

**Lund University**

Centre for East and South-East Asian Studies

Master's Program in Asian Studies

East and South-East Asia Track

Fall Semester, 2008

# **From the Caterpillar to the Butterfly: Social Entrepreneurship as a New Social Force in China.**

May 24<sup>th</sup> , 2010

Author: Sven Stegemann  
Supervisor: Barbara Schulte

## **Abstract**

This mainly explorative study examines the nature and environmental conditions of Social Entrepreneurship in China. It makes use of the theory of the network society, which allows to analyze the relationship of three mutually related elements: the global network, the changing role of the nation-state, and the question of identity. The last factor is, as will be argued, closely related to social movements, such as Social Entrepreneurship. The theory will help to provide an idea of how and why Social Entrepreneurship is constructing itself in the current Chinese and global setting. This setting will be described in more detail in terms of the Chinese cultural setting, the structure of civic society, and the Chinese political environment. The combination of these insights in turn will lead to a description of the status quo. In that part, the emerging market of Social Entrepreneurship in China and the specific and important role of the internet will be investigated in more detail. In a last part, the insights will be re-examined in order to analyze the crucial factors of a future failure or success of the movement. The conclusion will contain some concrete recommendations for members of the movement in China and elsewhere.

**Keywords:** social entrepreneurship, social entrepreneur, social enterprise, China, social movement, network society, civil society

## **Acknowledgments**

This thesis stands at the end of a long journey, which led me through three countries, four universities, seven cities and several corporations during the last ten years. It also marks a new beginning. The window of opportunities seems to be wide open again. The future knocked on my door more often lately and asked what's up with her. "Dunno, come back later, I am writing my thesis" was my usual response then, but I was actually curious myself. Before I will figure this out, it is time to look back and say thank you to many people who have come the way with me.

The first person I would like to mention here is my supervisor Barbara Schulte. Her approach of combined pressure, advise and friendship led me safely through the last couple of month of researching and writing. I would also like to thank all the people who contributed in any form to this paper. The insights and experiences from all of you made this thesis interesting and worse writing it. I would like to thank my friends and teachers from the Asian Studies program in Lund. The time was amazing and opened my eyes in many ways towards many new topics. I even learned about how to eat a fried pigeon head (beak first, then bite half of it - I actually never tried it myself). Finally, and maybe most important, I want to thank my parents and sister, who never left my side, no matter where and what I was doing. I am sorry for the parental nervousness my journeys caused, and I would already like to say sorry for all the funny things I am planing for the next ten years. Be surprised!

# Content

<b>Content</b> .....	<b>3</b>
<b>Abbreviations</b> .....	<b>4</b>
<b>Introduction</b> .....	<b>5</b>
Background, Purpose and Research Question	
Research Design	
Data Collection	
Demarcations and Ethical Considerations	
Disposition	
<b>Black Swans and the Network Society – Theoretical Background</b> .....	<b>10</b>
Introduction to the Theory of the Network Society	
The Network Society and Social Entrepreneurship	
A Social Movement under the Microscope	
Is Social Entrepreneurship Deemed to Fail?	
Black Swans – Extreme Social Phenomena	
<b>The Spectrum of Social Entrepreneurship</b> .....	<b>22</b>
Definitions in the Review	
The Creation of Identity, or the Birth of a Social Movement	
The Spectrum of Social Entrepreneurship	
<b>China as a Setting</b> .....	<b>30</b>
A Short Historical Background of SES	
Cultural Heritage and Public Beliefs	
Emerging Civil Society	
China's Political Environment	
<b>The Status Quo</b> .....	<b>35</b>
The Emerging Market of Social Entrepreneurship in China	
Existing Approaches in China	
The Role of the Internet	
Summary	
<b>Analysis – Can Social Entrepreneurship Become a Social Force in China?</b> .....	<b>43</b>
Introduction	
The Logic of Social Innovation	
Awareness of the Main Obstacles	
Positive Forces	
How are SEs Acting on these Opportunities?	

<b>Conclusions</b> .....	<b>51</b>
Recommendations	
Implications	
<b>References</b> .....	<b>56</b>
<b>Other Internet Resources as Cited in the Text (Blogs, Videos, Podcasts etc.)</b> .....	<b>58</b>
<b>List of Interviewees</b> .....	<b>59</b>
<b>Appendix</b> .....	<b>61</b>
Description of Social Enterprises in Hong Kong and China	
Description of Meta-Institutions in Hong Kong and China	
List of Foundations and other Institutions in the Chinese Field	
List of Internet Platforms and Helpful Resources	
List of Outstanding Examples of Social Enterprises in China	

## Abbreviations

AIESEC	Association Internationale des Etudiants en Sciences Economiques et Commerciales
CSR	Corporate Social Responsibility
INGO	International Non-Governmental Organization
NGO	Non-Governmental Organization
NPI	Non-Profit Incubator
NPO	Non-Profit Organization
SE	Social Entrepreneur
SEP	Social Enterprise
SERC	Social Enterprise Research Center Shanghai
SES	Social Entrepreneurship
SIP	Social Innovation Park

## Introduction

### Background, Purpose and Research Question

An article in *SE Social Entrepreneurs* (November 2009: 55), a magazine published by the 'Non-Profit-Incubator (NPI)' in Shanghai, describes an interesting experiment. For the duration of thirty days the English blogger Alex Sobel tried to survive by consuming products of 'Social Enterprises' (SEPs) alone.<sup>1</sup> Although the actual status of 'Social Entrepreneurship' (SES), especially in China, is new and rather unimpressive, the experiment exemplifies something one could take as an idea or vision for the movement of SES as such: an economy dominated by companies run by 'Social Entrepreneurs' (SEs).

The reader already notices the confusingly similar terms. So first things first: What are SEPs? In short, SEPs can be regarded as hybrids between NGOs and corporations: They are using business approaches in order to pursue a social mission. The term SE broadly refers to people operating in this field. And finally, SES stands for the movement as such.

The spectrum of ideas around this topic remains new and unknown to the bigger part of the world population. Asking people not acquainted with the topic almost always yields an asking face. From an insider perspective, this seems surprising: Although still small, the development of the field has been gaining momentum for quite a while. "The idea of the social entrepreneur has been percolating for decades, but it has become a mass movement in the past couple of years." (Hamm 2008: 48). Organizations all around the world are jumping on the topic, conducting research, granting funds, providing trainings and other kinds of support. Ashoka, an SES organization founded by Bill Drayton, has been active for almost thirty years, now supporting more than 2000 outstanding SEs. Funds carrying big names such as the one of Jeff Skoll, founder of 'Ebay', or Klaus Schwab, founder and chairman of the 'World Economic Forum', are dealing with nothing else. And still, the whole movement seems to lose itself amidst the information flood of our modern society. It is virtually a mass movement nobody knows.

However, there is at least one example that makes most people nod when mentioned: the Grameen Bank, provider of micro-credits to the poor of Bangladesh and many other countries around the world. It might have been the Nobel Peace prize for its founder, Muhammad Yunus, which made the concept

---

<sup>1</sup> His experiences can be followed on his blog: [www.seyh.org.uk/blog](http://www.seyh.org.uk/blog). [Accessed 5 February 2010]

popular. It had been neglected by every single bank to which Yunus had offered it originally. Its success came unexpected, and had a great impact on development work all around the world. Retrospectively, it seems totally obvious that the concept works.

The three aspects (unexpected occurrence, deep impact, ex-post predictability) are characteristic for many extreme social phenomena of our times. Nassim Nicholas Taleb (2007) calls such phenomena, both positive and negative ones, black swans.<sup>2</sup> The financial crisis can be taken as an example. It came unexpected, had a huge impact, and is perceived as very predictable from an ex-post perspective. For sure, the signs of danger had been out there all the time. But apparently the information had been lost in all the noise that is around.

This paper poses the questions whether or not SES has the potential of becoming a black swan, with a strong focus on the specific case of the Chinese society. The choice and purpose of this focus relates to an observation and an oddness.

First the observation: the recent decades have been marked by rising academic interest in the search for solutions of China's growing social and environmental problems. However, as the intriguing book by Elizabeth Economy (2006) about the state of China's environment has shown, neither the central government nor the first wave of civil society movements have been able to effectively tackle the problems. Potential new approaches are therefore in need.

And now to the oddness: Due to the fact that SEPs are an even newer phenomenon in China than in many other regions, it seems as if the country has been largely neglected by researchers until today. Academic databases and books are literally blank.<sup>3</sup> This paper is meant to start filling the gap.

I would like to forestall that I do not intend to make any predictions in this thesis. Indeed, the very nature of black swans (and social phenomena as such) is that we do not know whether they occur or not. In addition, there are many potential black swans we never even think off. In other words, we do not know the probability of certain events, and we do not even know about the existence of others.

However, this does not mean we can not use analysis to prepare for the future. As Taleb (2007: 210) points out, we can not know the *probability* of an event, but we can know about its potential

---

2 The term refers to the long upheld belief in Europe that all swans are white. Black exemplars came as a big surprise. It is not a perfect metaphor, since black swans are something very concrete, and their sight did not cause a deep impact. However, it is a very useful one.

3 Elin@Lund (Electronic Library Information Navigator) shows zero results for the combination of the keywords 'social entrepreneurship' and 'China'. [Last check 23 May 2010].

impact, its consequences. Could we have prepared better for the current financial crisis? We could have. But we did not. Do we prepare now adequately for another, potentially much more severe financial crisis? That is arguable, but I would dare to say: no. Although the signs are out there again.

The goal of my thesis is twofold: The first chapters will provide an account of the actual state of SES in China. The last chapter, however, will be an analysis in which I will try to reveal the key elements, the signs of the phenomenon's potential success. The clear sight of them in turn will help actors to influence the likelihood of SES to become a black swan. We do not have to know *how* likely it is that this will occur, nor what the black swan will look like exactly. The assumption that SES will impact our social systems in some positive way is already sufficient for justifying such an approach.

My research question can be formulated as follows: What factors are driving the emerging phenomenon of SES, and what are the crucial elements for its potential future success or failure? The research process should help to understand whether and how the unique Chinese political, economical and cultural environment gives distinction to the local SEs and their life-world. It will reveal how they perceive themselves and their role in relation to the Chinese society, the economy and the nation-state.

## **Research Design**

My whole study process can be divided into two separate, although overlapping and strongly interrelated parts. The first represents an extensive desk research. Especially during my preparation for the actual field trip, the internet opened up a seemingly unlimited source of information. I constantly browsed the internet throughout several months, reading and scanning websites for relevant content. Due to the initial state of available research on SES in China, newsletters, blogs and forums became more important than academic material. I asked myself the following questions: Which sources are available? When have they been launched? Are there connections between different sites, and what do these connections tell me? What do these sites tell me about the phenomenon? Is there relevant data such as names of persons, institutions or places which are relevant for my field research?

The field research represents the second part of my study. It took place in different Chinese locations during a period of three and a half months, between 13 December 2009 and 2 April 2010. The biggest part was conducted in Shanghai as a representative hub for SES in China on the mainland, and Hong



Kong, which plays a special role both in itself and for China as a whole. Due to Hong Kong's more liberal political environment, SES could both start earlier and develop faster than on the mainland. As a result, the mainland's activities are influenced by those in Hong Kong.

I conducted a one-case multiple-field site approach, which is, according to Heimer, “[...] appropriate for studying a phenomenon in depth, to uncover general mechanisms and to generate new empirical findings.” (Heimer, 2006: 72). Since social movements, and I will come back to this point later, actually are what they say they are, the biggest part of my research was qualitative. I asked for the ways that SEs perceive and construct their life-world. My chosen theoretical background about the network society helped me to find the right foci for questions: the interrelationships between modern information technologies, the changing role of the nation-state, and the correlated construction of identity of persons and social movements. Hence, the analysis of my data primarily follows a perspective of social constructivism.

### **Data Collection**

My fieldwork was primarily based on direct observational and participatory experience. During my stay in China, I connected to people within the field and took part in as many events and meetings as possible. I primarily used snowballing as a sampling method: Through my first contact, Steve Koon (interviewed 14 January 2010), whose name and e-mail came to me in form of a blog posting, I was able to be connected to a whole bunch of relevant persons. Koon is chairman of the 'Social Enterprise Research Center (SERC)' in Shanghai, and also plays several other roles in the field. Every next person connected me further, until certain names began to pop up redundantly. At this point I became aware that I knew and had partly reached the most important representatives of the movement in China.

The methods I made use of were diverse. However, the most important contributions came from my interviewees.

The conducted interviews had different designs, depending on the person I talked to and the stage of my research. I started with an open interview with a scholar from Fudan University, Pan Tianshu (interviewed 25 December 2009), aiming to collect generally relevant information. Since the topic is complex and interdisciplinary, I had to figure out which fields are relevant for my research. On

this basis, combined with my theoretical background, I could narrow down my interviews to semi-structured ones, which constituted the main part. Later, I also conducted interviews on very specific questions, sometimes even only one. Most interviews were conducted face-to-face, some were conducted on the phone. For some questions I made use of e-mail. The reason for using interviews was motivated by the fact that they illuminate the life-world and also the institutional environment informants live in.

Site-visits were of similar importance in this respect. I entered the field as a professional stranger: while being thematically focused, I could have a fresh and open-minded view on what was going on. The site-visits do not only include specific places I visited on purpose, such as the 'Energy Efficiency Center' in Shanghai, different kinds of events such as the 'Social Enterprise Challenge – Hong Kong', or institutions such as the 'Non-Profit Incubator (NPI)'. The whole Shanghai and China became a site of my research, which I constantly observed with open and thematically focused eyes. I talked to the elderly in the park, to waitresses in hostels, to people on the street. I used a lot of intuition, which guided me to places, persons and questions in casual talks. This intuition was constantly backing up my later use and interpretation of the material.

### **Demarcations and Ethical Considerations**

Although the whole phenomenon of SES is still small, I had to focus on specific aspects, and leave aside others. I organized my foci around the idea of SES as a social movement, which I will define more closely in relation to the theory of the network society. This thesis will not go into detail of specific approaches by single SEs. I also could not visit all relevant hubs of SES in China, such as Beijing or Chengdu. Shanghai is taken as a representative for the mainland, while Hong Kong was important due to its special role.

Due to the fact that some of the subjects in the questionnaires and the interviews might be sensitive in a political sense, I needed to handle the material with the necessary caution. Some of my interviewees preferred to stay anonymous.

## **Disposition**

In a first step, I will introduce the conceptual lens for my research: the theory of the network society. It will provide a background to an understanding of the interrelated factors of the global network, the changing role of the nation-state, and the question of identity. The last factor is closely related to social movements, such as SES. The theory will help to provide an idea of how and why SES is constructing itself in the current Chinese and global setting. For the same reason, I will proceed with a deeper explanation of the concept of identity. Its main aspects and mechanisms will become clearer, and finally result in a working definition for the study. I will then come back to the movements environment. Which role does the Chinese cultural setting, the structure of civic society, and politics play? On basis of these insights I will describe and explain the status quo. I will describe how a market for SES is emerging in China, and which actors as yet have become active. The specific and important role of the internet will be investigated in more detail. Only after putting together this full picture I will come to the last part of the thesis. On basis of the former parts, it will analyze the crucial conditions of a future failure or success from a social innovation perspective. The conclusion will therefore contain some concrete recommendations for all actors in China.

## **Black Swans and the Network Society - Theoretical Background**

### **Introduction to the Theory of the Network Society**

The complexity of the research question demanded a theory that was able to combine two different perspectives: one on global developments, one on the specific behavior of local actors of social movements. I wanted to know how the current global setting effects the development of SES in China, how concrete actors behave in concrete local cases, and why and how all this is interrelated. Manuel Castells' theory about the Network Society is able to fulfill this demand. I decided to use the condensed and highly convincing version as presented by Felix Stalder. All references to Castells originate from Stalder's writings (1998 and 2006).

Castells' theory can be classified as a meta-account of the information society (Stalder 1998: 301), or, in other words, as a sociological macro-theory (Stalder 2006: 1). His approach is holistic, which means

that “[i]n order to understand one aspect we have to understand the whole, yet the whole emerges from a myriad of interdependent events.” (Stalder 2006: 2). The theory is therefore hard to explain in a linear order. I will have to introduce the most important aspects in an abstract theoretical way. I have to ask for the reader's patience here, and promise the usefulness of these tools. I will then start to co-evolve further details with my empirical findings throughout the text. The theory will provide a better understanding of how social movements emerge, and under which conditions.

However, before going into detail, one important question has to be clarified: Whether or not SES *actually is* a social movement? According to my results: yes and no. No, since SES does not have to be conflictive, as social movements usually are. As Steve Koon (interviewed 14 January 2010) explained, SEs in China are not trying to change the political system. They provide social services. Only then, in an indirect way, are they also influencing the government.

