggle for recognition in a competitive society is the driving force for the continuous acceleration of society, and it has changed its forms significantly as the speed of social change has increased. By considering the temporal perspective, we are able to fully grasp and

understand this struggle. Additionally, with the *resonance theory* proposed by Rosa (2019) in his latest work, he points out that if institutional conditions (whether in a written system or an unwritten system) could be created, the subject and the world would be able to have more opportunities to produce harmony, and then the subject is more likely to obtain conditions to support self-realization from the world. (Rosa's resonance relationship refers to a relationship in which the subject and the world respond to each other.) These institutional conditions are Honneth's "recognition." It is precisely because of these theoretical connections that Rosa (2010) positions his critical theory as the inheritor and expansion of Honneth's theory of recognition.

Through the above arguments, Rosa (2009, 2010, 2019) posits that acceleration defines the dynamics, development and change logic, and driving force in modern society. He does not reject interactive conditions, including communicative actions, and recognition as the basis of society, but aims to propose a set of ideological critiques to explore the ethical and temporal aspects of self-understanding in modern society.

According to Rosa (2009) "modernization is... a process of rationalization, differentiation, individualization, or instrumental domestication," and "we cannot adequately understand the nature and character of modernity and the logic of its structural and cultural development unless we add the temporal perspective to our analysis" (p.79). Rosa (2009) postulates that social acceleration, which he states can be "defined by an increase in the decay rates of the reliability of experiences and expectations and by the contraction of the time spans definable as the 'present'" (pp. 83-84), has three dimensions. The first aspect is the acceleration of the advancement in science and technology. The advancement of science and technology can save much time for human beings. However, Rosa (2009) contends that because the cycle of technological change is constantly shortening, before technology saves time for people

and slows down the pace of life, it has already caused an acceleration of the second aspect: the acceleration of social change. The acceleration of social change entails a contraction of the present, in which the deadlines for completing things are constantly moving forward, with an endless stream of new affairs coming up.

This naturally leads to the acceleration of the third social dimension: the acceleration of the pace of life. Rosa (2009) introduces the “slippery-slope” phenomenon⁵⁵ as an analogy,

“[I]n a society with accelerated rates of social change in all spheres of life, individuals always feel that they stand on a slippery slope: taking a prolonged break means becoming old-fashioned, outdated, anachronistic in one’s experience and knowledge, one’s equipment and clothing, one’s orientations, and even one’s language.” (Rosa, 2009, p.88)

And finally, Rosa explains, “new forms of technological acceleration will be called for to speed up the processes of productive and everyday life.” (2009, p.89). These three dimensions continue to cycle repeatedly, which is the reason why modern society is constantly being accelerated in all aspects. Social acceleration is not necessarily bad, and it is often even necessary. However, the problem is that the accelerating pace of life in modern society is indeed no longer a good thing for people. Therefore, Rosa (2010) believes that it is necessary to ask: if modern society continues

⁵⁵ “[I]n the realm of capitalist production: the capitalist cannot pause and rest, stop the race, and secure his position, since he either goes up or goes down; there is no point of equilibrium because standing still is equivalent to falling behind” (Rosa, 2009, p.88).

to accelerate, and acceleration is even indispensable to modern society, but acceleration does have problems, then what are the troubles caused by acceleration?

Rosa (2009, 2010)'s arguments have provided inspiring insights into the analysis of the social enterprise ecosystem in terms of modernity issues. We will apply two critical forms under Rosa's theoretic framework and further deepen the understanding of the related modernity issues embedded from the social enterprise ecosystem. Social acceleration theory challenges and helps us to explore how traditional culture undergoes creative transformation and modern transformation, gaining self-discipline in various value fields of modern culture and exerting its critical and normative functions at the same time, so as to obtain the connotation of cultural modernity. The cultural social enterprises in the social enterprise ecosystem are all engaged in the protection and promotion of traditional culture. The internal and external challenges they face in this ecosystem actually hide a deep humanistic spirit that has the potential to complement and confront the modern technological rational culture.

3. Two Critical Forms of Social Enterprise Ecosystem

Following the core mission of Critical Theory, Rosa (2010) adopts a concept developed by Marx and the early Frankfurt School: alienation. Alienation is a central concept in Rosa's (2010) theory of social acceleration. Jaeggi (2014) defines *alienation* as "a relation of relationlessness" (pp. 28-30), a deficient relationship with the world. Skotnicki and Nielsen (2019) further describe this condition: "people interpret their constructed worlds as wholly given and beyond their control—they feel themselves unable to act meaningfully in the world" (p.6). Rosa's "alienated world" relationship invokes Jaeggi's concept. He hopes to use the meaning of the relationship between the

self and the world in the core concept of alienation. Alienation reflects a deep and structural distortion of the relationship between the self and the world; that is, the way that a subject is “situated” in the world has been distorted.

Meanwhile, Rosa (2010) introduces two basic forms of social critique. The first is the functional critique of social systems and social practices. The core of functional critique is the prediction that the social system (or social practice) will eventually become inoperable. The second is normative critique, which argues that social structure or distribution is not inherently good or unfair in terms of norms and values. (Norms and values must first be defined, and what is good and fair demonstrated.) Rosa’s (2010) social acceleration theory integrates these two forms of social critique, and suggests that due to social acceleration, human beings have undergone large-scale alienation in the five fundamental aspects of life: space, objects, action, time, and self. People in late-modern society are troubled by the accelerating pace of life due to these five forms of alienation.

Functional Critique: Desynchronization in Politics, Economy and Culture

Rosa (2009)’s closed, self-propelling acceleration cycle of social acceleration has been driven by three primary external factors: economic, structural, and cultural motors.

In terms of social structure, the subsystems of systemic processing, including economic production and distribution, technological inventions, and artistic productions, have each accelerated per their own principles or rules. However, all subsystems are not equally capable of acceleration, and this causes desynchronization. Rosa (2009) also explains that the social acceleration process has accelerated social change in the basic structure of society (the structure of its associations, groups, and

collectives, and their corresponding role structures). For example, “family and occupational structures as well as associations and milieus have become highly volatile, shifting, and contingent, making it difficult to identify politically and socially relevant and stable associational structures at all,” which “further aggregates the problem of social integration for late modern societies” (Rosa 2009, p. 109). In the cultural dimension, the contraction of the present—a “shortening of the time spans within which action orientations and social practices remain stable” (Rosa 2009, p. 109)—is the most essential social acceleration effect. The quick changes in practices, lifestyles, and political and occupational commitments make culture in late-modern society highly dynamic.

