

# A Review of the Research on Sustainable Development of Social Enterprises in China

Tingting Liu <sup>a</sup>, Luyao Wang <sup>b</sup> and Jian Zhu <sup>c</sup>

North China Electric Power University, Beijing 102206, China.

<sup>a</sup>457221730@qq. com, <sup>b</sup>18091526664@163. com, <sup>c</sup>571353082@qq. com

**Abstract.** Over the past few years, discussions and practices on social enterprises have quietly sprung up in China. However, the development of social enterprises is not smooth, how to realize the sustainable development of social enterprises has always been a difficult problem. Based on the review of the relevant literature, this paper combs the definition of social enterprise, reviews the connotation of sustainable development of social enterprise, the evaluation index and the problems faced by it, and summarizes the relevant research on the sustainable development of social enterprise. Finally, we think about it and make some relevant discussions.

**Keywords:** social enterprises, sustainable development, evaluation index, problems.

## 1. Introduction

In the 1990s, under the background of market failure and government inefficiency, the social governance model of social enterprises to solve social problems through commercial means has gradually become a trend in the world. Nowadays, social enterprises begin to play a more important role in many fields, but compared with western developed countries, social enterprises in China are still in the initial stage. Although China's existing laws and regulations provide a broad space for the diversified development of social enterprises, the role of social enterprises cannot be fully played due to the restrictions of social environment and some factors of enterprises themselves. This paper hopes to form a sustainable evaluation system to guide and realize the sustainable development of social enterprises, and promote the sustainable, healthy, efficient and development of social enterprises.

## 2. Definition of Social Enterprise

The reason for the emergence of social enterprises is that there are some problems that need to be solved by new legal entities in society. Academia has not yet reached agreement on the definition of 'social enterprise', which is basically based on the national legal definition.

French economist Thierry Jean-Tai put forward the concept of social enterprise earlier in 1998. He pointed out that social enterprise is not a method to measure capitalist economy. Its output is the combination of social effects and indirect economic benefits. Some scholars believe that the mission of social enterprises is multiple, must be profit maximization, sustainable management and socialization, two goals are indispensable. The definition of social enterprise has been widely accepted by the public, that is, 'using commercial means to achieve social goals' is proposed by the British Social Enterprise Alliance. Yu Keping regards social enterprises as enterprises and institutions whose main objective is public welfare social service. It is a new organizational form that uses market means to solve social problems, create social and economic benefits, and embody the concept of social innovation.

The author believes that 'social enterprises' must first achieve social goals and solve social problems, in addition to the need for endogenous power, through the business operation model itself can be sustainable development, achieve the organic combination of business operation and social responsibility. Simply put, 'social enterprises' are entities that use commercial means to achieve the dual goals of social responsibility and economic sustainability.

### 3. Connotation of Sustainable Development of Social Enterprises

The sustainable development of enterprises is of great practical significance. How to make the enterprise get the sustainable development is the question that we have been exploring all the time.

So far, there is still no uniform definition of sustainability of social enterprises. Some scholars think that we should not only pay attention to the realization of the current business objectives and the improvement of the market position, but also maintain the original competitive advantage and improve the sustainable profitability of the enterprise (Liu Ligang, 2001; Zheng Shiming, 2006). Some scholars believe that enterprises should pay attention to the development of external environment while forming a good supporting system inside, and be able to carry out continuous learning and innovation activities (Yu Chen, 2001; Li Hongyan, 2003). Other scholars believe that companies should not sacrifice long-term development while pursuing profits (Xiang Zhiqiang, 2002; Li Hongyan, 2003).

The author thinks that the sustainable development of social enterprise is the competitive advantage and profitability which cannot be imitated by the same competitors for a long time while forming a good operating system which adapts to the external environment. And without sacrificing long-term interests, continue to innovate and learn.