However, there is also a yes. Leaders such as Bill Drayton, founder and CEO of Ashoka, are clearly speaking of a social movement. In their view, the goal of SEs indeed *is* to change social systems for the better. This especially holds true for the economy. For the sake of clarification, I will partly replace the word conflictive by proactive. As I will show, this will both suit the theoretical considerations of Castells *and* my empirical findings. SES is a proactive social movement. And in some sense it can be conflictive.

Here is the theory of the network-society in a nutshell: Castells is dealing with three interrelated elements. The Net, the Self, and the changing role of the nation-state.

“The Net stands for the new organizational formations based on the pervasive use of networked communication media. Network patterns are characteristic for the most advanced economic sectors, highly competitive corporations as well as for communities and social movements.”

(Stalder 1998: 301)

These new organizational formations include private networks, intranets of companies, semi-public networks such as the financial networks, and public, open networks such as the internet (Stalder 1998: 304). I will not relate in detail to the academic discussion about constitutive elements of networks here. All we need is an intuitive understanding of how the shift “[...] from hierarchies to networks [...] in all sectors of society” (Stalder 2006: 1) affects us. A historical understanding of how this shift has taken

place will help us to understand this phenomenon.<sup>4</sup>

Starting with the invention of telegraphy, the perceived distance of information transfers has been shortened. The process has been accelerated until today. Recently, through modern information and communication technologies (ICTs), we have even reached a point where information can be instantly made available around the globe. This had some organizational implications. Similar information technologies have been incorporated into businesses with different historical and cultural background. As a result, new connections and inter-dependencies have been created. In fact, information has become the most important factor of the modern economic system. Due to the speed of information transmissions, Castells characterized the network society as a 'spaceless space': Everything online is immediately and everywhere available. The Net has become dense and tight.

This new environment is heavily affecting our perception of the world and our society. It is effecting the Self, the second element in Castells' theory.

“The Self symbolizes the activities through which people try to reaffirm their identities under the conditions of structural change and instability that go along with the organization of core social and economic activities into dynamic networks .”

(Stalder 1998: 301)

To express it more simply: The way we construct our identity has changed. This change is related to our new position within global social networks. The fast pace changes create a need for stability. We try to find this stability in so-called primary identities, which may be “[...] sexual, religious, ethnic, territorial, or national in focus.” (Stalder 1998: 301). They are called primary, since they are perceived as stable and unchangeable in nature. However, we may also strongly relate to a stable set of values provided by a social movement, as the following quote explains:

“Through deep flows of information and people along the networks that span the globe, innovation (or tradition) travels from its place of origin to where it appeals to people and their agendas. [...] This applies as much to production methods as to social movements, to efforts to save the planet as to attempts to destroy it .”

(Stalder 2006: 2)

The formation of the Net and the way we construct our identity has made the world both more

---

<sup>4</sup> However, it remains a debatable question for historians if there really is such a linear shift from hierarchies to networks...

integrated and more fractured than ever before:

ICTs connect different kinds of actors around the world. Production methods become standardized and universal. All actors become highly interdependent, and the world becomes more integrated. At the same time, each actor can choose among a huge variety of possible mental dispositions and ways of creating his or her identity. In cultural terms, such a world becomes more fractured.

As a result, actors are constantly affected by and reacting on developments within the Net. Social organizations and movements, such as SES, are constantly reconstituting themselves in an interplay with the integrated global network.

Both the organizational and cultural changes have an impact on the third and last element of Castells' theory: the nation-state. Castells sees the nation-state as the primary locus of power. It inhabits the "exclusive control over the means of violence." (Stalder 2006: 104). The traditional nation-states as established after the Treaty of Westphalia in 1648 were territorial fixed entities whose borders marked the domain of control. The separation of domestic and foreign politics was established. These principles have become more and more challenged in a globalized world. The role is changing from sovereign actors into strategic actors (Stalder 2006: 105). Nation-states try to secure their own survival. Today they are challenged from two sides:

From an organizational point of view, all kinds of networks have partly undermined the nation-states' hierarchical decision and power structures. The nation-state has partly lost its sovereignty to the globalized economy. It needs to establish itself as a node in the global economic network (Stalder 2006: 107).

From a cultural point of view, nation states are losing their power as providers of identity. In concrete, they are partly losing power to social movements, which offer new forms of identification. This does not happen without resistance. "The state is a system of domination. Some values and interests are promoted whereas others are suppressed." (Stalder 2006: 106). I would like to exemplify this for the Chinese case.

Castells refers to Chinese nationalism as an 'ersatz' ideology, since it is used to fill in the gap which opened after the demise of Communism. In addition, CCP theorists and leaders are still holding up Marxist thoughts as a global long term goal, for which pursue they temporarily have to embrace

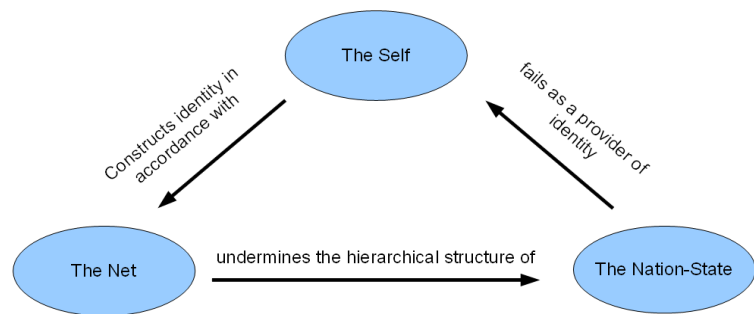
capitalist elements. This long-term goal in turn, so the theory, is inscribed in Chinese 'national' culture, which has to be protected by the CCP.<sup>5</sup> As Nick Knight, a former Professor in Asian Studies, concludes: the “[d]efense of Chinese Culture thus relies on an assumption of the continuing significance of the nation-state in the era of globalization.” (Knight 2008: 120). And then:

“Hence, an increased but inconsistent authoritarianism existing alongside an increasingly laissez-faire approach to the market emerges as one of the paradoxes that China confronts as it struggles to reconcile the conflicting imperatives resulting from its fervent embrace of globalization.”

(Knight 2008: 134)

In this setting, as Stalder argues, Chinese rulers have to keep a balance between domination and legitimation (Stalder 2006: 106). In turn, they are providing more and more space to their citizens to act, partly through outsourcing social services to government-controlled 'civic' organizations.

The graphic to the right is meant to show all three of Castells' elements in relation.



*Graphic 1: Simplification of Castells' Triangle (by author).*

Before I move on by elaborating shortly on what these insights mean for our concrete case of SES, I would like to add a thought

which is not part of Castells theory, but touches upon the way we treat the Chinese nation-state. The Chinese nation-state as a unit does not exist as such. The government is a conglomerate of many locally or organizationally separated units. If possible, I will still refer to the government as a unit for the sake of simplicity. However, in a later part, I will come back to some important internal differences.

## **The Network Society and Social Entrepreneurship**

Within these organizational and cultural changes a new form of global capitalism has emerged. It has become the prevalent 'mode of production', as Castells calls it. This term describes the basic social

<sup>5</sup> “So called 'national' cultures are very likely to be constructed and maintained by national governments in the attempt to instil in their often culturally diverse populations a unified national consciousness that will deliver political unity and loyalty to the state.” (Knight 2008: 120).

relationships constituting the economy, or its “[...] general goal according to which economic activity is organized.” (Stalder 2006: 21). Under capitalism, this goal is the accumulation of more capital by owners of capital. It is determined by politics, as the Chinese case vividly illustrates. The goal of most economies around the world is the maximization of profits. However, although it has become so prevalent and durable, it remains being challenged.

Around the globe social movements, such as SES, are fighting “[...] on behalf of cultural singularity and people's control over their lives and environment.” (Stalder 1998: 301). This fact leads to one of the main assumptions of Castells theory, namely that “[...] our societies are increasingly structured around the bipolar opposition of the Net and the Self.” (Castells 1996: 3, as cited in Stalder 1998: 301). In the concrete case of SES, actors are creating their identity and meaning of life in accordance with their critical standpoints towards global capitalism, and related social and environmental issues. They do not accept the rules of the current mode of production. They have started to create a new form of identity, a proactive identity aiming at changes within the economic system.

Due to the complexity of Castells' alias Stalder's theory I will consider only aspects of special usefulness for this thesis. I will hold it as Castells himself, who made use of theory only as a means of organizing and interpreting empirical material. He even voted for disposable theories (Stalder, 2006: 35). This will allow me to deal with such a new phenomenon as SES, which does not fit easily into most overcome theories such as those coming from the realm of economics. Castells' framework is highly flexible and “[...] able to be adapted to reflect new empirical findings. Indeed, empirical findings are what this theory is all about.” (Stalder 2006: 4). Hence, I will now start to combine some of his considerations with concrete empirical aspects of SES.

### **A Social Movement under the Microscope**

For that purpose I will come back to the point of the proactive or conflictive nature of social movements. Stalder (2006: 5) generally thinks that social movements play an important role in the creation of countervisions in conflicts. Taking a contemporary example from our 'information age', a term which was also coined by Castells, one of such conflicts is about access to information and knowledge. In concrete, social movements are engaged in questions about patents on plants, access to



medicine and copyrights. To give an example, the SEP 'Wikipedia' pursues the mission of free access to knowledge. They are not satisfied with the status quo. Their approach aims at changing the system into a direction of equal access to knowledge for everyone.

But why do people form such a countervision? According to Castells, the answer is the search for meaning. Since nation-states are losing power as providers of identification, and the capitalist mode of production is not able to fill this gap, people around the world experience a lack of identity. Experience is the way people give meaning to their life in accordance with the cultural and biological resources at their disposal. Such a social process is reflexive. Castells is therefore also talking about “action of humans on themselves.”(Stalder 2006: 75).

However, Castells is interested in social agency. Hence he mostly cares about collective identity, not about individual psychological matters. An example also Pan Tianshu (interviewed 25 December 2009) referred to as a kind of a SEP, Falun Gong, can exemplify this: from a sociological perspective, it is more interesting to find out how much it is challenging and changing the Chinese Communist Party (CCP) than to explore its effect on the members in spiritual terms. Agency is always collective, and a social movement is always more than the sum of its parts. It aims at the transformation of values and institutions of a society, as Castells defined it. In that sense it is purposive, has self-defined long-term goals and takes action to advance these goals within the self-established interpretative framework (Stalder 2006: 77).

Social movements are therefore self-conscious, and define what and who is inside and outside their framework. As Castells summarizes: “[W]ho constructs collective identity, and for what, largely determines the symbolic content of this identity, and its meaning for those identifying with it or placing themselves outside of it.” (Castells 1997: 7, as cited in Stalder 1998: 303). In that sense, social movements actually are what they say they are (Stalder 2006: 88). And this in turn also means that they constitute autonomous actors, although, and especially on mainland China, they are facing constraints. But again, it is their creative work with these constraints which follows both their own logic and values. “That is why social movements are an engine of change that can only be understood in its own terms, located, analytically, on the same level as production and power, and interacting with – but not derived from – them.” (Stalder 2006: 78). They act upon society through their sheer existence. “The very attempt to change social reality transforms it: to varying degrees, depending on the size of the movement and the goals/strategies pursued [...]” (Stalder 2006: 79). They are subjects of change, take

cultural values as the content of their struggles, and aim at social structures as their objects of change (Stalder 2006: 79).

Castells distinguishes three main categories of identity: Legitimizing identities (for example established institutions of or recognized by the state), resistance identities (for example indigenous movements, fundamentalist religious groups etc.), and project identities (Stalder 2006: 84). SES suits the last one, which embraces “[...] proactive movements that aim at transforming society as a whole, rather than merely establishing the conditions for their own survival in opposition to the dominant actors.” (Castells 1997: 10-12, as cited in Stalder 1998: 303).

All three kinds in turn emerge around the already mentioned primary identities. To remember, these can be religious, sexual, ethnic, territorial or national in focus, and are often regarded as unchangeable on a biological or social ground. They build a contrast to the fast-paced change of social landscapes. Castells defines identity as “[...] the process of construction of meaning on the basis of a cultural attribute, or related set of cultural attributes, that is/are given priority over other sources of meaning.” (Castells 1997: 6, as cited in Stalder 1998: 303). He considers feminism and environmentalism as the most significant projects, which are trying to integrate their ideas into the mainstream of society by challenging the dominant values and institutions (Stalder 2006: 87). SES is doing something very similar. In how far SEs mingle around a primary identity will be discussed in the next chapter. At first I would like to introduce more details about the broader mechanisms that SES is part of.

### **Is Social Entrepreneurship Doomed to Fail?**

With the theoretical tools at hand we can understand how and why the social movement of SES is forming in China. People proactively reaffirm their identity in accordance with the problems of the modern, capitalistic structure of society in China. While the power of the nation-state is vanishing, SEs are defining (constructing) themselves in a new way. However, my research question does not only ask for the status quo, but also for its future potential: can SES become a social force? Since, as stated above, social movements are what they say they are, I would like to ask: What is the movement's vision? Is their goal realistic? Here is a short analysis from the theoretical point of view, that should be kept in mind until the end of this thesis.

Considering the size of SES in China in combination with Steve Koon's point of view that it is not trying to change the system, no bigger problem occurs. The local movement would indeed remain on a non-conflictive level, filling the gap as a provider of public services between NGOs and normal business. The current mode of production would not be challenged at all. However, on a global level, leaders of the movement aim at higher goals: They want SEPs to become commonplace. They want to build a sustainable economy, which is producing more products locally, uses less raw materials, causes less pollution, and fulfills the agenda of human rights. At least some members of the movement are sharing this view, as the example of Samuel Xu, the 'Shokay' shop-manager of Shanghai (e-mail contact 21 April 2010) shows: "I think the most important thing is what social entrepreneurship can bring to China and the world. It might make capitalism more like socialism. It might then change the world so deeply that we can't imagine!" This idea might become conflictive, in two dimensions: one is political, the other technological. The first one will be discussed later under the point about China's political environment. The technological one is more abstract, and belongs into this part.

I will have to consider four elements: (1.) The social movement of SES, (2.) technology, especially ICTs, (3.) the mode of production alias capitalism, and, this is a new term: (4). the mode of development.

As has been mentioned and will be discussed in more detail, ICTs and especially the internet are playing crucial roles in the movement's success. According to Stalder, there is a constant interplay between social issues and available technology. Indeed, as Stalder puts it, "[...] it is becoming increasingly difficult to distinguish clearly the boundaries between the social and the technical." (Stalder 2006: 21). Expressed even more dramatically: technology is society (Stalder 1998: 302). Whomever wants to understand society, has to understand its technological tools.

In the concrete case of SES: the ideas and values of SES are only able to spread in such a rapid pace because of the availability of blogs, internet platforms, e-mail-services and internet-shops. Most of the SEPs I have researched even directly depend on the internet to deliver their services or collaborate with crucial stakeholders (see appendix for concrete examples). Under these considerations, the movement appears only possible in today's technological environment. As Stalder points out, the most important aspect of trans-local movements roots in ideas, not in places. That does not mean that the whole

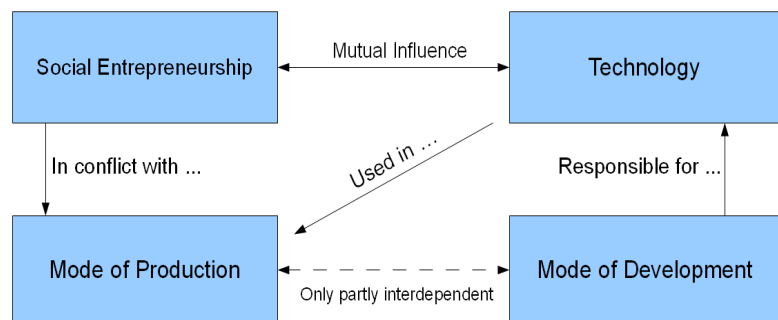
movement takes place solely on the web. “[T]hese ideas become effective only when embodied in (material) organizations.” (Stalder 2006: 83). However, the movement appears heavily depend on ICTs.

Does this dependency on technology cause any problem with the movement's vision? At a first glance: yes. Most of the goals SEPs follow (localization of production, protection of the environment, helping disabled etc.) are pursued using technologies that rely on the mode of production under criticism. Especially ICTs have been produced under the pressure of capitalistic efficiency, often under exclusion of considerations about sustainability. Capitalism is both a driver of innovation *and* social and environmental problems. The efficient production of all these high-tech elements seems to be a direct outcome of exploitative behavior, both in a social and environmental sense.