Politics in the Temporal Perspective

Rosa (2010) observes that the understanding that politics governs the direction and operational framework of science, technology, and the economy must assume that political decision-making and social evolution are synchronized, or at least can be synchronized. Rosa (2009) demonstrates that democracy is a time-consuming process—it takes time to organize the public, reach consensus, and evaluate, discuss, and implement decisions. But society has become more diverse in late-modern contexts; if social groups become more heterogeneous and dynamic, and the background conditions have been changing at a high pace, then the process of forming public opinion will take much longer. If the acceleration processes of social change, economic change, and cultural change are the same, then the formation of democratic public opinion and decision-making would be slowed down, which would eventually lead to the desynchronization of politics and the evolution of social and economic life. Nowadays, people no longer think that politics will determine social change and its evolution. The

characteristic of progressive policies is the desire to control political will, the process and development of technology, and the economy in the temporal structure, and then to some extent control the speed through political means, as well as to stabilize or resist the tendency of social change (Rosa, 2010). Rosa (2010) noted that political manipulation was a tool to promote social change in early modernity and classical modernity, but it became an obstacle to social acceleration in late-modernity. Deregulation, privatization, and legalization are all indicators to eradicate political manipulation.

In the process of the formation and development of the social enterprise ecosystem in Chengdu, the reform in administrative departments over the last three years (establishing the Community Governance Committee to coordinate the community governance/service functions which were scattered in multiple departments in the past) and the support policies successively issued (the preferential policies of taxation, finance, service purchase, etc.) to some extent comply with the political requirements of desynchronization. Chengdu's current policy environment in terms of community governance and social enterprise development is advanced in China, and the heads of government departments from other provinces have visited and studied in Chengdu. When interviewing the leader of the Chengdu Community Governance Committee, the author heard stories of such visits. In one, a head of a government department in a certain province was surprised that the Chengdu government dared to "let go" in community governance and outsource functions traditionally belonging to government departments to professional social service organizations (including social enterprises). They were worried that doing so would weaken the government's ability to control the grassroots and make social services, which were originally in the field of public welfare, become market-oriented. In response, the leader of the Chengdu

Community Governance Committee shared their experience of such reform and practice: diverse participation will stimulate the deep-seated vitality of the community, and meanwhile will form a kind of specialization and order in the process. The role of government departments in it is not that of a “patriarch,” but a supportive “partner.”

However, in addition to the positive significance mentioned above, there is still a form of desynchronization that cannot be ignored in the social enterprise ecosystem in Chengdu, seen in areas such as the practices of community-based social enterprises which are in charge of community residents’ committees. Under the economic driving force of community demand and the integration of advantageous resources, those community residents’ committees are breaking through the original official role,⁵⁶ and exploring an integration model within the framework of the definition of social enterprises in Chengdu. Their explorations are full of economic ambitions, but they still carry political burdens (the original role has not changed), and the desynchronization between the two has directly triggered ethical disputes over possession and distribution of public assets, as well as the role of the chief officer in community residents’ committees for this type of community-based social enterprise. The existing social enterprise certification system and supporting policies are not specifically related to this type of social enterprises, which is obviously different from the social enterprises in the general sense.

⁵⁶ According to Article 3 of the current “Organic Law of the Urban Residents’ Committee of the People’s Republic of China” (implemented on January 1, 1990), the current working content of the community residents’ committees is as follows: (1) Promote the Constitutions, laws, regulations and national policies, protect the legitimate rights of residents, educate residents to fulfill their obligations in accordance with the law, protect public property, and carry out diverse cultural activities; (2) Handle the public affairs and public welfare undertakings of residents; (3) Mediate civil disputes; (4) Assist in maintaining public security; Assist the government or its dispatched agencies to do well in public health, special care and youth education, which are related to the interests of residents; (5) Reflect residents’ opinions, needs and suggestions to the government and its dispatched agencies; (6) Conduct community service activities that benefit the residents, and could establish related service undertakings.

Moreover, the desynchronization of government departments at different levels in the cognition of the cultivation and development of social enterprises has also caused dysfunction in the social enterprise ecosystem. The policy environment for social enterprises in Chengdu (as well as in other representative cities) mainly depends on the understanding of government officials at all levels and fields, as well as the reshaped relationship among government, market, and society. With this background, policy formulation and implementation would be unstable due to the change of major leadership and the functions of departments.

Additionally, after setting up the Urban and Rural Community Development and Governance Committee, deeper cross-departmental collaborative innovation is needed, which poses greater challenges to the learning abilities, innovations, and coordination of the lead department cadres. Currently, the officials at the primary level are struggling to catch up with the fast development of social enterprises. There is no training specifically designed for them in the social enterprise ecosystem. An interviewee expressed his concerns as follows:

“Some of the new policies put forward by the ‘big leaders’ in Chengdu are very avant-garde, and the standards are set the same as in the most advanced regions and the most advanced practices in the world. But our officials and staff at primary levels may not be able to reach such a high level of thinking as the leaders. Therefore, the policies it produces are very avant-garde, but there is actually a big gap in the process of executing. I think this gap comes from the tension of two aspects: the first aspect is our overall cadre team, whose thinking and ability have not yet

reached the level and height of the leadership. The second aspect is the limitation of our resources. You have to do more work, but the budget has not increased, so how could you do it? Additionally, the number of working staff members is relatively small. For example, the staff in the community governance committees at the district level...they have to support non-profit organizations, coordinate social enterprises, and supervise community funds... Those staff members at primary levels are restricted to the above fundamental limitations, so it is difficult to make the work move forward.”⁵⁷

The interviewee’s description reflects two levels of dysfunction in the social enterprise ecosystem: First, there is an imbalance between internal and external specialization. Outside government departments, some functions that traditionally belong to government departments can be “outsourced” to professional social service agencies, making certain areas of work (such as community services) more professional and functional; but within government departments, due to the limitations of resources (funding, talent, and training), there is a lack of specialization and division of labor at the practical level. Secondly, there is a contradiction between “advanced” policies and traditional administrative inertia. Chengdu’s policies on social enterprise development and community development target developed countries and regions in the world (for example, the social enterprise certification and development system makes reference to the United Kingdom), but the administrative system is still in blocks. The emergence of

⁵⁷ Fuyou Deng, senior manager of a SE incubator in Chengdu Qingyang District. Personal interview conducted at Chengdu Qingyang District Social Entrepreneurship Support Center. April 29, 2020.

the Community Governance Committee has broken this tradition in form, but in actual operation, it is not a department that is able to mobilize resources, but is only responsible for the overall coordination of social affairs previously carried out by multiple departments. However, it has to coordinate too many departments and affairs, and those traditional departments have very strong independence and functionality. Meanwhile, due to the same internal resource constraints, it is difficult for the Community Governance Committee to achieve real and effective integration of community development resources.

Rosa (2009) identifies a form of the desynchronization of social and functional spheres. As he puts it:

“Contrary to a widespread opinion, modernity has not just established a single, unitary form of abstract, linear time that synchronizes its various subsystems. Rather, the process of functional differentiation has resulted in a series of almost autopoietic subsystems like the economy, science, law, politics, the arts, and so on, all of which follow their own temporal rhythms, patterns, and horizons. Just as there is no unifying social or substantial center governing the subsystemic operations, there is also no integrating temporal authority, and this, in turn, results in increasing temporal desynchronization.” (p.104).