### 4. Evaluation Index for Sustainable Development of Social Enterprises

In order to achieve sustainable development, it is necessary to operate the concept of "sustainability", which is convenient for evaluation and judgment, and help to improve the business development of enterprises. Different scholars give different indexes and various evaluation systems, which point out the direction of the sustainable development of social enterprises.

According to scholars such as Julie Batilana, the sustainability of social enterprises, based on their mixed characteristics, "depends at the same time on their social mission and improvement in business performance." (Battilana & Lee, 2014: 408) If one of the cores is neglected, there is no substantial difference from the traditional organizational form (non-profit organization or commercial organization). Yang Denny and other scholars point out that social enterprises are prone to three instability situations (Young & Kim, 2015): first, due to external financial pressure caused by "Mission Drift". The second is the demise of the organization because of the loss of financial support. The third is that the organization is transformed into Organizational Transformation. For a variety of reasons. Once one of the above, it means that social enterprises are no longer sustainable development. The sustainability of social enterprises is related to internal factors (enner, 2016), such as organizational capacity, business-oriented strategies, etc., but from the external environment, situational factors are also critical to the growth of social enterprises (Yu Xiaomin, Ding Kaijie, 2011; Chanetal., 2011); Defourny & Nyssens, 2010). Other scholars believe that the primary factor to maintain the sustainable development of social enterprises is the "Commercial Orientation". Secondly, with the popularity of the concept of "Venture Philanthropy", the commercial sector has become an important resource provider for social enterprises (Shi Congmei, 2016). It is also suggested that the sustainability of social enterprises can be determined from three aspects: human resources, organizational decision-making and social capital. Some domestic scholars have put forward the index system of sustainable development. They 'propose to establish an index system for sustainable development of enterprises consisting of environmental benefits, economic benefits and social benefits. 'There are domestic scholars from the four dimensions of economy, culture, society and ecology to evaluate the performance of enterprises and their stakeholders respectively. Then the matrix organization sustainable management performance evaluation system with four dimensions and two perspectives is put forward, and the evaluation index system of enterprise sustainable management performance is put forward.

Table 1. Evaluation Index system of organizational Sustainable Management performance

Primary indicator			Secondary indicator
Economy	Financial Standing	Profitability (return on net assets, return on total assets)	Operational status of upstream and downstream enterprises and tax payment by enterprises in accordance with the law
		Solvency (current ratio, asset-liability ratio, equity ratio)	
		Operational capacity (turnover rate)	
		Operational growth capacity (operating profit growth rate, total asset growth rate)	
	Technical status	Level of major technical areas	
	Product quality status	Technology cross fusion level	
		product percent of pass	
	Personnel utilization	Return on investment of employees	
	Market control situation	Market share	
	Innovation Ability	Patent ownership ratio	
Innovative cultural atmosphere			
learning ability	Employee education level		
	Continue learning willingness		
Culture	The rate of employees undefined recognition of organizational culture and the degree of clarity of organizational responsibility and authority		Honesty and Credit Management, the Culture of stakeholders
Society	Work environment, employee career planning, employee satisfaction		Customer satisfaction, community satisfaction, relationships with other stakeholders
Organismundefineds habits	Utilization of resources and energy	resource utilization rate	Proportion of sales of green products, ecological system, environmental awareness of all staff, environmental satisfaction of stakeholders
		Non-renewable energy ratio	
	Purification equipment ratio	Utilization of purification equipment	
	Waste reuse status	Waste reuse yield	
	Environmental compliance status	Three wastes reaching standard rate	
	Greenhouse gas emissions		

It will be easier to understand the index of sustainable development of social enterprise further from the index of sustainable development of enterprise. According to the responsibility of stakeholders undertaken by social enterprises, the evaluation index system of social enterprises is designed.