However, the movement's agenda has not failed from the beginning. In order to achieve clarification, I will have to draw on the fourth element: the mode of development. In contrast to the mode of production, it determines productivity. Productivity in turn is based on “[...] the element that is fundamental to increasing the output of the production process.” (Stalder 2006: 22). Today, in the information age, this element is information itself.

Both modes are partially interdependent, but to a much lower degree as we might think. As Castells put it, “[...] modes of development evolve according to their own logic; they do not respond mechanically to the demand of modes of production.” (Castells 1989: 10, quoted in Stalder 2006: 22). In other words: the vast empirical analysis of Castells has shown that technological development is a contingent phenomenon, occurring partly independent of the underlying mode of production. It does not say that there is no connection between capitalism and innovative behavior. It does say that innovation can happen in different settings. Theoretically, technology could also be produced under a different mode of production, which might be in line with the goals of SES. The graphic illustrates this.

However, for now, SES is located on the borders of the dominant mode of production.



Graphic 2: Social Entrepreneurship and Technology (by author)

SEs are using selected technologies of the current mode of development in order to transform it. They are using certain features of capitalism, but try to undermine others at the same time.

I would like to provide two illustrative examples. For them, these considerations are relevant already today: Organic farms *do* use certain modern technologies, but also reject others. They promote local production, but depend on global produced technology. They are ingrained in a capitalist mode of production, but do not only follow the goal of profit accumulation. Wikipedia is using the most advanced information technologies, which have been developed by profit driven corporations. At the same time, they (partly) undermine the capitalist logic of intellectual property, by spreading knowledge to anyone interested. These problems of contradictions are not prohibitive for a success of SES in China and elsewhere. But they present obstacles, which will have to be considered by its promoters.

### **Black Swans – Extreme Social Phenomena**

Before I will end this theory-driven chapter, one further aspect related to the mode of development is of interest. As already mentioned, information is the fundamental element of today's informational mode of development. That is special. Two retrospectives into history will show why: Simplified, in the agrarian mode of development, the output was risen by an additional amount of labor. This changed after the dawn of industrialization, when energy became the crucial factor. The additional effect of labor was marginalized. But also energy lost its status as the most fundamental element, when information became most important (Stalder 2006: 25).<sup>6</sup> What is the crucial difference? Both labor and energy were used to produce something different from themselves. Information, in contrast, is mainly used to produce information. It is self-reflexive. And this has severe implications.

While labor or energy are limited, information can reproduce itself. It can be multiplied at almost zero marginal costs, and transferred to any place on the globe in no time. Castells describes the difference between the global economy today and the one of previous ages in terms of its “[...] capacity to work as a unit in real time on a planetary scale.” (Castells 1996: 92 in: Stalder 2006: 65). He relates the current transformation to the increasingly important electronic communication (Stalder 2006: 143). They cause even time to be timeless, “[...] since there is no longer a dominant temporality, neither traditional

---

<sup>6</sup> A note on my personal interpretation of Castells here: food and energy supplies remain crucial. They only lose their position as main drivers of innovation.

biological time, nor modern clock time, nor any [...] others.” (Stalder 2006: 156). Phenomena may appear extremely fast through informational contagion.

Some of these contagions may appear in the form of the already mentioned black swans. Although our global social systems, such as the financial system, appear often less volatile and stable than less connected ones, they are more prone to the sudden appearance of such extreme social phenomena. The current financial crisis was anticipated, although not predicted, by Taleb (Taleb 2007: 225). To repeat his main argument: We can not know the likelihood of social phenomena. The integrated global network is far too complex for our simple models. But we can know about the impact. The financial crisis brought the system close to a collapse, and we could have known and reacted on this beforehand. However, here is the point of importance for this paper. We can not know if SES will reach a sudden tipping point and spread all over China and the world. But we can do two things: We can estimate the potential impact. I have done that partly in the preceding paragraph. And we can research the conditions that make such a phenomenon more likely (although we do not know by how much). The next chapters will therefore deal with my empirical findings in the Chinese field of SES. The analysis will deal with the question of how a black swan could be facilitated on basis of these findings.

Summing up, SES as a social movement is forming in accordance with three developments: Firstly, the vanishing nation-state of China is causing a lack of identity. Secondly, the capitalist mode of production endangers our survival, and causes resistance. Thirdly, ICTs are enabling the spread of ideas.

One of those ideas belongs to the movement of SES, which both provides meaning, and engages the problems of capitalism. It is thereby part of a huge transformation, as “[a] new society emerges when and if a structural transformation can be observed in the relationships of production, in the relationships of power, and in the relationships of experience.” (Castells 1998: 340, as cited in Stalder 1998: 302). In a first step, the next chapter will deal with experience in more detail.

# The Spectrum of Social Entrepreneurship

## Definitions in the Review

Despite many single approaches, no commonly accepted definition for SEs and SEPs has emerged yet. This is paralleled by the fact that also no legal framework has been established so far. All around the world, law makers have trouble to identify the crucial aspect of SEPs, that makes them separable from other forms of organizations. Hence, let us clarify once more the most important elements of of this thesis: The individual social entrepreneur (SE) and the organizational form of social enterprises (SEP) are two different areas under dispute in the field of social entrepreneurship (SES) (Nichols 2005: 3).

In general, the term SE broadly refers to individuals acting on their own initiative to tackle social or environmental problems in a way similar to business entrepreneurs pursuing profits. Bornstein (2004) refers to a definition by the famous economist Joseph A. Schumpeter, who thought of entrepreneurs as a source of “creative destruction”, which in turn yields into major economic advances. Bornstein then characterized SEs as people shifting perceptions and behavior patterns within a society in order to tackle its problems (Bornstein, 2004: 2). This definition goes in line with Castells description of prospect identities (see p.17). In a similar way, Ashoka (2009) refers to SEs as “[...] individuals with innovative solutions to society’s most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change.”

For SEPs, Elkington & Hartigan (2008: 30 ff.) established a three step approach of a definition based on different degrees of financial self-reliance. A SEP being able to deploy the full power of independent acting is then only one possible form. It is often referred to as 'Social Business', a concept most forcefully promoted by Nobel piece prize laureate and 'Grameen' founder Muhammad Yunus. From this financial point of view, Elkington & Hartigan call the form closest to the NGO 'Leveraged Nonprofit Venture', the one in between 'Hybrid Nonprofit Venture'.

A study by the British Council (2008) monitored different opinions in the Chinese field. The approaches cover a similar range as established by Elkington & Hartigan. Some actors are in clear favor of earning profits while tackling social issues. Steve Koon, who is also the lead consultant for the

British Council's 'China Social Entrepreneurs Skills Training' program (interviewed 14 January 2010) is promoting this view. Other actors, such as those of the 'Non-Profit Incubator (NPI)' in Shanghai, align SEPs closer to typical NGOs (British Council 2008: 37). A discussion about the sector's lack of clear definitions can be found on the Chinese online-platform 'Collective Responsibility'.<sup>7</sup>

The British Council, which is very active in the Chinese field of SES, sees the main advantage of SEPs in their innovative power and unique position for acquiring supports and resources. At the same time they are able to network with peer organizations (British Council 2008: 38). These abilities are providing a competitive edge, which apparently yields results. Around the world, Hamm (2008: 48) observed a trend for social organizations to become increasingly independent from their donors. The financial crisis has tightened the budgets, both globally and in China. In this climate, only efficient organizations will survive. This trend suggests a future shift within the definition cloud for SEPs towards financial self-reliability.

For this thesis, both the organizational form of SEPs and the individual characteristics of SEs are interesting and important. However, in the end, individuals are in charge of creating and spreading a concept. The next part will therefore look closer on the process in which the concept and identity of SEs evolves.

### **The Creation of Identity, or the Birth of a Social Movement**

“The need to create meaning in life is a primary social force. Life without meaning is unbearable.” (Stalder 2006: 83). Castells thinks about such meaning as constructed around issues of identity, meaning “[...] the definition of certain cultural characteristics as constitutive for a person in the context of a shared culture.” (Stalder 2006: 83). He follows Giddens, who argues that individuals continuously have to monitor themselves in relation to a larger social context, but then focuses on the collective aspects of the construction of identity (Stalder 2006: 84).

Since SES is regarded as a social movement by its members, there must be some kind of underlying, unifying identity. Identity is, as has been argued before, the most important driver of social movements in general. This identity is often constructed around 'primary identities', which are

---

<sup>7</sup> <http://collectiveresponsibility.org/en/how-would-you-do-you-categorize-social-enterprise>. [Accessed 10 May 2010]



perceived as unchangeable in nature. But an important question remains. Since there is no apparent 'biological' aspect in the field of SES, what could this crucial, unchangeable aspect be?

The answer might be found in an attitude towards the globalized, capitalistic system. Besides others, Elkington & Hartigan (2008: 5) provide a whole list of typical characteristics of SEs. They “shrug off the constraints of ideology or discipline, [...] innovate, [...] jump in before ensuring they are fully sourced, [...] display a healthy impatience” and so on and so on. Short definitions as provided by almost all big players in the field seem to merge into a similar notion, drawing on inventiveness, ambition and persistence. A list can be checked on the 'Hong Kong Social Entrepreneurship Forum' platform.<sup>8</sup>

So it seems to be such a mindset, which is unchangeable in the sense that it arises out of an emotional position that makes it unbearable for them not to act in terms of their beliefs and convictions. I will start at this point to work with some insights from my fieldwork, partly observations and subjective impressions, in order to underline this notion.

During my whole stay in China I experienced a common spirit among most people working in the field. All of them showed both interest, knowledge and concern in/about international and related local developments. Acknowledging possible exemptions, the identity of SEs seems to form, in accordance to Castells, around the widely spread paradigm of 'think global, act local'. I experienced the active persons as generally very knowledgeable and broadly interested in various issues. I also experienced them as being smart. Thinking further than the own small immediate radius naturally requires free capacity, and seems to channel persons capable of this into the field. Furthermore, most of them were highly sociable. It almost did not matter where I took part in, I was warmly welcomed and most often invited to casual dinners and other activities.

The already quoted character trait of being “unreasonable (Elkington & Hartigan 2008)” or even “crazy” is thereby in no way a negative attribute. As Law Wai Hung (interviewed 6 February 2010), founder of the 'Inter Cultural Education Center (ICE)', mentioned to a journalist during the 'Social Enterprise Competition' in Hong Kong, he gave up his well-paid job at Google in order to devote his time fully to their SEP, being therefore criticized as “crazy” by parents and friends. But, as he stated not

---

8 [http://www.hksef.org/index\\_en.php?cid=2&pid=14](http://www.hksef.org/index_en.php?cid=2&pid=14). [Accessed 23 February 2010]

without pride: “The crazy people change the world.” This notion, that it is the people's nature defining the core of SEPs fits with an idea of Cyrille Jegu, and expert in SES whom I met on an event in Shanghai on 1 February 2010, organized by the 'Social Innovation Park China Chapter' (SIP). He pointed out that the difference between a normal and SEP is not the organizational structure or anything else manifest, but the spirit. This spirit refers to nothing else than the identity of SEs. Here, to say something in advance, lies partly the problem for law makers to differentiate between normal and social approaches, making it difficult to provide benefits for the latter kind.<sup>9</sup> However, it shall not be part of this paper to figure out a detailed 'psychogram' of the typical 'activist', but it should be valid to claim a certain degree of like-mindedness within followers of the movement.

This like-mindedness is the connection between otherwise very different people. They establish certain standpoints towards certain issues of the Net. More concretely, they are sharing an attitude towards solving social and environmental issues. The relationship between the social and the technical is reflected again in this fact. The movement forms in accordance with two main elements: One being the Net, without which they would not 'meet' physically. The other being the common identity, without which they would not 'meet' culturally. How would a banker in the field of rural micro-finance see a connection to somebody leading a company dealing with urban disabled people? They might have completely different backgrounds of knowledge and skills, work in different fields and with different groups in society.

This is also the reason why it is often said that SES is not new. There are outstanding examples of SES throughout history.<sup>10</sup> Only they never new about each other. And if they did, they did not relate to each other. Only the common concept, which evolves within the physical and cultural connections of a growing number of SEs, makes a mass movement possible. This is underlined by the experience of Oliver Kayser, an Ashoka affiliate. He feels that the most powerful thing provided by Ashoka for their fellows is not funding or knowledge. It is the common sense of being a SE (cited in: Bendell 2005: 16).

The concept draws new actors to the field, the actors shape and elaborate the concept. If this process reaches a tipping point, a grassroots movement may turn into a black swan.

---

<sup>9</sup> Indeed, this spirit can be regarded as part of a discourse about SES, which elements are easily misused as plane rethorics. I will come back to that later.

<sup>10</sup> One often cited example is the nurse Florence Nightingale, who revolutionized her entire profession during the 19<sup>th</sup> century.

However, not all persons who share the same mindset are equally attracted to the concept. While I was sitting at a dinner table within a group of eight active students in Shanghai, I figured something noteworthy: although the field appears genuinely economical, the only fraction of backgrounds underrepresented were actually students of economics and business. I therefore asked Qiao Huichao (e-mail contact 10 March 2010), researcher at the 'Social Enterprise Research Center (SERC)' and a master candidate at the school of international business administration of the Shanghai University of Finance and Economics, for his impression.

He wrote me a detailed answer, from which I will shortly reflect two points. Firstly, the field of SES is very new, and has not proven to be a reliable job machine. Students of business are rather prefer conservative occupations. This combines with point two: students feel pressure from their families and themselves to find a high-returned job. The Chinese culture is currently concentrated on high salaries rather than on meaning. As Qiao writes:

“Parents are always proud of their children's good job, especially when they are not local in Shanghai. It was a very hard struggle for them to pass the university entrance examination, and to afford the resulting high costs. [...] You know, if you choose SES, it cannot give you a quick return.”

I would like to add one thought. Economists already have a strong paradigm they can stick to. In many talks with economists, I discovered the relation to already formed (and medially transferred) identities, such as the investment banker, the accountant, or the consultant. Taking the random sample of students I had dinner with, their subjects included public health or sociology (twice), subjects without ready made occupational identities or standpoints towards the global Net they could stick to. They might be therefore more open to alternative or newly constructed forms of identity.

This leads me back to the concrete shape of this identity, the critical standpoint towards the capitalistic system. What is the concrete problem SEs see in capitalism, and what do they try to do? I will illustrate point one with a quote by Castells:

“Financial markets [...] have turned into the central event of the new economy to such an extent that all other [economic] activities (except those of the dwindling public sector) are primarily the basis to generate the necessary surplus to invest in the global flows, or the result of investment originated in these financial flows.”

(Castells 1996: 472, quoted in Stalder 1998: 6)

Castells mentions two aspects here. Firstly, market participants are concentrating all their resources on the generation of profits. Other aspects, social or environmental ones, are neglected. Secondly, the public sector, including the nation-state, is dwindling, and losing its power. It loses its ability of providing social services the market can not provide.

So what do SEs do? David Bornstein (2004: 9) thinks of the movement as part of the citizen-sector's struggle to regain power lost by the government to the big corporations. This statement underlines the proactive/conflictive nature, in a sense that also fits Steve Koon's point of view. SES is actually not in conflict with the government. It is in conflict with the organization of economic activity. The indecisive standpoint of the government might find an explanation here. It is losing power, although not because of SES. However, SES is moving into this power vacuum, appearing as a more tangible actor than the global economic system. However, as I will argue in a later part, the power-shift is further driven by the SES's ability to provide identity for citizens. Hence, the *government* is partly in conflict with SES, although they appreciate their work.

In this regard, Castells thinks that social movements might break the connection between nations as the entity of identification and states as the entity of decision making. Does SES have the potential to become a really big player in the identity game? Stalder points out that capitalism is proceeding without a lot of organized, effective resistance. At the same time, the fundamental question for many citizens around the world has shifted from the ownership of the means of production towards how we can “[...] lead a life with meaning and dignity?” (Stalder 2006: 87). Although SES for sure will not be the only provider of identity: it looks like a movement for which the time has come.

In this part I have analyzed the mind set of SEs and their proactive standpoint towards the Net. These two aspects are finally causing the concrete form of SEPs, for which I will now try to formulate a working definition.

### **The Spectrum of Social Entrepreneurship**

A definition is not only important for the academic discourse. It is also important for the potential creation of an adequate legal framework. In this respect I have to mention that legal obligations for all

kinds of civic organizations have always been tremendous and complicated in post-socialist China. NGOs have to find an official supervising institution or “professional leading agency” (Sidel 2010), such as a governmental agency or ministry, and register at the Ministry of Civil Affairs (Sidel 2010). This “dual management system” makes them de facto very dependent as the supervising institution can withdraw at any time. Many organizations seek retreat in the private sector, where they are exposed to the full range of tax obligations. Also double registrations both as a non-profit and for-profit entities are common.