The above analysis also reflects the structural problems of the social enterprise ecosystem. In addition to explaining some specific dysfunctional forms of desynchronization, it could also be applied as a criticism toward the rising concept of

“collective impact” that has been discussed in the field of social innovation in recent years.

Cultural Desynchronization

In the temporal structure in late-modern society, there is another form of dysfunctional desynchronization, affecting cultural reproduction (Lübbe, 2009). With cultural reproduction, the inheritance of cultural norms and knowledge reflects the stability and continuity of society; it is an unavoidable and time-consuming process. If there is no longer any or only a little stability between generations due to the dynamics of the world, then the generations will essentially be equivalent to living in “different worlds,” and the reproduction of social symbols will be in danger of breaking. The ability to creatively respond to changing situations in society requires a considerable amount of free or rich time resources to play, laze, and relax. Thus, the modern society, which is constantly pursuing innovation and change, will ultimately fundamentally damage the abilities to innovate (Rosa, 2009). Rosa (2009) claims that the most rigid frozen form has been emerging behind the apparently over-dynamic late-modern society.

The social mission of those cultural social enterprises in the Chengdu social enterprise ecosystem is, essentially, to deal with the harm caused by cultural desynchronization. For example, Dingyi Heritage focuses on the restoration and protection of traditional calligraphy and painting works, Mordo and City Window are dedicated to inheriting grand traditional craftsmanship and culture, and Sanhua Creative explores local culture and creates cultural products in various settings (such as tourist attractions or communities), trying to display and revive knowledge and memories that may have been lost in the rapidly-passing time. The interesting point is that these social

enterprises that are committed to maintaining the reproduction of social symbols and connecting different times are still suffering from the tremendous pressure of modern society to seek innovation and change. How to achieve product/service innovations as quickly as possible under market pressure, how to find new business growth points, and how to effectively interact with related parties are all major issues related to the survival and development of these cultural social enterprises. The SFC example also reflects similar symptoms of speed. Young fellows had hoped to achieve poverty alleviation through industrial entrepreneurial activities, but when they found that they were confined to strict and intensive time nodes, a strong sense of alienation developed. They did not achieve the goals of the project using their adaptability and innovation abilities. Instead, they constantly compromised and doubted themselves during the journey, which eventually evolved into a confrontation with the organization.

Normative Critique: Moral Critique and Ethical Critique

Rosa (2010) describes two versions of normative critique: one is “moral” and the other is “ethical.” Moral critique is based on the concept of justice, and its argument usually holds that the existing social system has caused an unfair distribution of rights and/or identities. The fundamental concept of ethical critique is to analyze how the conditions for the realization of a good or successful life are hindered, such as analyzing the state of social alienation. This form of critique is generally used to clearly identify what structure or mode of practice prevents people from achieving a good life; this structure or mode of practice may, then, cause members of society to experience some kind of alienation.

Moral Critique: The Two Sides of the Certification System

Rosa (2010) reviews various theories—from Weber, Simmel, and Durkheim, to Elias and Foucault—and identifies the contradiction that each wanted to deal with. On one hand, modern society is characterized by a high degree of interdependence. Social interaction is closely intertwined into a very complex network, and the chains of interaction and their interdependence are intertwined and extended longer and longer. Thus, it can be assumed that social life is very strictly regulated and controlled by social and ethical norms, which manipulate individual behavior in a very detailed manner so that the interactive process can continue to operate without interruption. On the other hand, the most basic ethical thinking in modern society is that any lifestyle is allowed. In other words, while the interdependence chain has grown, individualization, liberalism, and diversification have also emerged. However, Rosa (2010) points out that the time norm is not covered by ethical appearance, nor does it pretend to be a political norm. Instead, it appears as a kind of irrefutable law of nature. There is absolutely no moral or political dispute over the power of deadlines or the mandatory mandate of speed. The operation of relevant norms is a hidden, silent temporal force, which makes modern society seem unconstrained, but the time norm effectively meets the huge regulatory needs of modern society in a clear way. Therefore, Rosa (2010) suggests that, to criticize the hidden time norm, we should start from the point at which that time norm undermines the core commitment to reflection and autonomy in modern society.

A good social enterprise ecosystem will effectively provide support for the survival and development of social enterprises, and form a benign interactive relationship within the ecosystem; the circulation of resources and information will not be restricted or hindered, and there will be no unfair distribution or waste of resources. In Chengdu's social enterprise ecosystem, an extremely important link is the

certification of “what is a social enterprise,” and various social relationships have been developed around it. Certification is an extension of social norms and values. Its starting point is to establish an industry standard, regulate the development of the industry and ensure that social enterprises which meet the requirements get more resources. The logic behind the certification is the legitimacy under the temporal structure; for example, it has various specific requirements (including the certification schedule and relevant deadlines), and an orientation for competition (social enterprise applicants need to prove that their business models are competitive and can achieve certain goals in the market while having unique advantages compared to other similar enterprises). In this sense, how does the certification system undermine the reflection and autonomy in this social enterprise ecosystem?

For social enterprises, this certification is beneficial at the early stage of their development. It plays a role of introduction and guidance when some entrepreneurs are unfamiliar with the concept, and effectively promotes the integration of resources. Sanhua Creative is a vivid example. In order to become a social enterprise fitting the requirements of certification, it has been rethinking its business model and has put development into the field of social entrepreneurship, which helps break through its limits and starts to bring some new opportunities. Sanhua Creative constructs a social mission combining its long-lasting spirit with an immersive community strategy in urban and rural communities, so as to discover the local culture of Chengdu and promote the traditional culture, as well as to plan and participate in community building in the cultural sector. From then on, Sanhua Creative starts to follow closely with the needs of different communities in Chengdu, and has gradually developed three main projects based in communities: (1) *Bookstores in communities*. Sanhua Creative opens community bookstores, and cooperates with the local community residents’ committees

to manage specific bookstores so that many local residents can be heard and involved in decision-making in various aspects of operation and development. The residents can apply for a membership card for discounts on books, products and drinks, and senior citizens over 60 can get additional discounts on some specific items. (2) *Arts life in communities*. As one part of this effort, it sets up community classrooms, such as tea art, calligraphy, painting, and traditional musical instruments at different levels; separately, it recruits relevant talent among local residents to jointly build an art community. For example, Sanhua Creative has co-organized several community activities with the residents' calligraphy and painting association of Fangcao Community. As Sanhua Creative has accumulated a lot of connections with writers and artists in Chengdu and across the country in its business activities over the past few years, it is also planning related themed activities in collaboration with different communities, allowing local residents to communicate face-to-face with those writers and artists, and have the opportunity to achieve joint creation. (3) *Cultural and creative products for communities*. Sanhua Creative cooperates with local community residents' committees to customize related cultural and creative products according to the community characteristics and needs. Furthermore, after becoming a certified social enterprise, Sanhua Creative has started to seek opportunities to work with other social enterprises or NPOs. For example, it cooperates with a catering social enterprise that trains and employs the disabled, ordering snacks and refreshments from that enterprise for use at community events.