Table 2. Construction of Evaluation Index system for Social Enterprises

Primary Indicator		Secondary Indicator
Social enterprise evaluation index system	Financial responsibility	Return on net assets Dividend payout ratio Capital preservation and appreciation ratio
	legal liability	Tax rate Social security payment rate Social security extraction rate
	Ethical responsibility	Turnover of payable Growth rate of environmental governance costs Environmental protection investment rate Consumer complaint rate
	Charity responsibility	Community development expenditure rate Social donation expenditure rate Community residents undefined satisfaction with enterprises
	Social responsibility	Employment acceptance rate Satisfaction of Service object Annual growth rate of public service expenditure Ratio of developmental expenditure to total expenditure

## 5. Problems Facing the Sustainable Development of Social Enterprises

Social enterprises carry out the corporate mission of realizing the dual goals of social responsibility and economic sustainability. In this process, multi-objective conflict is a realistic problem faced by social enterprises. The conflict between commercial objectives and social objectives will inevitably lead to the conflict of internal organizations of enterprises, and the logical competition between corporate missions also affects the effective play of managers in the management process to a certain extent, especially in the aspects of corporate mission, finance and personnel management. (Doherty et al. 2014) These premises and foundations are identity, values, rules and regulations, etc. (Battilana & Dorado. 2010; Tracey et al. 2011) another source of conflict is the conflict between stakeholders and between stakeholders and company operators. (Cameron & Quinn. 1988) At the same time, the contradiction of multiple objectives is another difficult problem faced by social enterprises. In the process of pursuing social mission, social enterprises will inevitably use enterprise resources, which will reduce enterprise wealth, that is, shareholder wealth, which is in conflict with the mission of pursuing profit maximization of general enterprises.

In the current development of social enterprises, there are very limited methods and practices to measure or report the social impact of social enterprises. In addition, experts and scholars mainly study the factors, evaluation methods and evaluation models that affect the performance of social enterprises. Moreover, scholars generally pay attention to the impact of individual factors of social entrepreneurs on organizational growth and performance. As for the performance evaluation methods of social enterprises, so far, there are mainly three methods: social return on investment, Balanced Scorecard and index construction.

So far, the research and Practice on the evaluation index system of social enterprises are mainly manifested in two schools: the evaluation index system of social enterprises with social problems as the core and the evaluation index of social enterprises with stakeholders as the core. Although the index system of evaluating social enterprises is different, it is essentially based on economic objectives. They regard the economic system as an isolated system, often ignoring the impact of social responsibility, environment and so on. Therefore, at this stage, under the mainstream of stakeholder theory governance, social enterprises should achieve sustainable development in social benefits, environmental benefits, human benefits and other aspects. The main objectives of measuring sustainable development are economy, society and environment, which are indispensable. Therefore, the evaluation index system of social enterprises should be changed from the traditional single objective evaluation system oriented by financial evaluation to the modern multi-objective evaluation system oriented by sustainable development. Modern multi-objective evaluation system with sustainable development as its orientation incorporates economic evaluation, environmental evaluation and social benefit evaluation into the evaluation system.

## 6. Summary

There is no doubt that the benign development of social enterprises has positive significance for solving social problems and promoting social stability. At present, although the social enterprises in China are developing rapidly, they are still in their infancy. They are restricted by such factors as imperfect national policies, unstable sources of funds, lack of professional talents, irregular self-management, and insufficient public awareness, and so on. It is difficult to achieve stable and sustainable development.

Through the above summary, we can understand the concrete connotation of 'social enterprise' more clearly and grasp its core characteristics accurately, which is the foundation of the follow-up research. Secondly, it clarifies what is 'sustainable development'. Then the common index system for evaluating the sustainable development ability of social enterprises is put forward. Finally, we give thought to the problems faced by the sustainable development of social enterprises. How to realize the sustainable development of social enterprises step by step in our country has always been one of the focuses of many scholars.