This practice of co-opting and partly suppressing the civic sector reflects the state's fear of losing its power. This fear stands against its need for social services provided by civic organizations. “After the earthquake [in Wenchuan], the government was awakened to the necessity of NGOs.” (Zhu Xiaofang, deputy director of the Administrative Service Center of Mianzhu, as quoted in: Jianfeng 2010). I will come back to the background of this important ambivalent stance once more. In any case, any potential legal framework for SEPs requires sharp characteristics.

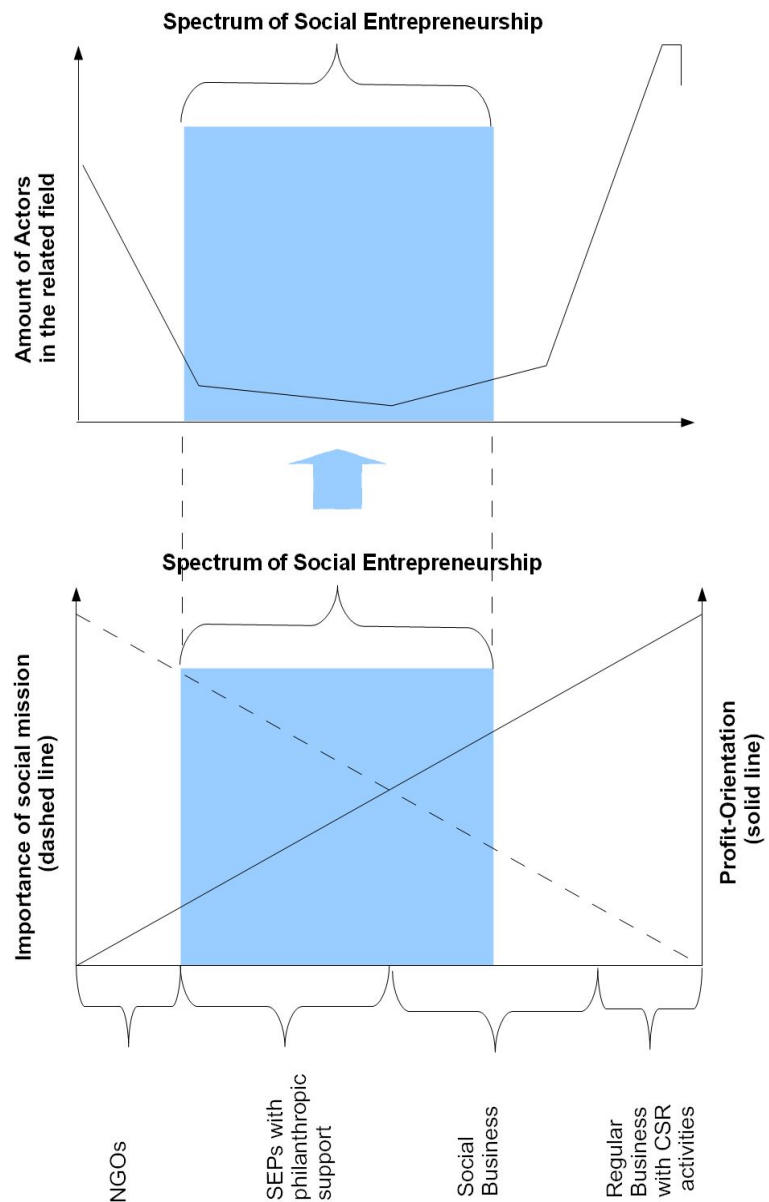
The most common factor SEs agree on is their social mission. This fact was commonly acknowledged by all my interviewees. The problem is obviously that 'social mission' constitutes a vague concept. As Li Ding (interviewed 19 January 2010) explained, China Telecom claims to be a SEP due to the provision of their 'social' service to *all* people in the country. This case exemplifies the problem of misleading rhetorics, which leads to public skepticism towards people claiming to do good in general. I will come back to this point as well. Also the Chinese government, based on this notion, claims to be afraid of tax misuse (according to Li Ding), which is a bit odd considering the anyway low tax-paying moral in China. However, in order to avoid such misuse, many actors think that the social mission has to rank higher, in fact highest, among all goals of an enterprise, meaning especially higher than the goal of profit maximization.

How can this be ensured? As famously claimed by Muhammad Yunus (2008), the outflow of cash towards investors has to be prohibited. Only approaches very close to 'normal' business allow money other than wages leaving the company, but can not claim to be a real social business in turn. These two factors are important, but still lagging the crucial difference to NGOs. This is finally established through the usage of market mechanisms, which, in the optimal case, leads to financial sustainability. Qiao Huichao (interviewed 24 January 2010) ranks financial sustainability highest

among all factors, a view which is in line with the one of Steve Koon (interviewed 14 January 2010). These three constitute the baseline for SEPs. However, a last typical element of many approaches are social innovations.<sup>11</sup> This leads to the following set: A SEP (1.) pursues a social mission, (2.) pays no dividends to investors, (3.) generates returns, (4.) and often makes use of a social innovation.

What becomes obvious is that the social mission constitutes at least partly a tradeoff with the generation of returns. Also, the less factors one, two and four are being pursued, the closer the enterprise moves towards 'normal' business; and the other way around. More dimensions for defining SEPs are possible, for example the degree of independence from the state. These are interesting points for detailed approaches. For this paper, however, the aspects considered will be sufficient. We can now order different degrees along a scale that looks like in the graphic to the right.

As we can see, on the extremes of the scale we can find the organizational forms we are most used to: NGOs to the left, business corporations to the right. The new forms are now ordered somewhere in between. I would like to mention the already existing trend of moving closer to the center, both from side of NGOs (selling services) and corporations (Corporate Social Responsibility (CSR)). However, the



Graphic 3: Spectrum of Social Entrepreneurship (by author)

<sup>11</sup> The reader might think about micro-credits as an example.

very structure of these organizations limits this move to a certain degree. As Li Ding (interviewed 19 January 2010) points out, SEPs incubated in the Non-Profit Incubator, which structures show an affinity to the ones of NGOs, are and will be reliant on funding at least in the close future. My question under which level wages should be regulated turned out to be practically irrelevant, thus there was no answer yet: “Nobody is getting rich right now.” On the other side of the spectrum, a famous example of a SEP in China, 'MoPa Housekeeping Service', dropped out of its commitment to SES, and followed a more business oriented way. Clean social business are still rare. In the following, I will refer to the blue marked 'spectrum of social entrepreneurship' as 'SES'. The next two chapters will be of a more descriptive nature, monitoring the setting and status quo of the movement in China.

## **China as a Setting**

### **A Short Historical Background of SES**

The development of the 'spectrum of SES' in China as defined in the last chapter was highly influenced by the events in the first half of the 1990s. During that time, the number of associations providing services to marginalized parts of society was rapidly increasing (Yang 2007: 128). Many organizations of different kinds such as NGOs, NPOs, INGOs etc. were established. As Yang Guobin, a Chinese professor with a focus on social movements, puts it, “[...] the deepening of the market reform following Deng Xiaoping's southern tour in 1992 bankrupted the socialist welfare system and created a large marginalized population badly in need of social support.” (Yang 2007: 128). However, Deng not only promoted market reforms, but also civic engagement. Such civic engagement is highly needed for SES. I have mentioned that other parts of the world have seen the topic rising during about three decades. In contrast, the phenomenon took off in China only about 4 years ago, as Patrick Cheung, Interim Country Representative for the People's Republic of China of 'Ashoka' in Hongkong, knows (interviewed 5 February 2010). The reason for this late start is hard to grasp. I have already touched upon this topic earlier. I will now incorporate these and further thoughts into considerations on the Chinese setting.

As one of my anonymous interviewees (1 February 2010) speculated, the rural population is stuck in its own situation, unable to move, while people in the cities have been overwhelmed by the fast

development. The first generation after the market reforms has just been too busy to think about the overall situation. This intuitive idea finds affirmation from a different angle by the anthropologists Li Zhang and Aihwa Ong (2008). As they argue, “[p]owers of the self [...] are regulated and framed within the sovereign power of the nation.” (Ong & Zhang 2008: 1). Privatization, so their idea, comes in form of profit-making by individuals, but is rejected as an official policy (Ong/ Zhang 2008: 2). Hence, people remain stuck in the socialist ideological framework. I have already argued for the states attempt to remain the provider of identity. However, As Dan Smyer Yü (2008: 199) argues, Chinese nationalism is dwindling as a supplier of meaning and causing a “spiritual crisis”. This in turn leads to the fact that privatization also “[...] refers to the reclamation as a private person of the collectivized, standardized self of the era of communist extremism.” (Dan 2008: 199). This development, which only recently gained momentum, cause people to open their minds to new forms of identification.

Such considerations clearly have a point. However, they are *generally* concerned with identity, for which SES is only one potential provider. Hence, the movement might run into obstacles I have not considered yet. Those might also be related to Chinese cultural heritage.

### **Cultural Heritage and Public Beliefs**

As Pan Tianshu (interviewed 25 December 2009) highlighted, all Chinese major traditions of thought, such as Confucianism and Socialism, have been highly skeptical towards business throughout history. This culturally internalized problem sets the field of SES clearly apart from any other form of charity. “The social status of business-men has always been low, which has started to change only recently.” (Pan Tianshu, interviewed 25 December 2009). This change happened against the background of the privatization of the market, which caused a change in the “social composition” of society: the first millionaires after the opening were actually peasants (Pan Tianshu, interviewed 25 December 2009). Entrepreneurship becomes more and more mainstream. Nevertheless, the old skepticism towards business-related charity remains pretty active.

However, not every actor involved thinks of the Chinese cultural heritage as a problem. Steve Koon (interviewed 14 January 2010) is of the opinion that the whole concept fits China, since philanthropy in general has a long tradition in Chinese culture. Thus, SES might be regarded closer to this tradition than being connected to business.

Qiao Huichao (e-mail contact 10 March 2010) shares this view, but suggests another problem.



As he writes: “Many people look at SES as 'charity' activities.“ Only this does not really help the sector, since they “[...] like to consider "doing the right thing" to enrich themselves first, and then "doing good things" to help others.“ The transformation has caused people to think that “[...] success means high salary or to have a lot of money rather than having a meaningful or a challenging job. A lot of students quite care about how other people around them judge their jobs, especially their parents.“

This observation becomes apparent to anybody staying in China for a while. Also many scholars are skeptical towards the argument of a rising Chinese civil society (e.g. Ong & Zhang 2008). However, my fieldwork revealed changes at least in the younger generation. This notion is underpinned by a recent study conducted by Pan Tianshu (interviewed 25 December 2009).

### **Emerging Civil Society**

As Pan points out, volunteerism is defined by personal choice. In contrast, the form of volunteerism in China was until recently induced by the government. I have already described the top-down approach through legal restrictions by the government. However, the first large scale outbreak of spontaneous volunteerism happened after the earthquake in Sichuan in 2008, as was confirmed by several others of my interviewees. One could almost speak of a movement that reclaims volunteerism - reclaiming it from a state that has over decades defined what volunteerism should be about.

Pan conducted his study in 2009<sup>12</sup>. Surprisingly, students at Fudan University turned out to be highly concerned with volunteerism. Although their life-style can be described as 'easy and fun', the emergence of spontaneous volunteerism is unprecedented. Pan refers to this fact as a “public spirit“. These results fit my own observations pretty well. I not only talked to young Chinese people who were trying to obtain one of the unpaid jobs at the upcoming EXPO (similar, by the way, as during the Olympics in Beijing 2008). I also met them on a night train from Guangzhou to Nanjing. I recognized them only because of their shirts showing prints of their universities. In return to my question why they were working voluntarily in such an (rather unpleasant) environment, they pointed out their interest in getting to know and understand their country.

The mental horizon seems to widen at least for the more educated part of society. Many young

---

12 I am referring here to a PowerPoint presentation by Pan Tianshu at Fudan University, January 2010.

people are curious and aware of their environment. They reflect about their ways of living. This is underlined by a personal story I was told by Qiao Huichao (interviewed 24 January 2010), when I met him earlier in Shanghai: He once went on a trip to Yunan: “I realized that these people do not have so many needs. They are poor, but happy. It is all about an active and positive attitude towards life.“

However, although the public awareness has changed, the concept of SES remains highly to completely unknown to the public. As Li Huiping (interviewed 19 January 2010), program officer at the Non-Profit Incubator (NPI) in Shanghai, mentioned: “I have to explain to every single relative or friend what I am doing here from ground on.“ The concept, although potentially very attractive, is still suffering a lag of popularity. However, the support from society seems to be given: the concept attracts many of those who know and understand it. I will now come back to the governments perspective in more detail.

### **China's Political Environment**

During my fieldwork, I tried to figure out the government's concrete standpoint towards SES. I had a first chance during a dinner with two government officials of Shanghai (10 January 2010). Both reacted very positive on the subject as such. They also provided me with information about a government fund for start-ups, which was supposed to be open to all kinds of entrepreneurs. However, none of the people in the field I later talked had ever heard about this fund. Once more I contacted the two officials. Since they were not directly involved in the field, they recommended the commission of commerce as an informant. I followed this advise. After a longer discussion on the phone about who might be responsible for SES, I was put through to the department for start-ups (02 April 2010). Again, after a first positive, but vague reaction in person, my following e-mails which included concrete questions were ignored until today. I gained the impression that although the word appears familiar to many people, they still do not really know anything about it; or do not know how to handle it.

I have explained the “paradox of globalization” in China earlier in the theoretical background (see p. 14). Although international forces act upon the government's actions, it tries to appear as if in control of all these changes (Knight 2008: 146). It has to, since only then it can constitute the last authority for defining national culture. Here are some considerations about why this interacts with SES. The considerations were originally based on my interview with Pan Tianshu (interviewed 25 December 2009), which I backed up later by consulting related academic works. Different scenarios of how and

why the government will react on the phenomenon in the future are thinkable.

Firstly, the government might co-opt SES as it is still common with other forms of organizations. There is one main reason for this option. Charity is not as a benign and harmless topic as it seems. Oxford professor Vivienne Shue (2010) argues that providing social services is part of the CCPs identity. If other actors step into this area, this is perceived as a threat. SES could make an experience similar to the one of NGOs. Although the governments attitude toward NGOs has improved a lot since the earthquake (Jianfeng 2010), they might end up as an instrument of public policy. In this function it will complement, although not substitute the efforts by the state to deal with social problems, but never enfold its whole potential.

However, SEs could also continue to pursue approaches independently. In this second case, some critical fields such as environmental protection or food security might conflict with at least some parts of the government, e.g. with some concrete ministries. While for example the ministry of trade is interested in the promotion of genetically modified food and 'conventional' forms of agriculture, which is technology and hence trade intensive, the ministry for agriculture worries about biodiversity, soil erosion and contamination, thus promoting the alternative approaches pursued by rather social oriented entrepreneurs (Pan Tianshu, interviewed 25 December 2009).

Thirdly, there are potential dangers which might lead the government to a highly skeptical position towards SES: Pan takes the already mentioned religious organization Falun Gong as an example for a (at least perceived) threat on the national level. On a local level, charitably oriented SEs might become local heroes in remote areas, and thereby challenge the local authorities and their leading status, which in turn try in advance to avoid the success of such approaches.

These examples of the second and third alternative illustrate an important fact about the Chinese government, which I mentioned earlier in the theoretical background: the Chinese government can not be taken as a single unit. Besides being organizationally divided into parts with different responsibilities, geographical inhomogeneities do exist. Li Huiping (interviewed 19 January 2010) pointed out, that while governments in the eastern areas are both aware of the phenomenon and act rather supportive, governments in the inner areas, where the economy is not so developed, are both lacking this awareness and have no money to provide.

However, it might also be due to this point that the third consideration, in which SES is perceived as a threat by the CCP, was largely opposed by my other interviewees. Both NPI program officers Li Huiping and Qian Huang do not see any problem from side of government officials for their work. Also Samuel Xu (e-mail contact 21 April 2010) highlights the supportive behavior of the government for their work with Tibetan herders.

The only wish expressed again and again addresses the missing legal framework. As Jon Wyler, 'Wokai' associate (e-mail contact 08 April 2010) writes: "If the government were to put a bit more trust into NGOs, or come up with a way of evaluating them to allow those doing good to operate more freely this would really help us to reach more people in the rural areas." Also Samuel Xu expresses the wish for a standard or certification, which would help to channel resources to good approaches. I would like to add that this would also help to abandon the arbitrary rule towards persons and organizations that is in place at the moment.<sup>13</sup>

Although the establishment of a legal framework seems far away, Steve Koon (interviewed 14 January 2010) makes the already mentioned changing trend responsible for the generally positive feedback: At least for the moment the government learns to leave tasks to other actors, since it just cannot maintain its monopole on social care and social issues.<sup>14</sup> Hence, a new market for SES is developing. Its development and the status quo of the movement as such will be the subject of the following chapter.