The opposite side of the policy-driven may be speculation. In order to gain corresponding bonuses and social resources, some social enterprise applicants apply for certification with a certain speculative nature, such as adjusting department settings

according to the standards established by certification, or even changing/adding social missions.

However, after a social enterprise is certified, problems that exist in the social enterprise itself but have not been effectively addressed will appear, such as the dual value and inherent contradictions in the field of the social enterprise and social entrepreneurship. The problems have become a new restriction. Still taking Sanhua Creative as an example, Sanhua Creative has mainly encountered two major problems after transforming into a social enterprise: (1) *The payment awareness of community residents*. As the cultural projects developed by Sanhua Creative in communities have a public welfare nature, and some services are purchased by the government, the service price is already much lower than Sanhua Creative's market price, but the community residents who participate in the activities still need to pay part of the service fee, which causes dissatisfaction among some community residents. The founder of Sanhua Creative believes that this is because some community residents think that public welfare services should be free. They were used to the services provided by NPOs, which are fully subsidized by the government, in the past. Therefore, although they recognize the quality of Sanhua Creative's cultural projects, they still have no payment awareness. This situation has affected Sanhua Creative's revenue, and it has also forced Sanhua Creative to rethink how to continue to create dual value under the challenge of weak business performance. (2) *Employees' recognition of the social mission*. Since Sanhua Creative was a commercial enterprise before, some employees do not understand or support its transformation into a social enterprise, in which its strategy is focused on low-profit communities. This has caused some resistance to the implementation of the new strategy.

In essence, the two major challenges that Sanhua Creative faces are both about how to establish a reliable mechanism for the social mission, which is one of the key issues which has been addressed by scholars and practitioners in the last two years. A reliable mechanism for a social mission includes a rights distribution mechanism and a value creation mechanism (Zhao, 2020). The rights distribution mechanism will reduce the possibility of social mission drift by setting the distribution rules of organizational power, benefits, and responsibilities. This can be done, for example, by establishing an inclusive governance structure to realize the supervision of organizational activities by multiple stakeholders, or by limiting the proportion of profit distribution and setting the principle of asset lock during liquidation to ensure that resources are used to serve social missions. The rights distribution mechanism is clearly reflected in the Chengdu social enterprise certification standards, which is a structural mechanism. The value creation mechanism refers to reducing the possibility of mission drift through the design and implementation of an organizational process that creates social and commercial value. Organizations ensure the priority of social missions through the design and implementation of business models, value chain activities, and organizational decision-making and operating processes. The value creation mechanism is thus a process mechanism. Currently, research on a reliable mechanism for social missions is still at an early stage, and the theoretical improvement and practical testing of these mechanisms are still in process. In the practice of social enterprises in Chengdu, the unbalanced/unsynchronized development of the structural mechanism and the value creation mechanism is also an issue that cannot be neglected. The former pertains to the certified and standardized organizational structure, and the latter pertains to the autonomous organizational culture. A large number of social enterprises, including Sanhua Creative, conform to the standardization of certification in their organizational structure, but their

internal organizational culture is still maintained in the inertia from the past (such as the continuation of family management). They have become social enterprises in the required form within the specified time, but there is no extra time/energy to take internal value creation into account.

The limitations of certification are not only reflected in the social enterprise itself but also in the development of the social enterprise ecosystem to a certain extent. Certification is driven by local policies, and policies have their timeliness with specific focuses. Currently, Chengdu's policies for the development of social enterprises are closely integrated with community governance, which directly leads certified social enterprises to focus their development on community-related business. For those social enterprises whose products/services do not have advantages in the field of community governance at all (such as Dingyi Heritage), the labeling effects of certification are not positive, and it may also cause a waste of resources.

From the above analysis, we can see that certification as a normative tool of the social enterprise ecosystem, and its operation and impact, are also subject to the powerful time norm. It accelerates the desynchronization at the organizational level (the imbalance of the external form and internal culture), and alienates the impacts of policies to a certain extent, which will eventually make it difficult for the social enterprise ecosystem to achieve sound development.

Ethical Critique : The Weak “Access Points” and Shouting “Resonance”

In this section, we will analyze what structure or practice mode hinders the current social enterprise ecosystem from achieving its ideal state, and the form of alienation which is within this structure or practice mode.

Here, we would like to introduce the concepts of symbolic tokens and expert systems to help the analysis. Giddens (1990) refers to *symbolic tokens* as “media of interchange which can be ‘passed around’ without regard to the specific characteristics of individuals or groups that handle them at any particular juncture” (p. 22). Symbolic tokens can be divided into different types, such as media of political legitimacy. The certification (acquired title) in the social enterprise ecosystem is a kind of symbolic token. Giddens (1990) defines *expert systems* as “systems of technical accomplishment or professional expertise that organize large areas of the material and social environments in which we live today” (p. 27). Like symbolic tokens, an expert system disembeds in the same way; that is, it provides the expected guarantee across distanced time-space. Specific to the social enterprise ecosystem, the third-party agency responsible for certification (e.g., Star of Social Innovation) and the scholars and practitioners of the school of certification which surround it have formed this expert system. All disembedding mechanisms (including symbolic tokens and expert systems) depend upon trust, and the trust we are talking about is based on the correctness of the principle of trust (those individuals do not know), not on the establishment of the “moral character” (good motivation) of others (Giddens, 1990). On this basis, trust⁵⁸ in a person is always related to trust in the system to a certain extent, but what is trusted is only the effective operation of these systems, not the system itself.

Access points are the connection points between non-professional individuals or groups and the representatives of abstract systems. They are not only the weak links of abstract systems, but also the intersections where trust can be maintained or established.

⁵⁸ Here, trust is defined as “confidence in the reliability of a person or system, regarding a given set of outcomes or events, where that confidence expresses a faith in the probity or love of another, or in the correctness of abstract principles (technical knowledge)” (Giddens, 1990, p. 34).

The fact that access points become places of tension between the skepticism of non-professionals and professional expertise means that they are recognized as sources of vulnerability for abstract systems. In occasional encounters with abstract systems, “the evidential criteria of reliability have to be carefully laid out and protected” (Giddens, 1990, p.85).