By looking through these previous studies, we can find that there are many conceptual studies on social enterprises in our country, but few operational studies. Moreover, most of the studies are quantitative analysis from the perspective of policy tools and policy texts because the national policy support has a very important impact on the development of social enterprises. Based on John W. Kingdon multi-source theory, the author points out that in the process of promoting the establishment of policy agenda, a large-scale successful social enterprise is needed as a model. How to develop social enterprises to a large scale has become a key research direction. The author thinks that in order to develop successfully to a large scale, a social enterprise must realize its own sustainable development, including economic sustainability and social mission sustainability. Therefore, the most appropriate evaluation system can be constructed from the bottom up to measure the sustainable development of enterprises, which may make a breakthrough in the theoretical dimension and practical guidance of the sustainable development of social enterprises.

## References

- [1]. Zhou Shanshan. The path of social enterprise development under the multi-objective model [J]. *Modern Commerce*, 2017 (20): 91 / 93.
- [2]. The Social Enterprise Coalition, "What is social enterprise?".
- [3]. Yu Keping, "developing Social Enterprises and promoting Social Construction." A Comparative study of Economic and Social Systems: a Perspective of the experience of Social Enterprises in China and the United Kingdom, No. 9, 2007.
- [4]. Liu Ligang. Research on Sustainable Development Model of Enterprises [J]. *Journal of Liaoning University (philosophy and Social Science Edition)*, 2000 (03): 12 / 15.
- [5]. Liu Ligang. Research on the Theory of Enterprise Sustainable Development---the theme of Enterprise Development in the 21 (st) Century [J]. *Journal of Liaoning University (philosophy and Social Science Edition)*, 1999 (04):1.
- [6]. Zheng Shiming. Sustainable development of enterprises [J]. *China computer user*, 2006 (Z1):64.
- [7]. Sam Yu. Discussion on sustainable development of enterprises [J]. *Business Studies*, 2001 (12): 49/52.
- [8]. Li Hongyan. Mechanism analysis and strategy selection of sustainable development of enterprises [J]. *Monthly Journal of technological Entrepreneurship*, 2004 (06):15/16.
- [9]. Xiang Zhiqiang, Xu Xuejun. Sustainable development of enterprises and equity incentive [J]. *Productivity study*, 2002 (06):200 m 202.
- [10]. Rowan, Huang Ying. Government, people and Business Cooperation and Sustainable Development of Social Enterprises-experience and inspiration from Hong Kong, China [J]. *Public Administration Review*, 2018, 11 (04): 97/118 180/181.
- [11]. Jiang Yuting. How to renew the fire of social enterprise-on the sustainability of social enterprise [J]. *Reform and opening up*, 2014 (22): 16/17.
- [12]. Wen Subin, Xue Hengxin: a Triple performance Evaluation Model based on Scientific Development concept, *Accounting Research*, No. 4, 2005.
- [13]. Wang Xiaoling, Renee, Li Xue. Social responsibility, Enterprise Organization and Sustainable Management performance Evaluation system [J]. *Jiangnan Forum*, 2018 (10): 33/38.
- [14]. Doherty. B. Haugh. H. & Lyon. F. (2014). Social enterprises as hybrid organizations: A review and research agenda. *International Journal of Management Reviews*. Accessed April 3. 2014.

- [15]. Battilana. J. &Dorado. S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*. 56 (6). 1419-1440.
- [16]. Tracey. P. Phillips. N. & Jarvis. O. (2011). Bridging institutional entrepreneurship and the creation of new organizational forms: A multilevel model. *Organization Science*. 22 (1). 60-80.
- [17]. Cameron. K. &Quinn. R. 1988. Organizational paradox and transformation. InR. Quinn& K. Cameron. Eds. *Paradox and transformation: Toward a theory of change in organization and management*: 1-18. Cambridge. MA: Ballinger.
- [18]. Huang Jianzhong, Blair Donald. Prospects for the Development of Social Enterprises [J]. *Social Governance*, 2018 (04):37-47.
- [19]. Sha Yong. Research on the evaluation index system of social enterprises in China [J]. *Jiangsu Social Science*, 2013 (02):113-117.