## **The Status Quo**

### **The Emerging Market of Social Entrepreneurship in China**

I have dealt with the question of *why* the development started late already. I will now continue with the *how* of this process. Patrick Cheung (interviewed 5 February 2010) explains the development as follows: While the government of Hong Kong was facing a problem of growing poverty, local NGOs were facing a problem of funding. In order to keep their work going, some NGOs started to charge for their services. The government was willing to promote this kind of SES, and set up a fund of 100

---

<sup>13</sup> This insight stems from a discussion with my supervisor Barbara Schulte, 19 May 2010.

<sup>14</sup> This notion was rather common among people in the field of SES. However, other sources suggest the opposite development for the non-profit sector in general. See e.g. a most recent article in *Asia News* March 15 2010.

million HKD in order to support them. However, they also set up a rule according which organizations could only get funded if they were both organized as NGOs and had been established at least for three years; a condition that actually excluded every genuine approach of SEs, who normally found start-ups.

As a reaction, the civic society caught up what had been started by the government: Dr. K K Tse, a retired businesses man, founded the 'Hong Kong Social Entrepreneurship Forum' ([www.hksef.org](http://www.hksef.org)) in the beginning of 2008. It was through his newsletter that the concept spread, causing a rapid growth of activities in Hong Kong. Also other meta-institutions started operating. Until today, most SEPs, which result from this first move in Hong Kong, remain very small, employing staff of less than ten people.<sup>15</sup> They are most active in areas such as fairtrade products or food related business. The problem, so Patrick Cheung, is their lack of financial sustainability. Half of the companies, which are mostly *not* run by business people, are forced to stop their service after the initial funding is used up. The problem is related to a lack of entrepreneurial behavior. It is a very young market, that has not yet developed standardized ways for success.

However, recently a new generation of SEPs has started to form, which includes enterprises of a bigger shape. According to Patrick Cheung, the four most important ones are SCHSA ([www.schsa.org.hk](http://www.schsa.org.hk)), MentalCare ([www.mentalcare.com.hk](http://www.mentalcare.com.hk)), Fullness ([www.fullness-salon.hk](http://www.fullness-salon.hk)) and Dialogue-In-The-Dark ([www.dialogue-in-the-dark.hk](http://www.dialogue-in-the-dark.hk)), a new breed adopting many business approaches, started with private capital or internal funding of an NGO. More details about them can be found in the appendix.

The development is naturally more complex on the mainland than in Hong Kong. The Hong Kong government does not only state its support for SEPs, they also encourage them to play an active part in forming society. In contrast, SEPs have never been mentioned formally by the government of mainland China (British Council 2008: 37). The only connections between the government and the field might be established through some of the big, officially registered organizations such as the 'China Social Entrepreneurship Foundation' in Beijing.

Hence, many initiatives are taken independently from the government. I will discuss the role of the internet in this regard later in this chapter. It provides a kind of base for a SES pyramid, which includes

---

15 A list of SEPs in Hong Kong is available at: <http://sebc.org.hk/sebc/eng/files/share/file/SEdir0910.pdf> [Accessed 25 February 2010]

all different kinds of actors: people who are just interested in the field, journalists, activists of different backgrounds, staff from organizations and, finally, also the entrepreneurs themselves. And although there is not a market yet, there is a fruitful base forming within many, vastly spread grassroots initiatives. Young people are starting activities in self-organized organizations (such as SIP<sup>16</sup>, AIESEC<sup>17</sup> etc.), or acquire knowledge in all different kinds of programs (such as organized by SERC, or the British Council). Foreign SEs bring ideas and approaches to the country (e.g. microcredits), and materialize them in real projects (Wokai, Shokay). International organizations become more and more connected with the local actors (Ashoka, Skoll Foundation, etc.; see appendix for more details).

All these activities seem to emerge within the big cities. The fact relates to a mechanism of the Net, to which Castells also refers as the 'space of flows'. It is defined by three dimensions, of which two are important here:

The first is the circuit of electronic exchanges, the infrastructures that enable global real-time interaction. The second is constituted by the nodes and hubs for the space of flows, which establish themselves in accordance with the high maintenance intensity of these circuits. Beijing, Shanghai, Guangzhou or Chengdu are forming these hubs of the movement, while the “[...] lack of information exchange and connection with [the] outside world [...]” (British Council 2008: 4) hinders the cities of the inland from catching up with the trend. This concentration both reflects the dependency on technology, which is available most readily in hubs, and the logistical need for social movements to concentrate many activities in real places. While the movement as such can spread over the internet and other ICTs, there remains a need for physical activities which turn the ideas of the movement into reality. At one point, real persons actually have to gather in real places. The big coastal cities are huge international meeting points. The third of Castells dimensions is constituted by the elites of different networks. They shall not play a role in this thesis, but just be mentioned here.

The fields covered by the work in the hubs embrace both the local problems and the problems of the other regions, such as in smaller towns and in rural areas. The hubs are used as platforms, from which activities are organized. While in Hong Kong, as has been mentioned, these activities are most importantly dealing with poverty, Steve Koon (interviewed 14 January 2010) defined a set of four

---

16 [http://www.socialinnovationpark.org/index.php?option=com\\_content&view=article&id=142&Itemid=89](http://www.socialinnovationpark.org/index.php?option=com_content&view=article&id=142&Itemid=89) [Accessed 22 April 2010]

17 <http://www.aiesec.cn/project/article.jsp?id=13> [Accessed 22 April 2010]

fields or markets to be tackled by SES in mainland China for the moment:

1. Aging population
2. Special education for disabled people
3. Village economic development
4. Village women employment

The first point relates to the fact of a rapidly changing population structure. The one-child policy has caused a severe shift in the ratio of young and old people. At the same time, familiar traditions such as elderly care are losing influence. Social innovations are needed for tackling the various related problems. Another topic is also gaining importance: disabled people in China, which have been disregarded for a long time. The third point engages the huge problem of inequality, especially between the cities and the countryside. The fourth point is related: it deals with gender inequality, still another big topic in China.

### **Existing Approaches in China**

Interestingly, many of these emerging markets of SES have been entered by non-native entrepreneurs in the first round, mostly from the United States and other Western countries. However, approaches are mushrooming today, and creative power is unleashed among the active groups. Workshops such as those by Steve Koon bring whole lists of ideas, one more interesting than the other.<sup>18</sup> This paper can not review all these existing approaches and ideas. I selected some of the most interesting ones, which detailed descriptions can be found in the appendix. The variety of approaches represents the vastness of the spectrum of ideas, which are only related through the concept of SES. I would recommend the reader to have a glance at it.

However, I would like to present at least some general statistical data right here. Such was provided for Hong Kong by the 'Hong Kong Social Business Center'. At the end of May 2008<sup>19</sup>, it counted about 100 NGOs and private companies, operating 284 projects of SEPs.<sup>20</sup> For mainland China, the database of

---

18 A short report of such a workshop can be found at: [www.chinasuccessstories.com/china-csr/social-entrepreneur-profile-steve-koon/](http://www.chinasuccessstories.com/china-csr/social-entrepreneur-profile-steve-koon/) [Accessed 27 January 2010]

19 Unfortunately I did not find more recent data.

20 <http://sebc.org.hk/sebc/eng/node/64> [Accessed 22 April 2010]

SERC<sup>21</sup> is accounting about 25 approaches. However, this list is not complete, and covers some cases which are operating similar to NGOs. Steve Koon (interviewed 14 January 2010) estimates the average ratio of self-finance for the mainland at 30 percent, leaving the need for funding at 70 percent. What these lists are not covering are all the smaller and bigger activities on the web. Although I have mentioned more often the important role of ICTs, I would like to elaborate on them in some more detail. In the end, they are largely responsible for the rapidly increasing community of people dealing with the principals of SES.

### **The Role of the Internet**

It might be valid to claim that all of the currently existing grassroots approaches of SES are to some extent organized via the internet: Many approaches of SEPs are directly based on internet related tools. They have to communicate their mission in order to achieve support. They have to be able to network with peers. They often need to connect their local approaches with clients and customers around the world. Research Centers have to learn about potential research objects. Students are using the internet as a source of information and motivation. And they want to do this quickly.

One could say that the internet causes the emergence of a complex web of actors, ideas and interests. The informational mode of development is characterized by

“[...] a flexible, pervasive, integrated and reflexive, rather than additive, evolution. The reflexivity of the technologies, the fact that any product is also raw material because both are information, has permitted the speeding up of the process of innovation.”

(Stalder 1998: 3)

Under these circumstances, or within the “[...] paradigm of informationalism, networks are the superior way of organizing social action, independent of the purpose of action.” (Stalder 2006: 30). That also means, that “[...] the most efficient actors lobbying for environmental protection will likely be organized as networks.” (Stalder 2006: 31 f.). A study researching this question was conducted by Yang Guobin (2007) about civic organizations. He concludes “[...] that the internet has had special appeal to relatively new organizations oriented to social change and indicate that a 'web' of civic associations has emerged in China.” (Yang 2007: 124).

---

21 <http://www.serc-china.org/liste.asp?id=11> [Accessed 12 March 2010]



This impression is shared by members of the British Council. In their report, they highlight the good communication practices with stakeholders employed by SEPs, and also their ability to attract support from volunteers or employees (British Council 2008: 1). I would like to make these abstract facts more concrete by applying an approach by Bloom & Dees (2008), which divides the practices of SEs to bring about 'ecosystem change' in four categories. They call them the four Cs: Coalitions, Communications, Credibility and Contingencies.

The first C, Coalitions, refers to the finding which says that systemic change is much more likely to be achieved by coalitions of organizations than by single actors. These have to find and attract each other, agree on common strategies and leaders, and readjust their approaches if necessary (Bloom & Dees 2008: 52). An exemplification of how this potential can be used is the platform 'We Can Compete' ([www.wecancompete.com](http://www.wecancompete.com)) by Zhang Jiawei. He states in his mission that he wants “[...] to have a worldwide competition to connect youth and students around the world, in which everyone has the opportunity to compete.” (translation by author). The platform not only provides plain information, but makes this information sticky by challenging the target groups on a personal level. A similar approach is conducted by the international student organization AIESEC<sup>22</sup>, which is particularly active in the field of SES all over China. Such competitions regularly connect single actors such as students, organizations such as universities or NGOs, and also private companies such as consultancies.

In terms of the second 'C', communications, Bloom & Dees point out a key of success as framing the issues at stake in such a way that generates support by using common values or by appealing to different aspects of self-interest of other actors, such as companies or the state (Bloom & Dees 2008: 52). The communication is fostered through various channels in China. Besides the spread via interest groups, organizations and forums play an important role. Many organizations, especially in Hong Kong, are running sophisticated platforms, which offer huge amounts of data about existing approaches, concepts and ideas. I have already mentioned one of the oldest in China, the 'Hong Kong Social Entrepreneurship Forum' ([www.hksef.org](http://www.hksef.org)).

It also seems that ideas are able to spread over to more general forums, where they might reach persons which have not been interested in the topic earlier. As Yang found out:

---

22 <http://www.aiesec.cn/project/article.jsp?id=13> [Accessed 3 March 2010]

“Indeed, my own online ethnography indicates that there is some degree of cross-fertilization between the BBS (Bulletin Board System) forums run by civic organizations and the nationally popular ones. The cross posting of messages between these two types of forums is a common phenomenon.”

(Yang 2007: 134)

It is therefore not surprising that Chinese activists are using countless blogs for promotion and discussions. I would like to mention only one particularity interesting one here, which is called 'China Social Entrepreneurship'.<sup>23</sup> However, communication is not only important when it comes to the spread of the concept in general. The internet also provides information to those who are already involved. SEPs themselves rely on transparency, which has to be communicated to customers and supporters. This in turn creates to trust and credibility, the third 'C'.

In the center of this aspect stands the subject of social accountability, which has not been discussed yet. Many approaches have been established, fostering the slow emergence of reliable standards. An early study by Simon Zadek (1998: 1436 ff., cited in Nichols 2005: 5) established a list of principles. A more recent approach is the one by McLoughlin et. al. (2009). The demand is constantly increasing, since important stakeholders such as foundations, the public sector, venture partners from the private sector, the media and also single, engaged individuals put pressure on the provision of reliable impact data (Nichols 2005: 6). The results are novel forms of communicating credibility. A good example is the highly personalized approach of funding by the micro credit organization Wokai ([www.wokai.org](http://www.wokai.org)), through which the user enjoys a very high degree of transparency.

The last 'C' is related to the already discussed reflexivity of information technologies. Social systems are at least as complex as biological ones. Hence, creating a calculated impact from the scratch is actually impossible. There is a need for experiments and learning. Results of a former approach become part of the following (Bloom & Dees 2008: 52). The product of processing information is information, thus products are always raw material for new products. As Yang puts it, the internet is not a resource like office space, but a “resource-generating resource.” (Yang 2007: 139). It helps to generate both organizational visibility and social capital, which lead to the generation of other kinds of resources, for example grants or the attraction of human resources.

---

23 <http://chinasocialentrepreneurship.blogspot.com/>. [Accessed 3 March 2010]

Also the speed of innovation is accelerated enormously that way (Stalder 1998: 303), a fact reflected in the growth rate of industries relying on such reflexive knowledge. This also holds for SES, where growth rate have been bigger than in the overall economy for a long time (Nichols 2005: 3). As Bill Drayton points out, “[...] the citizen sector is halving the gap between its productivity level and that of business every 10 to 12 years. In fact, the sector is now generating jobs two-and-a-half to three times as fast as business is.” (Bill Drayton 2010a). Hamm (2008: 48) compares the phenomenon to an industry just starting to take shape. The same has happened during the early days of the automobile or computer industries. Countless small start-ups are trying out a huge variety of approaches in order to figure out what works; and what does not work. He therefore demands a climate in the field of SES which can compare with the one in Detroit in the 1920s or in Silicon Valley at the end of the last century. But there is an important difference in the world today, as Bill Drayton explains:

“Henry Ford and his small group of managers did all the thinking and told everyone else what to do. This command-and-control approach works in a relatively static world where most tasks are repetitive — such as building cars on an assembly line. It does not work in today's fast-paced, change-is-the-name-of-the-game world; and it will not work tomorrow.”

(Bill Drayton 2010a)

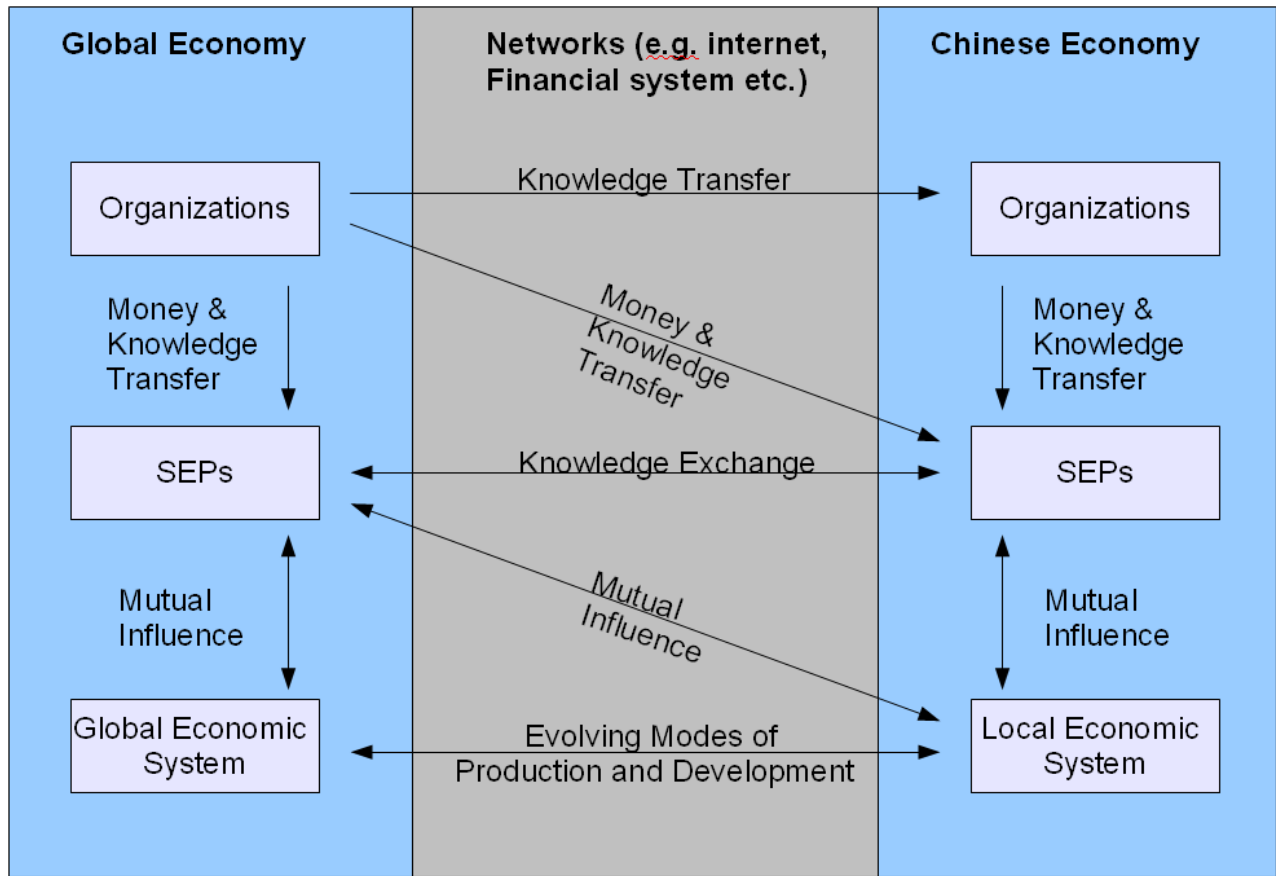
The progress of SES is thus relying on networks. The knowledge and experiences are concentrated in global hubs such as the 'Social Innovation Exchange' ([www.socialinnovationexchange.org](http://www.socialinnovationexchange.org)). Here, ideas, opinions and experiences can be publicized and discussed. A similar function is also performed by the many local platforms in China, especially in Hong Kong, which are providing huge amount of relevant data. The reader might check the list of such approaches in the appendix.