In the social enterprise ecosystem, weak access points have caused turbulence or undercurrents inside and outside this abstract system (symbolic tokens and expert system). Star of Social Innovation, the representative of the expert system in this social enterprise ecosystem, is in charge of certification, and is required to report to a government department (the Market Supervision and Administration Bureau), and needs to operate under the framework of government authorization for social entrepreneurs, community residents’ committees, primary government departments, the public and the media by providing training and communication of relevant knowledge and skills in regard to social enterprises. Additionally, those certified social enterprises have also become a key access point when conducting related activities with the community, the public, and the media. The government departments responsible for social enterprise affairs (such as registration, fiscal and taxation, and community governance)—especially the Market Supervision and Administration Bureau and Community Governance Committee—are also essential access points when providing policy guidance and resource integration for SSI, social entrepreneurs, social enterprises, community residents’ committees, and primary government departments. These three access points (SSI, certified social enterprises, and the relevant government departments) somewhat overlap each other in the current policy-driven social enterprise ecosystem, and the relationship between them can be expressed as in Figure 3-3:

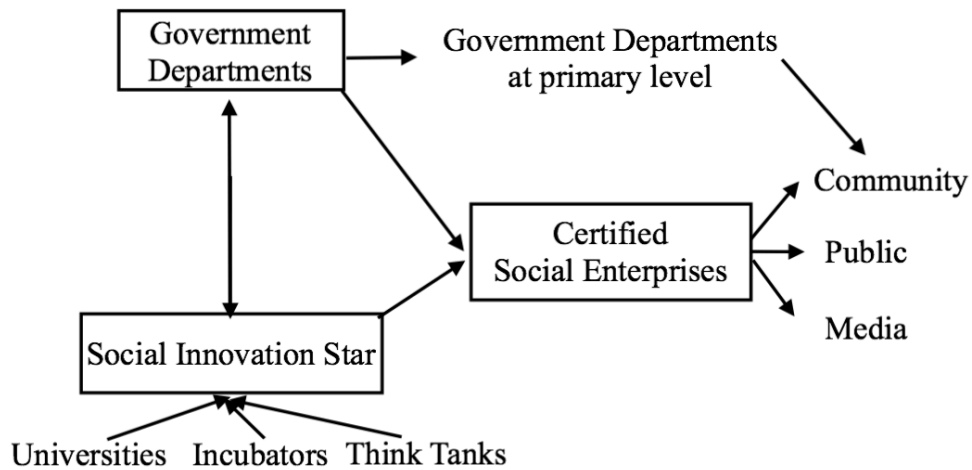


Figure 3-3. Interactions within the social enterprise ecosystem in Chengdu

(Source: developed by the author.)

We can see some important interactions among the three access points:

1) The interaction between SSI and social enterprises is mainly manifested as the one-way output of the former. SSI delivers information of certification, policy analysis and resource links to social enterprises, and provides training on professional knowledge (financial management, marketing, operations, etc.).

2) The relationship between government departments and SSI is reflexive. On one hand, the values and functional positioning of social enterprises which are set by the government have affected SSI's understanding and promotion of social enterprises; on the other hand, SSI gathers cutting-edge industry knowledge and practices to influence the formulation and implementation of the relevant policies by the government.

3) Certified social enterprises affect the public's and media's understanding of social enterprises through their business activities (products/services); communities appear as the settings of encounters.

In the social enterprise ecosystem, each of the above access points has different degrees of obstruction while affecting each other. For example, certified social enterprises are to some extent shaped by policies (government) and the professional knowledge structure (expert system, represented by SSI). They are not really included in the expert system before or after certification, therefore their ability to influence government policies is extremely limited. Meanwhile, in the reflexive relationship formed between the government and SSI, since the guidance for the development of social enterprises has obviously exceeded the collaboration, whether the current policies are conducive to the sustainable development of social enterprises (and even if such policies are sustainable themselves), and whether they will go from helping “shape” (establishing a structural mechanism) to “becoming a soulmate” (integrating a value creation mechanism) could be big questions. Furthermore, when social enterprises are certified and endorsed by the government’s credibility, this symbolic token makes them a representative of this expert system in the eyes of the public and the media, and their words and actions are actually shaping the public’s recognition of social enterprises. Once a serious desynchronization of information/cognition occurs at the three access points of the government, SSI, and social enterprises, their mutual trust and the trustworthiness passed by certified social enterprises to the public would be weakened to a large extent.

Some specific examples of negative interactions that appear at the access points are:

The interaction between SSI and social enterprises. The founder of City Window mentioned in the interview that when she participated in an information exchange meeting organized by SSI during the application for certification, she raised a question to the expert after the meeting, but the expert interrupted her impatiently and

responded to her question perfunctorily. She felt resented by the expert, and described her anger in this way: “The expert was there to answer our questions...I asked him because I didn’t understand that stuff. Why on earth did he despise me? His attitude toward others was completely unconvincing.”⁵⁹ She bluntly said that the experience even affected her enthusiasm to continue the application for social enterprise certification, and has clearly distinguished “them” (experts) and “us” (social enterprises) in her consciousness.

Related interactions among government departments, especially the desynchronization examples of government departments, primary government institutions, community residents’ committees, and social enterprises, have already been specifically discussed in the *Politics in the Temporal Perspective* section of this chapter.

The interaction between certified social enterprises and the public. The founders of Sanhua Creative talked about the problem that they had encountered when some community residents refused to pay for their cultural services in community projects, which reflected the public’s vague perception of social enterprises and general non-profit organizations. Those residents may just feel the relative improvement of service content and quality in the services provided by Sanhua Creative, but they do not have the sense of characteristics/distinguishing traits of social enterprise itself. Thus, this access point has still not succeeded in establishing trust.

⁵⁹ Y. Yuan, founder of City Window. Personal interview conducted at the office of City Window. April 22, 2020.

Alienation and Resonance

Besides the above problems of access points, the lack of institutional conditions for “resonance” within social enterprises in an accelerated society has also caused serious forms of alienation.

Rosa (2010) identified two problems in late-modern society due to the compulsory norms created by speed, competition, and deadlines. First, these mandatory norms have caused patterns of behavior and experiences that are not derived from values or desires. Rather, they resulted from the continuous alienation of the subject. Second, the late-modern context does not offer a “mediation,” or institution. Therefore, all mistakes and deficiencies are ascribed to individuals. These two issues present a new form of alienation and, as Rosa argues, should be addressed in Critical Theory (2010).

The internal values of social enterprises have not been truly internalized, but have been shaped by the expert system and policy trends, which has also caused a similar dilemma expressed in interviews by the founders of the cultural social enterprises: they need to learn how to become certified social enterprises from the expert system. Meanwhile, the expert system closely cooperates with policy makers, so that these cultural social enterprises have put their focus of business development on the community building that the government is currently paying attention to. In this process, the criteria for measuring the “success or failure” of social enterprises are to a large extent determined by economically measurable indicators. For the expert system and government, social enterprises are superior to traditional non-profit organizations due to the economic considerations for which the former appear to be more optimized. This has directly caused the vast majority of social enterprises to be eager to pursue marketization and capitalization in order to obtain more political and economic resources. In the process of marketization, on the one hand, social entrepreneurs are

struggling to varying degrees. They may have shortcomings in business skills, or have confusion in value concepts, or even have frustration with being unable to fight against capital. On the other hand, they are pushed forward by the assessment schedule conducted by the expert system and government (for those certified social enterprises), or passively adjust their strategic focus to deal with periodic audits from the capital. As Rosa (2010) contends, in the late-modern society, the concept of autonomy (both individual and organizational) has become redundant. Creativity, subjectivity, and passion are no longer geared toward taking independent initiative, but toward increasing people's competitiveness (Rosa, 2010). This phenomenon is also a reflection of the market mechanism, norms, and values that permeate every aspect of human existence, using the market as a means of adjustment in liquid modernity (Bauman, 2000; Davis, 2008). Thus, some parts which do not belong to quantifiable measurement indicators, such as the humanistic entrepreneurship of social enterprises (which involves internal culture, management structure, the value creation mechanism, etc.), are neglected by social enterprises. As a result, as in SFC's case, this eventually forms serious internal conflicts and divisions, which causes social undertakings to be unable to continue effectively and has negative social impacts.

Additionally, in the social enterprise ecosystem, SSI should have played a mediative role. Based on the previous analysis of the interactive relationships, we can see that SSI connects the expert system, social enterprises, government departments and media platforms. However, SSI is more like an intermediary service organization; it strives to develop social enterprise certification services authorized by the government, submits evaluation reports on certified social enterprises to government departments, and operates public platforms. These businesses are more designed to meet the needs of the government and capital, providing them with data support and a decision-making

basis. However, in terms of working with social enterprises, SSI is basically just a channel of information transmission, and it often feels powerless to deal with the troubles and needs of social enterprises. As the chief officer of SSI said,

“I felt very powerless, especially during the COVID-19 pandemic...We were not able to provide substantive support (to social enterprises). Some social enterprises reported many problems to us. However, apart from reporting to the government, there was nothing we could do.”⁶⁰

In such a situation, the relationship of “resonance” has not been well established in the social enterprise ecosystem. This *resonance* is defined as “a mode of relating to the world in which the subject feels touched, moved or addressed by the people, places, objects, etc. he or she encounters” (Rosa, 2019, p.46-47). In the process, the subject and the relating world are finding ways to interact with each other, and keeping their own voices from being occupied and dominated by the other. However, as we see from the interactive relationships in this ecosystem, the voice of government has been dominant, and the employment status of SSI also makes it difficult for it to have a more independent and coordinated position. Therefore, as the reversed relationship to resonance, alienation—indifferent disregard for the other and ignoring the subjects in silence—has been felt by social enterprises and even SSI itself.

⁶⁰ Song Ai, chief officer of Star of Social Innovation. Personal interview conducted at the cafeteria of Community Development and Governance Support Center in Jinniu District. April 27, 2020.

4. China's Modernity

In the Chinese context, the concept of modernity was only widely used beginning in the late 1990s. The exploration of China's transformation to a modern society first paid attention to the content of modernization with common connotations, and later the cultural content of subjectivity, enlightenment, and scientific rationality with specific connotations (Lv, 2019), which is the other way around compared to the west. The thinking and construction of contemporary Chinese modernity has been carried out under the ideological background of reflection and criticism of western modernity.

Subjectivity is the basic principle of modern society, and the issue of modernity in contemporary China is also launched around the theme of "cultivating people." With China's economic reform and opening up in the 1990s, while the modernization achieved outstanding results, some deep-seated problems which had accumulated in the reform process began to emerge. Instrumental rationality centered on the pursuit of economic growth dominating over value rationality. At the Third Plenary Session of the 16th Central Committee of the CPC in 2003, the "scientific outlook on development" with a "people-oriented" essence was put forward, emphasizing the sense of purpose in the development process. At that time, the reflective dimension of western modernity was able to enter the discourse system of China's modernity. During this process, the critique of instrumental rationality of the Frankfurt School has become a truly valuable theoretical resource for Marxism.

The particularity of contemporary Chinese modernity construction is that it contains the content of Marxism as its value orientation⁶¹. How to think about and promote China's enlightenment within the scope of Marxism is an important task of contemporary Chinese modernity construction.

Here, the "enlightenment" should go beyond the scope of the New Enlightenment in the 1980s by intellectuals in the field of cultural thought. Marxism has transformed from a critical discourse of capitalist modernity into a socialist modernity ideology in contemporary China, which has also caused its critical dimension of modernity to be covered by the constructive dimension⁶². Therefore, the Frankfurt School, which inherits the critical thrust of Marxism and criticizes the modernity of capitalism, is a valuable theoretical choice for China. Regarding the question of how to judge the influence and significance of the Critical Theory of the Frankfurt School in China, many scholars with various attitudes have raised the issue of the "localization" of Critical Theory, that is, how to use or even creatively transform it in the Chinese context. Hence this "enlightenment" began to include two core issues: the critical spirit of intellectuals, and the evaluation of China's transformation.

This research has made its own attempt at this point. Different from other Chinese scholars who mainly study the critical theories of the first and second

⁶¹ The main content of Marxism includes Marxist philosophy and scientific socialism. The key characteristics of Marxism philosophy are its materialism (dialectical materialism and historical materialism) and its commitment to political practice as the end goal of all thought. Scientific socialism is a scientific theoretical system, theoretical model and practical mode of socialism, which is relative to utopian socialism. It is a scientific theory about the essence, nature, characteristics, and development laws of socialism. Sinicization of Marxism is the process of combining the basic principles of Marxism with China's specific realities, and continuously forming the theoretical results of Marxism with Chinese characteristics.

⁶² "In *The German Ideology*, especially in the chapter of 'Feuerbach', Marx and Engels dialectically presented the critical and constructive dimensions of ideology. Criticism is the premise and foundation of construction, and construction is the purpose and transcendence of criticism. The interaction between criticism and construction has laid the foundation for the subsequent proposal and development of socialist ideology." (Lv & Tan, 2021, p.15).

generations of the Frankfurt School (such as Adorno, Fromm, Marcuse, and Habermas), we hope to use the latest development of Critical Theory, social acceleration theory, to analyze and criticize contemporary Chinese modernity issues. The social enterprise ecosystem is a good entry point. Using Luhmann (1996)'s categorization of society into temporal, social, and material dimensions, acceleration prompts society to evolve in the temporal dimension and also changes social and material relationships (Rosa, 2010). Therefore, while discussing "what makes social entrepreneurship entrepreneurship" and "what makes social entrepreneurship social" (Peredo & McLean 2006, pp.57-59), we should also be cognizant of the effect that modernity has on society. In this sense, Rosa's social acceleration theory provides a dynamic, critical, and systemic discussion for helping us to better understand the dual value and inherent contradictions in the social enterprise ecosystem. In this ecosystem, the formation and changes of various interactive relationships, as well as the dual contradictions of the social enterprise itself, all reflect the tension-filled process of contemporary China's people-oriented subjectivity construction.