## Summary

“This new economy is informational because the competitiveness of its central actors [...] depends on their ability to generate and process electronic information. It is global because its most important aspects [...] are organized on a global scale, directly through multinational corporations and/or indirectly through networks of associations.”

(Stalder 1998: 303)

The insights discussed during this chapter are graphically represented in the graphic below. At this point, the reader should have a feeling for SES as a social movement and its background. The next chapter will go into the analysis off the movement's conditions of success and failure.



Graphic 4: Chinese SES in the Global Network (by author)

## Analysis: Can SES Become a Social Force in China?

### Introduction

Until now, I have discussed the development and status quo of the movement. I did that from a sociological macro perspective, complemented by personal observations and individual accounts of the actors, which delivered a descriptive account of the movement's actual state. From such a point of view, we can get the impression of history as a predetermined stream of macro events: the Net, the Self and the nation-state are co-evolving in a complex relationship, the result of the interdependent actions of billions of people. Nobody is in control of this complex process. Society appears as an uncontrolled, independent and self-sustaining system (see e.g. Luhmann 1984).

However, this does not mean that individual choices do not count. It rather means that history opens up conditions for certain kinds of events. From above, one can see the bigger structures, and therefore also the opportunities lying in it. We have seen so far that this is a time for social movements. However, there are many different kinds of such movements, and all of them will succeed and fail according their own specific terms. We do not know if SES will be successful, or belong to the uncountable ones most people will never hear about.

This last chapter will analyze both these specific terms which are supporting SES to become a social force in China, and those which are limiting this potential. Castells has been very helpful for the general understanding of the phenomenon. In addition, I will consult insights from social innovation theory now, which will help with the more specific questions of success and failure of the movement. The insights will result in some recommendations in the conclusion.

### **The Logic of Social Innovation**

On an analytical level, we have to discriminate between social innovation used as a means to solve social and environmental problems, and SES as a social innovation in itself. The former are outside the scope of this paper. The reader can get some ideas about single innovations from the appendix. Here I will concentrate on the movement of SES as such, and how it can become such a social innovation.

What is social innovation? According to a working paper of the Young Foundation by Geoff Mulgan (2006), a simple but practical definition is: “[...] new ideas that work in meeting social goals.” (Mulgan et al. 2006: 8). The social goal in the case of SES would be a sustainable mode of production. Zhang Jiawei, President of 'Social Innovation Park (SIP) China Chapter', Founder of 'WeCanCompete', (interviewed 1 February 2010) pointed out that social innovation can happen anywhere. Government, NGOs and business, all are potential actors in this field. Having Castells in mind, it is not surprising when Mulgan et al. (2006: 12) state that “[...] most of what we now count as progress has come about through the mutual reinforcement of social, economic, technological and political innovations.”

Generally speaking, many innovative ideas have to pass through three stages which were identified earlier by Schopenhauer for any new 'truth'. After being ridiculed in the first stage, the new idea is

violently opposed in the second stage, until it becomes accepted as self-evident in the third one (Mulgan et al. 2006: 4). This process reminds us of our black swan. From an ex-post perspective, they appear self-evident. But how does a social innovation start off? What Mulgan et al. call the 'connected difference' theory, embraces three dimensions:

Firstly, social innovations are usually new combinations of existing elements. This is true for SES, since it combines aspects of NGOs and corporations. Secondly, they have to cut across “[...] organizational, sectoral or disciplinary boundaries (Mulgan et al. 2006: 5).“ We have seen from how different academic and societal field active people are gathering in SES. Thirdly,

“[...] they leave behind compelling new social relationships between previously separate individuals and groups which matter greatly to the people involved, contribute to the diffusion and embedding of the innovation, and fuel a cumulative dynamic whereby each innovation opens up the possibility of further innovations.”

(Mulgan et al. 2006: 5).

It is this last point which, although we can already observe it on a small scale, will have to be the focus for any activist. In order to figure out the conditions under which these goals can be reached, I will categorize the obstacles of the movement next.

### **Awareness of the Main Obstacles**

Mulgan et al. provide a framework through which the encountered resistances in established systems become more sharp. They are categorized into four aspects: interests, efficiency, mindset and relationships.

Starting with the first and last point at the same time, interests and relationships, both people of the government and those in high positions in the economy might have interest in maintaining the current state of affairs. Castells theory provides an idea of how the mechanism might work: Generally, social movements are conflictive or oppositional in nature. I have argued before that this is a debatable question in the case of SES. Many approaches are neither in conflict with the government nor with the economy. However, some are, and the government might still find reasons to critically observe the movement. In any case, if a social movement succeeds, it disappears by being absorbed into the

renewed power structure. In the case of SES, this would lead to a somehow transformed mode of production. However, this also means that SEs *have to* come into conflict sometime earlier to this point, with those “[...] whose values have been inscribed in the dominant social institutions (Stalder 2006: 80).“

In China, these are powerful. Qiao Huichao (interviewed 24 January 2010) is therefore rather pessimistic. As he states, banks are in the states hand and big companies have tremendous influence on politics. In return, they are protected and nourished, making it hard to compete with them. The government also controls the internet, preventing it to unfold its whole potential. In Yang's study about civic organizations and the internet, political control by the state in addition to problems with service providers belonged to the major complaints (Yang 2007: 139). One of my own examples is the one of Wokai. Jon Wyler (interviewed 08 April 2010), an associate of the organization, puts government-control related problems at the top of their list of obstacles: “Generally the government is distrustful of grassroots NGOs such as Wokai, and the financial sector has very strict regulations. We're getting hit from both sides.” As Bill Drayton (2010b) explains, the legal status of SEPs is not only disturbing in terms of taxes and legal operations, but also in terms of financial resources (Bill Drayton 2010b).

But there is also another more systematic point which has only little to do with oppositional behavior: Efficiency. This second aspect refers to the fact that existing systems are indeed often more efficient than the new alternative at the time of its introduction. “[I]n any social system different elements have optimized around each other over time.” (Mulgan et al. 2006: 17). Zhang Jiawei (interviewed 1 February 2010) points out that many in the field of SES are still lacking necessary knowledge to be successful. This also holds for Hong Kong. Since many approaches fail, foundations hesitate to fund inexperienced students. In a vicious circle, many well educated students avoid the field. This circle has more elements. The lack of knowledge is partly an outcome of the current education system, which rather trims people to succeed in the current mode of production. SES demands at least partly a different set of skills, and also a different set of implicitly transported norms and values.

And here we come to the third aspect: the mindset. I have discussed the reasons for business- and economics-students' hesitant position towards SES. Their values and norms are in conflict with the concept. It has to be very clear that the system as it works today is still “[...] part of peoples' sense of identity.” (Mulgan et al. 2006: 18). This identity lacks a sense for the various social problems in the

country. As Qiao Huichao (interviewed 24 January 2010) told me, the nowadays obligatory courses in CSR in Chinese business programs are disliked and under critique by the students. This problem is reflected in an article in *SE Social Entrepreneurs* (November 2009: 60), which carries the title: “Who will come to fill up the black hole of human talent before the big development of funds.”

The problem of human resource appears similar in Hong Kong, although less severe. Patrick Boström (interviewed 5 February 2010), a co-founder of 'ICE', is studies business at Hong Kong University. As he puts it, the city is driven by finance and business, which channels students into more profitable jobs than those of SES. However, he perceives a rising motivation for many students of various backgrounds, a motivation that is also provided by workshops hold at the university and by the rather small community of people dealing with the subject.

Qiao Huichao saw further problems of norms and values from a perspective that I would consider as 'marketing' related. As he put it, most problems and respective approaches are lacking a good and visible story. The Sichuan Earthquake had powerful pictures. But people do not feel the same pity in many other cases, and thus do not change their habit. They also might like the ideas, but then buy only once a certain product and return to their old habit. Li Ding (interviewed 19 January 2010) therefore concludes that there is a lot of talking in China right now but not yet so much development. The common mindset has not yet changed. After this discussion, a change appears almost impossible. Is there any chance of changing this constellation?

### **Positive Forces**

Generally speaking, the answer can be found in the constantly changing nature of *any* environment and system. Any system is becoming less optimal over time and reveals weaknesses. They are inherently unstable (see Luhmann 1984). Indeed, the social movement of SES would not form if the current system was not exposed to the risk of failure. Climate change, unemployment, inequality and the aging population are all factors of change of efficiency and interests. The development of the Net has changed everything. Old relationships come under strain within this changing context, and mindsets react to the threats related to it (Mulgan et al. 2006: 19). “Chinese leaders are well aware that refusal to reform state institutions and open the economy to market forces will result in a reduction of foreign direct investment (FDI), trading opportunities and access to technology.” (Knight 2008: 146). This also



counts for the emerging market of SES. It is therefore the task of social movements to figure out the opening gaps within the old status quo, and to fill them with new content. What are the new elements that could be exploited?

From the insights above it becomes obvious that one important factor for a potential success of SES in China is the exploitation of new information technologies. Yang, who is highly concerned with social movements, puts it like this: “Technological change may provide new opportunities and resources for organizational development and institutional transformation.” (Yang 2007: 123). However, the same as important, maybe even more important in the future, are factors related to changes of the 'Self'.

To begin with, no social movement can grow without a supply of human resources. However, the Chinese environment seems to prove fruitful in generating incentives for increasing this supply. As Steve Koon (interviewed 14 January 2010) points out, 20 percent of his students are thinking about starting their own enterprise. The reason for this high level of motivation was expressed by Lan Feifei (interviewed 24 January 2010) as follows:

In her view, SES is gaining more and more popularity. The two driving forces are the job market on the one hand, which is currently dense and not providing enough jobs for young people, and the search for meaning in life on the other. The latter point has been discussed in previous sections of this paper. It results from a mechanism which is characteristic of the information age. Under global competition, welfare states are spiraling down to their lowest common denominators, resulting in a constantly growing lack of identity. “The more the nation-state withdraws from its citizens, the greater grows the need to find alternative sources of identity.” (Stalder 1998: 307). This fact holds even more in the case of China, where socialism has so far not been replaced by an equally strong ideology. SES is filling this gap through the ongoing process of constructing an alternative form of identity.

In other words, there is both a positive pull (meaning) and a push (dense job market) factor for SES. This seems not only to hold for the mainland. Without asking, I heard Linxi Wang, a guest at the 'Social Enterprise Challenge Hong Kong' (interviewed 05 February 2010) expressing exactly the same thoughts about the situation in Hong Kong.

However, not only students provide a source of human resources for the movement. As Pan Tianshu (interviewed 25 December 2009) mentioned, thanks to globalization and mobility of labor, financially

powerful expatriates not only bring liquidity into the country, but also spouses with sparetime free for charitable activity. In combination with the few older 'elites' of the movement, leading persons such as Steve Koon or Patrick Cheung, they complete the human body of SES.

As argued throughout the paper, these changes of the Net and the Self are highly intertwined. In line with Castells, Yang (2007: 143) argues for an accelerating trend in China:

“When the development of new institutional forms (such as Chinese civic associations) and new technologies (such as the internet) coincide, their interactions become more than incidental. The new technologies may become a strategic opportunity and resource for achieving organizational and social change even where there is strong resistance to change.”

It is of highest important for social movements such as SES to become fully aware of this potential, since “[s]uch a strategic opportunity does not always present itself (Yang 2007: 143).“

Besides these fundamental elements, other single factors have a supportive impact on the movement. The organizational form of SEPs provides some advantages over traditional business approaches. Mr. Cyrille Jegu, whom I listened to on the SIP event on 1 February 2010, points out the advantage of small approaches over 'big tankers', since they are more flexible and invent faster.

An explanation for this phenomenon is given at length by Malcom Gladwel. As he, referring to previous research, highlights, teams or groups are efficient and harmonious only as long as their size is not exceeding 150 members. He comes to the conclusion that there is a “[...] paradox of the epidemic: that in order to create one contagious movement, you often have to create many small movements first.” (Gladwell 2000: 192). This is what is happening right now in China. SIP, Aiesec, NPI etc. are all small and flexible networks, which are in turn connected towards their commonly constructed goal. Mulgan et al. also suggest alliances between small organizations and entrepreneurs, which they call 'bees' due to their ability to move fast and across borders, and big organizations, the 'trees', which are able to grow ideas and scale them (Mulgan et al. 2006: 19). Some of such 'trees' have already grown in China: they are the bigger foundations. This ability to network with other organizations was also highlighted by the British Council as a powerful position in the information age (2008: 37). Finally, as Steve Koon mentions, SEPs enjoy some factors helping them to compete with for-profit business approaches: next to being innovative, they are holding a unique position from which they receive support from society in terms of funding, loyal customers and volunteers.

## How are SEs Acting on These Opportunities?

How are actors of SES exploiting these potentials? Most innovations do not come from well planned approaches. “Tinkering seems to play a vital role in all kinds of innovation, involving trial and error, hunches and experiments that only in retrospect look rational and planned (Mulgan et al. 2006: 22).“ A study by Kelee Tsai (2007) suggests that what he calls “adaptive informal institutions” can emerge through the single activities by many entrepreneurs on a local level.

“[I]nformal institutions serve an important intermediate role in explaining the process of endogenous institutional change. More specifically, the causal mechanism underlying the flexibility of formal institutions stems from the often informal interactions between various state and non-state actors at the local level.”

(Tsai 2006: 5)

What he proposes here is that these single actors are often creative in finding ways to go around the established institutions, for example in finance<sup>24</sup>, and solve the problem unobserved by the state. However, as soon as these informal institutions become widespread, they affect the legislation on the higher level and enforce change. To make this idea a little bit more concrete, I would like to call to mind the case of Wokai, which also found ways to provide loans to poor people. As Jon Wyler (e-mail contact 08 April 2010) writes:

“In China the government has a say in every aspect of what you do, and since we do not have a fully registered Chinese entity we have no operational rights here, which is not too much of a problem since we basically provide loan capital for our partners and don't do the lending ourselves. [...] [I]f the regulations on cash repatriation were eased we could start a real lending model for our contributors rather than the donation model we have for the moment.”

SEs may therefore also find ways of this kind to engage in “[...] social innovation including legitimation, monitoring, comprehensive investigation, capacity building, funding and other vital resources.” (British Council 2008: 7).

SEs seem to be aware of their task, and how to fulfill it. The common vision is one important element, which construction is carefully guided by the leading characters of the movement. It is important to find the right descriptions for the problems. As Gladwell mentions: “We throw up our hands at a

---

<sup>24</sup> Examples exist all over China. I got a concrete contact of a SE who is building such finance rings on an events I attended, but have to keep his name anonymous.

problem phrased in an abstract way, but have no difficulty at all solving the same problem rephrased as a social dilemma.” (Gladwell 2000: 257). In addition, skills, ideas and knowledge are needed. According to Mulgan et al. (2006: 21), empathy is the best starting point for recognizing problems correctly, while an ethnographic approach is often more relevant as a formal tool than statistical data. Bill Drayton summarizes:

“To be effective in this new world, you will need to master the skills of empathy and teamwork, as well as leadership and driving change. You will need to know how to function in a world that is not a hierarchy but a kaleidoscopic global team of teams, with no boundaries between sectors and change that happens at an escalating pace.”