Nowadays, in the government and business fields, and even in academic circles, there is a strong notion that there is basically only one way of knowing; "science" imposes itself on the tendency of knowing as a single mode suitable for any object. That is, it is more or less a way of knowing in modern science. As Abbott (2017) clarifies, this concept does not actually involve the kind of science that is actually practiced in the laboratory, but is based on the rigid imitation of scientific thinking of Percy Bridgman's operationalism, logical positivism, and the American version of the philosophy of science represented by Morris Cohen and Ernst Nagel. Similarly, through the analysis of different forms of alienation in the social enterprise ecosystem, we are also aware of the problems and potential harms brought about by this so-called modern "scientific"

approach to knowledge. Of course, this does not only appear in the social enterprise ecosystem, but is the general logic hidden in the concepts of “scientific development” and “people-oriented” in China’s modernity construction. We need to be aware when it has been taken for granted in various fields, because even the most determined scientists can see that human life inevitably involves morality, legitimacy, aesthetics, and other qualities that cannot be understood from a scientific perspective. Other examples, as cited by Abbott (2017), include humanists gradually turning to digital humanities research, which is a scientific approach to knowledge forms that are not scientific in principle; and economics studies making a shift from a general and profound reflection on the essence of human production, consumption, and exchange to a narrow form of social engineering (this kind of social engineering is not only dedicated to discovering or imposing certain special laws, but also teaches these laws as scientific truths to thousands of students every year). This one-size-fits-all approach to knowledge processing is largely due to the social sciences being used by the government in assessing the success or failure of the welfare state. As we have seen through the social enterprise ecosystem (government-led social enterprise certification, evaluation, and research), this type of task has a high risk of gradually pushing social science itself into narrow operationalism. In this sense, discussing cultural modernity in the Chinese context requires attention to the organic unity of people-oriented, scientific rationality, and humanistic spirit.

More specifically, Rosa’s social acceleration theory provides a dynamic analysis perspective especially for the desynchronization of politics, economy, and culture, as well as the alienation forms within the social enterprises and the ecosystem. As Rosa (2009) puts it, “it is only from a temporal perspective that we can fully understand the fundamental transformations in contemporary society, which are the results of social

acceleration within the unaltered framework of modernity but beyond the limits of individual and social integration and autonomy” (p. 111). Moreover, if we regard modernization as a process of social acceleration, as Rosa (2009) suggested, then “it is only with respect to the significant changes in its temporality that the nature and impact of modernization become fully visible” (p. 111). In this sense, this research on the social enterprise ecosystem has only explored part of the key issues therein; although cultural social enterprises are the main research sample here for the discussion of cultural modernity in the Chinese context, we still cannot neglect other dimensions which have mutual connections and influences in terms of modernity, and should put them in the lens of a temporal perspective as well. For example, gender issues would be very important in the social enterprise ecosystem, since there are many women social entrepreneurs in this ecosystem, as we observed, especially in the areas of culture, care (child care, elder care, family care) and education. As indicated by Gawell and Sundin (2014), social entrepreneurship combines the “sociality” carried by women and the “entrepreneurship” carried by men in a traditional sense, especially in care work. The expanding practice of social entrepreneurship raises questions about how the moral and policy framework could be impacted or changed by injecting “care” into the market (as such social enterprises do), as well as the changes in the notion of “care” during the process; then we may see whether gender is constructed differently in this field. This type of research should receive more attention and discussion in the social enterprise ecosystem. In the important task of contemporary Chinese modernity construction we mentioned earlier, this type of research undoubtedly belongs to the “enlightenment” issues when we evaluate China’s transformation. Nevertheless, there are challenges in the shape of the complexity of the issues and a lack of sufficient data. Therefore, it

should be noted that the emerging social enterprise ecosystem has provided objects and directions with great research potential.

CONCLUSION

This research sorted out the concepts of social entrepreneurship and social enterprise, and analyzed the current research status in this field in China. Zhao's (2018) definition and classification of China's social enterprise has laid a theoretic foundation for the development of a social enterprise certification school. With the cooperation of some local governments and social enterprise certification agents, China's social enterprise development has clear policy-driven characteristics, and with the participation and interaction of multiple stakeholders, a viable social enterprise ecosystem has gradually formed.

A dynamic, critical, and systematic discussion is needed to understand the dual value and inherent contradictions in the social enterprise and social entrepreneurship field. While discussing “what makes social entrepreneurship entrepreneurship” and “what makes social entrepreneurship social” (Peredo & McLean 2006, p.57-59), we should also be cognizant of the effect that modernization has on society. Within such a research background, we have thoroughly investigated Chengdu, a city that takes the lead position in China in terms of policy formulation and practical development of

social enterprises, analyzing the formation background and the structure of its social enterprise ecosystem, especially the interactive conditions and characteristics of the relevant stakeholders therein. Through qualitative methods such as questionnaires, interviews, and observations, we conducted a key analysis at the organizational level with all four certified cultural social enterprises in the social enterprise ecosystem in Chengdu. It is necessary to explore how traditional culture undergoes creative transformation and modern transformation, gaining self-discipline in various value fields of modern culture and exerting its critical and normative functions at the same time, so as to obtain the connotation of cultural modernity. The cultural social enterprises in the social enterprise ecosystem are all engaged in the protection and promotion of traditional culture. The internal and external challenges they face in this ecosystem actually hide a deep humanistic spirit that has the potential to complement and confront the modern technological rational culture. Moreover, we also conducted a detailed analysis of the problems in the social enterprise ecosystem at the systemic level by using the cases of SFC and the newly emerging community-based social enterprises, with the findings that, first, the mandatory norms which are created by speed, competition, and deadlines in the late-modern age have caused patterns of behavior and experiences that are not derived from values or desires. Rather, they resulted from continuous alienation of the subject. Second, the late-modern context does not offer a “mediation,” or institution. Therefore, all mistakes and deficiencies are ascribed to individuals. These two issues present a new form of alienation in the social enterprise ecosystem.

Hence, we further applied two critical forms to the social enterprise ecosystem: functional critique and normative critique, in which the central concept is “alienation.”⁶³ Alienation reflects a deep and structural distortion of the relationship between the self and the world; that is, the way that a subject is “situated” in the world has been distorted. As for the functional critique, we particularly analyzed the desynchronization forms in political, economic, and cultural aspects. In normative critique, the moral critique regarding the dual sides of the certification system, as well as the ethical critique relating to the weak “access points” in the social enterprise ecosystem were thoroughly discussed.

Based on the problems we have identified within the social enterprises and the ecosystem, it could be seen that social enterprises are affected by the changes of economic development in China, which, in turn, reflect various issues of modernization. However, we must think of modernization at a broader and more theoretic level—that is, the concept of “modernity.” The particularity of contemporary Chinese modernity construction is that it contains the content of Marxism as its value orientation. How to think about and promote China’s enlightenment within the scope of Marxism is an important task of contemporary Chinese modernity construction. Here, the “enlightenment” should go beyond the scope of the New Enlightenment in the 1980s in the field of cultural thought. Marxism has transformed from a critical discourse of capitalist modernity into a socialist modernity ideology in contemporary China, which has also caused its critical dimension of modernity to be covered by the constructive dimension. Therefore, the Frankfurt School, which inherits the critical thrust of Marxism and criticizes the modernity of capitalism, is a valuable theoretical choice for

⁶³ As defined in Rosa’s social acceleration theory. Rosa’s “alienated world” relationship invokes Jaeggi’s concept. (She defines alienation as “a relation of relationlessness” [pp. 28-30].)