(Bill Drayton 2010a).

## **Conclusion**

The conclusion will be organized in two parts: The first one contains recommendations, which are based on the analytical insights from above. The second will draw on the broader implications of these aspects for the further development of SES in China. Both parts reflect key aspects of my thesis, and I hope that they will be of help for people in the field of SES in China and elsewhere.

## **Recommendations**

1. Identity is the strongest incentive for people to join a movement. Social movements employing this insight have a competitive advantage in attracting members. One of the most important insights for SES here is to avoid the attempt of forwarding the movement by elaborating on fear, using paroles such as: Climate change will come! Welfare will disappear! Etc.! The movement will become a success only through the provision of an attractive alternative to other existing options of identification. It is important to realize the constructive nature of this identity, which is formed in an interplay between the elites and the broader movement of SES. Hence, actors might actively sharpen the Chinese concept in accordance with specific local needs. Here is one idea I have touched upon earlier: The study by Dan (2008) reflects the 'spiritual crisis' of Chinese citizens, in which Tibetan Buddhism rises as a provider of meaning

and identity. Since values of SES are vastly in line with Buddhist thoughts (for connections of economics with Buddhism see e.g. Guruge 2008), the establishment of some kind of connection between the two might turn out to be very powerful.<sup>25</sup> For ideas such as this and the spread of the concept in general, methods of campaigns can be exploited more systematically than at the moment.

2. Mass membership, demonstrations, petitions, consumer boycotts, logos and slogans (Mulgan et al. 2006: 10) are not all as easily conducted and implemented in China as in many other parts of the world. However, the Chinese culture should make a fantastic playground for motives to draw on, now where the whole country is officially embracing 'capitalism with Chinese characteristics'. Stickers and slogans might help to rise the interest of more people, especially in the student community. They should correlate with the need for meaning, and go in line with the insights from research about the current values and ideas of students. (See study by Pan Tianshu<sup>26</sup>). They will work best if transported through outstanding persons.
3. In most movements certain people play outstanding roles in spreading ideas and building connections<sup>27</sup>. People such as Steve Koon or Patrick Cheung are two concrete examples. However, the more of such persons are working for a movement, the better its development. Professors in business and economics or relevant people of the government might turn out to be powerful partners. At the same time the concept should try to provoke the government as little as possible, which is a difficult task.
4. Especially in the current stage of the movement, actors should search for strategies creating win-win solutions. In concrete, a good start is to solve problems everybody is interested in: aging population, poverty, unemployment etc. A threat from side of the government, which might decide to co-opt the movement, is constantly given. Two factors have to be kept in mind, which are partly protecting the movement from such as

---

25 This idea also bears a risk. As the example of Falun Gong has shown, religious issues have to be dealt with greatest care. SES should definitely avoid to become religious itself. Previous experiences and the specific role of Buddhism in China have to be studied in detail. See e.g. Thornton (2000).

26 For details please contact Pan Tianshu at Fudan University.

27 I recommend Gladwell (2000) for more and really interesting insights about persons he refers to as connectors, mavens and salesmen. As he puts it, “[...] the information age has created a stickiness problem.” (Gladwell 2000: 99). In his view, theories about 'social epidemics', through which new ideas and therefore also social innovations spread, are not deeply enough concerned with the problem of immunity (Gladwell 2000: 273). He therefore concludes that “[...] when people are overwhelmed with information and develop immunity to traditional forms of communication, they turn instead for advice and information to the people in their lives whom they respect, admire, and trust.” (Gladwell 2000: 275).

step. Firstly, the difference between 'normal' business and social business is, due to the intangible nature of the 'spirit' of SES, hardly visible. Theoretically, the movement could operate 'undercover' within the economic system, although the concept would spread much harder. Secondly, the current organizational form of uncountable small approaches is hard to monitor.

5. The creation of more networks and encouragement of small approaches to tinker with solutions is therefore advisable. This might yield in useful informal institutions. These in turn might become mainstream in the future. It might also create an incentive for the government to provide a legal framework, which is of special importance in the field of finance. However, this step is connected to the risk of co-option again. Nevertheless, a parallel development of legal and undercover approaches remains thinkable.

## **Implications**

My thesis has shown that the search for identity by young SEs is not an independent, randomly appearing social phenomenon. It is closely intertwined with the changing global environment, and yields in the formation of social movements. This fact might have some further implications.

Castells puts much hope in such movements “[...] to develop new forms of identity and democracy.” (Stalder 1998: 307). In my thesis, I have touched upon this latter point only in an indirect way. The critical standpoint of the state towards social movements originates in its fear towards a democratic push. Its dominant position as a provider of identity and social services is finally related to its legitimacy. Other research has been conducted on this topic in depth, and more research might be conducted on the specifics of SES in these terms in the future. One crucial question will be whether or not a pluralization of actors *actually does* mean more democracy.

Regarding experiences from the 'West', where social services have been outsourced to private actors without clear signs of democratic improvements, some might even argue for an adverse effect. Decreasing transparency in the social sector combined with dwindling influence of democratic governments might be the key elements of their argumentation line. In China, however, the situation is different. The government has not been established on a democratic basis. This paper has to leave this question open. The only thing I would like to conclude from my own research is that an opening of the

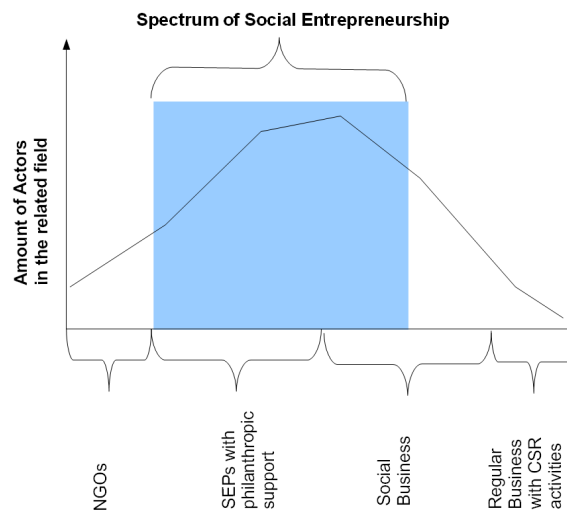
social sector to non-state actors both yields benefits and risks for the government, and also for a potential future process of democratic development.

However, SES is still operating at an early stage, where long-term implications are mostly relevant in theoretical terms. As Mulgan et al. (2006: 28) describe the stages of innovation in social movements, they generally

“[...] start out with small groups seeking likeminded allies, animated by anger or hope. They then develop into more organized campaigns that try to demonstrate the four key attributes of any successful social movement: worthiness, unity, numbers and commitment.”

Only in the last phase, when legislation, habit and values within society change, they really succeed. This would also lead to an alteration of the mode of production, but, in the interest of the movement itself, only to a degree that is not undermining the foundation they are based on: the selectively used technologies such as the internet, which have been a product of capitalism themselves.

How might such a black swan look like? Instead of having few huge and multinational corporations, the economy of the future might be constructed as a highly interrelated network of mostly locally operating associations. And also the government would have to undergo changes. For the Chinese case, the British Council suggests a shift from a “[...] control-oriented administration to a service-oriented administration [...] (British Council 2008: 38)”, which will create demand for public services offered by civic organizations. The



Graphic 5: Distribution in a Transformed Mode of Production (by author)

way to such a world might be induced from the bottom-up, by establishing adaptive informal institutions, which lead to formalization only later in the process. All factors will play a role in this complex development. “A new society emerges when and if a structural transformation can be observed in the relationships of production, in the relationships of power, and in the relationships of experience.”

(Castells 1998: 340, as cited in Stalder 1998: 302).

The biologist Elisabeth Sahtouris (as cited in Benell 2005: 19) has created a colorful picture of such a scenario: Similar to developments in a body of a caterpillar, tiny cells are popping up undetected by the immune system. These cells become more and more connected in the process, and finally become powerful enough to overwhelm it, which leads to the creation of a new body: the butterfly. If the cells are representing the first SEPs and organizations, the butterfly represents a new economic order. However, these are only visions, single possibilities among uncountable others. Black swans remain a mystery of the future, and so do butterflies.



## References

**Ashoka Organization (2009):** *What Is a Social Entrepreneur?* [Online] Available at: [http://www.ashoka.org/social\\_entrepreneur](http://www.ashoka.org/social_entrepreneur). [Accessed 25 May 2009].

**Asia News (2010):** China restricts NGO activities. [Online] *Asia News*, March 15 2010. Available at: <http://www.speroforum.com/site/article.asp?idCategory=33&idsub=122&id=29018&t=China+restricts+NGO+activities>. [Accessed 20 May 2010].

**Bendell, Jem (2005):** A Synopsis of the Key Strategic Developments in Corporate Responsibility Around the Globe Over the Last Quarter, in: *The Journal of Corporate Citizenship*, Autumn 2005, Iss. 19, pp. 5 – 19.

**Bloom, Paul N./ Dees, J. Gregory (2008):** The Four C's, in: *Stanford Social Innovation Review*; Winter 2008, Iss. 6, No. 1, p. 52.

**Bornstein, David (2004):** *How to Change the World: Social Entrepreneurs and the Power of New Ideas*, London, Penguin Books Ltd.

**British Council (2008):** The General Report of Social Enterprise in China. [Online] British Council. Available at: [http://dsi.britishcouncil.org.cn/images/BC\\_China\\_Social\\_Enterprise\\_Research\\_Report.pdf](http://dsi.britishcouncil.org.cn/images/BC_China_Social_Enterprise_Research_Report.pdf). [Accessed 1 December 2009].

**Castells, Manuel (1989):** *The Informational City*, Oxford, Blackwell.

**Castells, Manuel (1996):** *The Rise of the Network Society, The Information Age: Economy, Society and Culture*, Vol. I, Oxford, Blackwell.

**Castells, Manuel (1997):** *The Power of Identity, The Information Age: Economy, Society and Culture*, Vol. II, Cambridge, Oxford, Blackwell.

**Castells, Manuel (1998):** *The End of the Millennium, The Information Age: Economy, Society and Culture*, Vol. III, Cambridge, Oxford, Blackwell.

**Dan, Smyer Yü (2008):** Living Buddhas, Netizens, and the Price of Religious Freedom, in: Zhang, Li/ Ong, Aihwa (editors): *Privatizing China: Socialism from Afar*, New York, Corenell University Press.

**Economy, Elizabeth C. (2006):** *The River Runs Black: The Environmental Challenges to China's Future*, Ithaca, Cornell University Press.

**Elkington, John/ Hartigan, Pamela (2008):** *The Power of Unreasonable People, How Social Entrepreneurs Create Markets That Change the World*, Boston, Massachusetts, Harvard Business Press.

**Gladwell, Malcom (2000):** *The Tipping Point, How Little Things Can Make a Big Difference*, New York, Back Bay Books/ Little, Brown and Company.

**Guruge, Ananda W.P. (2008):** *Buddhism, Economics and Science: Further Studies in Socially Engaged Humanistic Buddhism*, Bloomington, Authorhouse.

**Hamm, Steve (2008):** Capitalism With a Human Face, in: *Business Week*, Dec. 8, 2008, Iss. 4111, p. 48.

**Heimer, Maria (2006):** Field Sites, Research Design, and Type of Findings, in: Heimer, Maria and Thogersen, Stig (ed.): *Doing fieldwork in China*, Copenhagen, NIAS Press.

**Jianfeng, Tong (2010):** The Bittersweet Honeymoon of NGOs and Government: Two Years after the Wenchuan Earthquake. [Online] *Nanfengchuang Magazine*, May 10 2010. Available at: <http://hausercenter.org/chinanpo/2010/05/the-bittersweet-honeymoon-of-ngos-and-government-two-years-after-the-wenchuan-earthquake/>. [Accessed May 20 2010].

**Knight, Nick (2008):** *Imagining Globalization in China, Debates on Ideology, Politics and Culture*, Cheltenham, Edward Elgar Publishing.

**Luhmann, Niklas (1984):** *Soziale Systeme. Grundriß einer allgemeinen Theorie*. Frankfurt a.M., Suhrkamp Verlag.

**McLoughlin, Jim/ Kaminski, Jaime/ Sodagar, Babak/ Khan, Sabina/ Harris, Robin/ Arnaudo, Gustavo/ Mc Brearty, Sine´ad (2009):** A strategic approach to social impact measurement of social enterprises, The SIMPLE methodology, in: *Social Enterprise Journal*, Vol. 5, No. 2, pp. 154 -178.

**Mulgan, Geoff/ Tucker, Simon/ Ali, Rushanara/ Sanders, Ben (2006):** *Social Innovation, What It Is, Why It Matters and How It Can Be Accelerated*. [Online] Working Paper of the Young Foundation. Available at: [http://www.youngfoundation.org/files/images/03\\_07\\_What\\_it\\_is\\_\\_SAID\\_.pdf](http://www.youngfoundation.org/files/images/03_07_What_it_is__SAID_.pdf). [Accessed 16 April 2010].

**Nichols, Alex (2005):** *Measuring Impact in Social Entrepreneurship: New Accountabilities to Stakeholders and Investors?* [Online] Working Paper of the Skoll Centre for Social Entrepreneurship. Available at: [http://www.built-environment.uwe.ac.uk/research/esrcseminars/pdfs/alex\\_nicholls\\_seminar4.pdf](http://www.built-environment.uwe.ac.uk/research/esrcseminars/pdfs/alex_nicholls_seminar4.pdf). [Accessed 14 April 2010].

**NPI (2010):** Live by a social enterprise alone for 30 days, in: *SE Social Entrepreneur*, 11/ 2009, p. 55.

**NPI (2010):** Who will come to fill up the black hole of human talent before the big development of funds, in: *SE Social Entrepreneur*, 11/ 2009, p. 55.

**Owen, John R. (2007):** Review: Manuel Castells: The Theory of the Network Society, in: *Journal of Sociology*, Iss. 43, No. 3, p. 327.

**Ragin, Charles C. (1994):** *Constructing Social Research, The Unity and Diversity of Method*, Thousand Oaks, Pine Forge Press.

**Sidel, Mark (2010):** The International Center for Not-For-Profit Law, NGO Law Monitor China. [Online] Available at: <http://www.icnl.org/knowledge/ngolawmonitor/china.htm>. [Accessed: 20 May 2010].

**Stalder, Felix (1998):** The Network Paradigm, Social Formations in the Age of Information, in: *Information Society*, Vol. 14, Iss. 4, pp. 301 – 308.

**Stalder, Felix (2006):** *Manuel Castells, The Theory of the Network Society*, Cambridge, Polity Press.

**Taleb, Nassim Nicholas (2007):** *The Black Swan, The Impact of the Highly Improbable*, London, Penguin Books Ltd.

**Thornton, Patricia M. (2003):** The New Cybersects: Popular Religion, Repression and Resistance, in: Perry, Elizabeth, J./ Seldon, Mark. (editors): *Chinese Society: Change, Conflict and Resistance*. Abington, Routledge.

**Tsai, Kellee S. (2006):** *Changing China: Private Entrepreneurs and Adaptive Informal Institutions*. [Online] Prepared for the conference, “Capitalism with Chinese Characteristics: China’s Political Economy in Comparative and Theoretical Perspective,” Indiana University, 19-20 May 2006. Available at: <http://www.polsci.indiana.edu/china/papers/tsai.pdf>. [Accessed 23 November 2009].

**Yang, Guobin (2007):** How Do Chinese Civic Organizations Respond to the Internet? Findings from a Survey, in: *The China Quarterly*, Iss. 189, pp. 122 – 143.

**Yunus, Muhammad (2008):** *Creating a World Without Poverty: Social Business and the Future of Capitalism*, New York, PublicAffairs.

**Zadek, Simon (1998):** Balancing performance, ethics, and accountability, in: *Journal of Business Ethics*, Iss. 17: pp. 1421 – 41.

**Zhang, Li/ Ong, Aihwa (2008):** *Privatizing China: Socialism from Afar*, New York, Corenell Universtiy Press.

### **Other Internet Resources as Cited in the Text (Blogs, Videos, Podcasts etc.)**

**Ashoka (2007):** *The Citizen Sector Transformed -- What It Means For You*. [Online] Available at: <http://www.youtube.com/watch?v=I9daXPp051o&feature=related>. [Accessed 5 December 2009].

**Bill Drayton (2010a):** *Get ready to be a changemaker*. [Online] Available at: [http://blogs.hbr.org/cs/2010/02/are\\_you\\_ready\\_to\\_be\\_a\\_changema.html](http://blogs.hbr.org/cs/2010/02/are_you_ready_to_be_a_changema.html). [Accessed 25 April 2010].

**Bill Drayton (2010b):** *Finance's Next Opportunity: Social Investing*. [Online] Available at: [http://blogs.hbr.org/cs/2010/03/finances\\_next\\_big\\_opportunity.html](http://blogs.hbr.org/cs/2010/03/finances_next_big_opportunity.html). [Accessed 25 April 2010].

**British Council (2008):** *The General Report of Social Enterprise in China*. [Online] British Council. Available at: [http://dsi.britishcouncil.org.cn/images/BC\\_China\\_Social\\_Enterprise\\_Research\\_Report.pdf](http://dsi.britishcouncil.org.cn/images/BC_China_Social_Enterprise_Research_Report.pdf). [Accessed 1 December 2009].

**China Social Entrepreneur Foundation (2007):** *Introduction*. [Online] Available at: <http://www.youcheng.org/doc/Introduction%20of%20China%20Social%20Entrepreneur%20Foundation%20%28Youcheng%29.pdf>. [Accessed 4 April 2010].

**Shue, Vivienne (2010):** *Small Mercies: Poverty/Charity, State/Market, and the Provision of Social Welfare in Urban China*. [Podcast] Conference Talk at: China: Past, Present and Future, Royal Holloway University of London Interdisciplinary Seminar Series, Event Date: 29 April Thursday 2010. Available at: <http://backdoorbroadcasting.net/2010/04/vivienne-shue-small-mercies-povertycharity-statemarket-and-the-provision-of-social-welfare-in-urban-china/>. [Accessed 17 May 2010].

### **List of Interviewees (Historical Order)**

Pan Tianshu, Professor at Fudan University. Notes taken during the interview, 25 December 2009.

Anonymous, Two Government Officials from the Higher Administration Level in Shanghai. Oral communication during a dinner, 10 January 2010.

Steve Koon, Chairman of the 'Social Enterprise Research Center (SERC)' in Shanghai, Mason Fellow at the Kennedy School of Government, Harvard University, and Lead Consultant for British Council's China Social Entrepreneurs Skills Training Program. Notes taken during the interview, 14 January 2010.

Li Ding, Deputy Director of the 'Non Profit Incubator (NPI)' in Shanghai. Notes taken during the interview, 19 January 2010.

Li Huiping, Program Officer at the 'Non Profit Incubator (NPI)' in Shanghai. Notes taken during the interview, 19 January 2010.

Qian Huang, Program Officer at the 'Non Profit Incubator (NPI)' in Shanghai. Notes taken during the interview, 19 January 2010.

Qiao Huichao, Research Assistant at the 'Social Enterprise Research Center (SERC)' in Shanghai, Master Candidate School of International Business Administration, Shanghai University of Finance and Economics. Notes taken during the interview, 24 January 2010, e-mail contact, 10 March 2010.

Lan FeiFei, Research Assistant at the 'Social Enterprise Research Center (SERC)' in Shanghai. Notes taken during the interview, 24 January 2010.

Zhang Jiawei, President of 'Social Innovation Park (SIP) China Chapter', Founder of 'WeCanCompete'. Notes taken during the interview, 1 February 2010.

Anonymous, Visitor of the SIP event. Notes taken during the interview, 1 February 2010.

Patrick Cheung, Interim Country Representative for the People's Republic of China of 'Ashoka' in Hongkong. Notes taken during the interview, 5 February 2010.

Patrick S. Boström, Social Business Associate, Young Drucker Undergraduate, Hongkong. Notes taken during the interview, 6 February 2010.

Zhang Xingjian Nicholas, Internal Vice President of 'The Hong Kong Award For Young People'. Oral communication on a event, 06 February 2010.

Linxi Wang, Student at Hong Kong University, 'Social Enterprise Challenge Hong Kong' Guest. Oral communication on the event, 06 February 2010.

Law Wai Hung, Founder and Chair of 'ICE Inter Cultural Education Center'. Notes taken during the interview, 06 February 2010.

Anonymous, Official of the 'Chinese Commission of Commerce' in Shanghai. Phonecall and e-mail contact, 02 April 2010.

Jon Wyler, 'Wokai' Associate. E-mail contact 08 April 2010.

Samuel Xu, 'Shokay' Shopmanager Shanghai. E-mail contact 21 April 2010.

## Appendix

### Description of Social Enterprises in Hong Kong and China

The **Senior Citizen Home Safety Association (SCHSA)** ([www.schsa.org.hk](http://www.schsa.org.hk)) was founded in 1996. The company aims at fulfilling needs of Hong Kong's elderly and ensure their safety and proper level of care. They provide a 24-hour support, respond to psychological and physiological needs, establish a network of volunteers to enhance their service, and fill in the service gap left by the existing resources. According Patrick Cheung (interviewed 5 February 2010), SCHSA counts as the leading SEP in town. It belongs to the kind of approaches in which the costumers are benefiting.

The **Fullness Hairsalon** ([www.fullness-salon.hk](http://www.fullness-salon.hk)) belongs to the category which serves the employees directly. Fullness educates young people having difficulties to find jobs as hairdressers. Through education and workexperience these youngster are becoming integrated into society.

An approach in which both sites are benefiting is **Dialogue In The Dark** ([www.dialogue-in-the-dark.hk](http://www.dialogue-in-the-dark.hk)), which originates from Germany, but has spread to many locations in 26 countries around the world. The branch in Hong Kong, which I happened to visit on its opening day on the 5<sup>th</sup> of February 2010, is its most recent sign of success. In very brief, visitors are guided through a world in total darkness, where they experience both their own senses in a new way, while getting close to visually impaired people. The social business's mission is threefold: bridging the gap between disabled people and the rest of society, creating jobs for the visually impaired, and raising awareness and tolerance in society towards disadvantaged groups.<sup>28</sup> All of these Hong Kong based businesses are able to sustain themselves, and count as social businesses. Although the success rate is lower on the mainland, examples do exist.

**Shokay** ([www.shokay.com](http://www.shokay.com)) is a textile and clothing company, which sources its yak fibers from Tibetan herders. its impact is fourfold: Firstly, a direct income is generated for an impoverished part of society, herders and knitters within the Tibetan region. They secondly preserve the local culture of these people by increasing the economic value of yak rearing. Thirdly, the product itself promotes a sustainable way of using the environment. And fourthly, the whole local community is profiting from the reinvestment of profits through Shokay's community development program.<sup>29</sup>

A very similar approach to Shokay's is the one of **Xingeng** ([www.xingeng.org](http://www.xingeng.org)). The company

---

28 <http://www.dialogue-in-the-dark.hk/html/en/AboutUs.html>. [Accessed 4 April 2010]

29 [http://www.shokay.com/shop/information.php/info\\_id/77](http://www.shokay.com/shop/information.php/info_id/77). [Accessed 4 April 2010]

educates local people in traditional handcrafts, and sells the products via different channels, also via the internet.

**Wokai** ([www.wokai.org](http://www.wokai.org)) is working in a completely different, but very typical field of SES: microcredits. The company provides small loans (out of necessity in the form of donations) to the rural poor of China. A detailed description of their work can be found online.<sup>30</sup> Here I would just like to present an additional piece of information, which was provided by Jon Wyler (interviewed 08 April 2010) about Wokai's financial sustainability. At the moment, Wokai remains partly dependent on donations, since 100 percent of the donations for loan capital reach their target group, the rural poor. However, they added the option of a 10 percent donation at the end of the checkout process, which is supposed to make them self-sustained within 3 years time. Another enterprise in the field of micro-lending is called **Qifang** ([www.qifang.com](http://www.qifang.com)), which provides loans to students in need, and thereby increases the level of education of Chinese young people.

I would like to end this small selection with an example rather from the realm of NGOs than SEPs. It shall exemplify the fact of diversity, and increase the understanding for the fact that it was not obvious or natural to join all these approaches under the roof of one concept. SES is a construction, an identity which is still in the making, sharpening its values and goals. **1 Kg More** ([www.1kg.org](http://www.1kg.org)) encourages travelers to bring useful items to the Chinese countryside, such as books. It rests on three principals: pass, exchange and share. While pass refers to the request to bring a small gift for children in the poor areas, exchange refers to the insights both sides can achieve through the following contact. The traveler is then asked to share his experience on their webpage.

### **Description of Meta-Institutions in Hong Kong and China**

The **China Social Entrepreneur Foundation** ([www.youcheng.org](http://www.youcheng.org)) was established in 2007. Its main goal is to elevate poverty, both in the material and spiritual sense. The foundation aims, besides others, at connecting entrepreneurs with aid recipients in order to improve China's anti-poverty philanthropy. The idea is to link “[...] a supporting nongovernmental sector and a leading governmental sector.” (China Social Entrepreneur Foundation 2007: 6). However, it also claims to engage concretely in the field of SES, as it “[...] seeks to serve as a cradle of more SEs and an incubator of SEPs (China Social Entrepreneur Foundation 2007: 8).“ I learned from Zhang Jiawei, President of 'Social Innovation Park (SIP) China Chapter', Founder of 'WeCanCompete' (interviewed 1 February 2010), that most of this

---

<sup>30</sup> [www.wokai.org/f/about/index.php?page=howitworks](http://www.wokai.org/f/about/index.php?page=howitworks). [Accessed 4 April 2010]

money is going into projects by British Council.

The **British Council** (<http://dsi.britishcouncil.org.cn/sfse.jsp>) is placed in Beijing . It provides a variety of research material, training and networking opportunities. One goal is to educate 600 SEs until 2012 in workshops, which are praised a lot.<sup>31</sup>

Also placed in Beijing, the **Fuping Development Institute** ([www.fdi.ngo.cn](http://www.fdi.ngo.cn)) was established in 2002, and is active in a whole range of different fields. However, it recently also engaged in the field of SES, and counts to its core business the provision of small loans and entrepreneurial trainings, including those for SEs, supporting small business investments and management, and also supporting the networking of SEs.

In Shanghai, I visited the biggest incubator for SEPs in China, the **Non-Profit Incubator** ([www.npi.org.cn](http://www.npi.org.cn)). Its main branch is placed in Pudong, Shanghai, with accompanying branches in Beijing and Chengdu. The Shanghai-office is separated in two parts, one for the staff off the incubator itself, one for the so called 'eggs', the NGOs and social enterprises being incubated. According Ding Li (interviewed 19 January 2010), the incubator generally follows the definition of social businesses, although the biggest part of the 'eggs' are NGOs. That means, incubated SEPs will pay no dividends, follow a social purpose and have to find their way with only little funding from side of the incubator. None of their projects has grown big yet. The start ups receive consulting, trainings and space from side of the incubator. The NPI is also active in spreading information, through publishing *SE Social Entrepreneurs*.

Providing information and motivation is also a mission of the **Research Center for Social Entrepreneurship (SERC)** ([www.serc-china.org](http://www.serc-china.org)). The center consists of only a view managing leaders of various backgrounds (including Steve Koon), and about 35 additional volunteers, mostly students. Not all of them are as active as my interviewees Qiao Huichao and Lan Feifei. The center tries to build a bridge between students and SEPs. They are sent out in order to conduct research on single cases, of which they build up a public database on SERCs website.<sup>32</sup> Until now, about one hundred of such interviews have been conducted, although most of them equal, as has been mentioned, rather NGOs, and not all of them have been added to the list.

Worth mentioning is also the organization **Social Ventures Hong Kong** ([www.sv-hk.org](http://www.sv-hk.org)), which aims at the provision of financial, intellectual, and human capital support to the local development of social entrepreneurship.

---

31 <http://youchange.org.cn/?tag=youchange>. [Accessed 4 April 2010]

32 <http://www.serc-china.org/liste.asp?id=11>. [Accessed 4 April 2010]



Really interesting is the development of one of the most important international organizations: **Ashoka** ([www.ashoka.org](http://www.ashoka.org)). It only recently started its work in Hong Kong, and has not entered the mainland yet. Its mission is both informational and active, in the form of electing new fellows in the future. Ashoka fellows are receiving various kinds of support for their work, and are usually truly outstanding examples of SEs.

A different kind of activity finds exemplification in the **Social Enterprise Challenge Hong Kong** ([www.sechallenge.hk](http://www.sechallenge.hk)). Students from all over China are competing with their business plans over several rounds. As I had the change to visit the final competition day, I also witnessed the tough questioning by the jury, making sure approaches do not only sound good, but also have a change to survive in practice. The winner of this year was the **Intercultural Cultural Education Center** ([www.i-c-e-centre.com](http://www.i-c-e-centre.com)) led by Law Wai Hung (interviewed 06 February 2010).

### **List of Foundations and other Institutions in the Chinese Field**

Ashoka – Worldwide, Hongkong  
[www.ashoka.org](http://www.ashoka.org)

Bright China  
[www.brightchinagroup.com](http://www.brightchinagroup.com)

China Social Entrepreneurship Foundation - Beijing  
[www.youcheng.org/aboutus/english.html](http://www.youcheng.org/aboutus/english.html)

EnterpriseAsia  
[www.enterpriseasia.org](http://www.enterpriseasia.org)

Fuping Development Institute - Beijing  
[www.fdi.ngo.cn](http://www.fdi.ngo.cn)

Hong Kong General Chamber of Social Enterprises  
[www.sechamber.hk/en\\_index.php](http://www.sechamber.hk/en_index.php)

Hong Kong Social Entrepreneurship Forum - Creating a Social Entrepreneurship Movement in Hong Kong – Hong Kong  
[www.hksef.org](http://www.hksef.org)

HKCSS-HSBC Hong Kong Social Business Center  
[www.sebc.org.hk/sebc/](http://www.sebc.org.hk/sebc/)

Jet Li Foundation

[www.onefoundation.cn/html/en/beneficence\\_01.htm](http://www.onefoundation.cn/html/en/beneficence_01.htm)

Mercy Corp.

[www.mercycorps.org](http://www.mercycorps.org)

Non-Profit-Incubator - Shanghai

<http://english.npi.org.cn/shanghai.html>

NPO Development Center - Shanghai

<http://www.npodevelopment.org/en/>

Schwab Foundation

<http://www.schwabfound.org/sf/index.htm>

Social Enterprise Challenge – Honk Kong

[www.sechallenge.hk](http://www.sechallenge.hk)

Social Enterprise Research Center (SERC) – Shanghai

<http://www.serc-china.org/indexe.asp>

Social Innovation Park China Chapter (SIP) – Shanghai

[http://www.socialinnovationpark.org/index.php?option=com\\_content&view=article&id=142&Itemid=89](http://www.socialinnovationpark.org/index.php?option=com_content&view=article&id=142&Itemid=89)

Social Ventures Hong Kong

[www.sv-hk.org](http://www.sv-hk.org)

### **List of Internet Platforms and Helpful Resources**

Ashoka Changemakers 2.5

[www.changemakers.net](http://www.changemakers.net)

British Embassy Resources on SES

<http://dsi.britishcouncil.org.cn/index.jsp>

Collective Responsibility/ China Crossroads

<http://collectiveresponsibility.org>

GSEAN - Platform for Green Innovations etc.

<http://www.gsean.org/index.html>

Havard Business School Social Enterprise Initiative

[www.hbs.edu/socialenterprise](http://www.hbs.edu/socialenterprise)

Social Enterprise Resource Web, Honkong

<http://sebc.org.hk/>

Stanford Social Innovation Review  
[www.ssireview.com](http://www.ssireview.com)

WeCanCompete  
<http://www.wecancompete.com/>

YouCheng – You Change  
<http://youchange.org.cn/>

Youth Business Development Competition  
<http://mba.sbsblogs.co.uk/student-blogs/youth-business-development-ybd-competition-2009/>

### **List of Outstanding Examples of Social Enterprises in China**

Dialogue in the Dark  
[www.dialogue-in-the-dark.hk](http://www.dialogue-in-the-dark.hk)

Fullness  
[www.fullness-salon.hk](http://www.fullness-salon.hk)

Intercultural Cultural Education Center  
[www.i-c-e-centre.com](http://www.i-c-e-centre.com)

1 Kg More  
[www.1kg.org](http://www.1kg.org)

Rabbit King  
<http://www.chinarabbitking.com/>

Shokay  
[www.shokay.com](http://www.shokay.com)

Xingeng  
[www.xingeng.org/](http://www.xingeng.org/)

Senior Citizen Home Safety Association (SCHSA)  
[www.schsa.org.hk](http://www.schsa.org.hk)

Qifang – Student Loans  
[www.qifang.cn](http://www.qifang.cn)

Wokai – Microcredits to the Poor  
[www.wokai.org](http://www.wokai.org)

Xingeng  
[www.xingeng.org](http://www.xingeng.org)