China. The challenge of “localization” of Critical Theory has been raised by many scholars with various attitudes in regard to the question of how to judge the influence and significance of the Critical Theory of the Frankfurt School in China—that is, how to use or even creatively transform it in the Chinese context. Hence the “enlightenment” began to include two core issues: the critical spirit of intellectuals, and the evaluation of China’s transformation.

This research has made its own attempt at this point. We used the latest development of Critical Theory, social acceleration theory, to analyze and criticize contemporary Chinese modernity issues. In this sense, this research has expanded the scope and depth of existing research on social enterprises to a certain extent—that is, not merely discussing social enterprises in the specific aspects of conceptual analysis, policy research, and corporate management, but embedding it in a social interaction environment to examine its dynamic performance in the process of China’s modernity construction. In this ecosystem, the formation and changes of various interactive relationships, as well as the dual contradictions of the social enterprise itself, all reflect the tension-filled process of contemporary China’s people-oriented subjectivity construction.

Nowadays, in the government and business fields, and even in academic circles, there is a strong notion that there is basically only one way of knowing; “science” imposes itself on the tendency of knowing as a single mode suitable for any object. That is, it is more or less a way of knowing in modern science. As Abbott (2017) points out, this concept does not actually involve the kind of science that is actually practiced in the laboratory, but is based on the rigid imitation of scientific thinking of Percy Bridgman’s operationalism, logical positivism, and the American version of the philosophy of science represented by Morris Cohen and Ernst Nagel. Similarly, through the analysis of

different forms of alienation in the social enterprise ecosystem, we are also aware of the problems and potential harms brought about by this so-called modern “scientific” approach to knowledge. Of course, this does not only appear in the social enterprise ecosystem, but is the general logic hidden in the concepts of “scientific development” and “people-oriented” in China’s modernity construction. We need to be aware when it has been taken for granted in various fields, because even the most determined scientists can see that human life inevitably involves morality, legitimacy, aesthetics, and other qualities that cannot be understood from a scientific perspective.

If we regard modernization as a process of social acceleration, as Rosa (2009) suggested, then “it is only with respect to the significant changes in its temporality that the nature and impact of modernization become fully visible” (Rosa, 2009, p. 111). In this sense, this research on the social enterprise ecosystem has only explored part of the key issues therein. Although cultural social enterprises are the main research sample here for the discussion of the cultural modernity in the Chinese context, we still cannot neglect other dimensions in the social enterprise ecosystem which have mutual connections and influences in terms of modernity, and should put them in the lens of a temporal perspective as well, such as gender issues and value creation mechanism research. In the important task of contemporary Chinese modernity construction, they undoubtedly belong to the “enlightenment” issues when we evaluate China’s transformation. Nevertheless, there are challenges in the shape of the complexity of the issues and a lack of sufficient data. Therefore, it should be noted that the emerging social enterprise ecosystem has provided objects and directions with great research potential. We sincerely hope this research will lay a certain foundation for follow-up related studies.

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APPENDICES

Appendix A

SEMI-STRUCTURED INTERVIEW FOR CHENGDU CERTIFIED SOCIAL ENTERPRISES IN THE CULTURAL SECTOR

1. 1. What's the name of your social enterprise?

2. What's the range of your age?

18-24

25-34

35-44

45-54

55-64

65-74

75 or older

3. What's your gender?

Male

Female

4. What's your highest level of education?

High school and below

Associate degree

Bachelor degree

Master's degree and above

5. What was the financial resource when you started your social venture?

Family or individual savings

Donations

Government purchasing

Government support

Market income

Asset income (rent, interest, etc.)

Other (please specify)

6. Regarding your social venture, does your family support you? If so, in what kinds of ways have they supported you?

Yes _____ *

No

7. Do you want to be a star of social entrepreneurship? (attend social venture competitions, events and shows held by the government, social organizations or commercial enterprises)

Yes _____ *

No _____ *

8. What's your major?

9. Have you ever had any entrepreneurship education?

Yes _____ *

No

10. What's your motivation to start social venture?

11. What do you think are the most important qualities in social venture?

12. Are you a full-time social entrepreneur?

Yes _____ *

No

13. Do you have other working experience? Does it help with your social venture? If so, what kind of help is it?

14. How do you identify opportunities? How to evaluate them?

15. What is the journey for your company to obtain the Chengdu Social Enterprise certification?

16. What is the composition of your team in the social venture? What is the decision-making process?

17. What's the ratio of your full-time employees and part-time employees?

18. What's the gender ratio in your team?

19. What phase do you think your social enterprise is in?

- start-up
- developing
- transition
- mature
- other _____

20. Does your social enterprise have clear inner culture?

- Yes _____ *
- No

21. What is the condition for your social enterprise's interaction with the multi-stakeholders (governments, social organizations, communities, customers, beneficiaries, employees, and investors, etc.), how do you see and deal with those relationships?

22. What do you think are the results and outcomes for the social venture?

23. What do you think are the main factors which affect social enterprise's healthy development? Including inner factors and outside factors.

Appendix B

INTERVIEW FOR GOVERNMENT OFFICERS IN CHENGDU URBAN AND RURAL COMMUNITY DEVELOPMENT AND GOVERNANCE COMMITTEE

2. 1. What's your occupation?

2. What is your job content?

3. How do you understand social enterprise?

4. What are the preferred policies for the social enterprises in your area?

5. How are the interactions with social enterprises, social organizations and local communities in your area?

6. What are the effects and changes caused by the pandemic?

7. Do you have any regular training regarding the understanding of social enterprises, communications with social enterprises, as well as working methods, etc. for officers in the institution?

8. What are the difficulties and challenges to develop the social enterprises for the institution?

9. What are the expectations or plans for developing the social enterprises in the area?

10. What do you think of the social enterprises in the cultural area?

Appendix C

INTERVIEW FOR STAR OF SOCIAL INNOVATION (Chengdu Social Enterprise Certification Service Agency)

1. What is your work content?

2. What does the concept “social enterprise” mean to you?

3. What do you think of the relationship between Market Supervision Bureau and Social Governance Committee?

4. What are the brand effects for those certified social enterprises?

5. What are the challenges in your work?

6. Could you please describe the process for certification and review?

7. What do you think are the issues for social enterprise in Chengdu?

8. Do you have any new plans in the future towards the development of social enterprises in Chengdu?

Appendix D

INTERVIEW FOR THE CHIEF OFFICER IN A COMMUNITY RESIDENTS' COMMITTEE IN CHENGDU

1. What is the role of the chief officer in a community residents' committee?

2. Could you please introduce some highlight community projects during your work period?

3. How have those community projects been operated in the community?

4. What are the challenges in your work?

5. What is your understanding of social enterprise?

6. What is your opinion on the emerging community social enterprise in Chengdu?
