



# A Multi-Dimensional Analysis of Success Factors for Sustainable Social Entrepreneurship in China

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**Abstract.** What are the factors that affect the sustainability of Social Enterprises in China? This study explores these factors using a comprehensive framework that encompasses the dimensions of social environment, business model, and entrepreneur. Based on this framework, a cross-case study is performed on three disabled-care social enterprises in China. The results find that: motivation and creativity are essential qualities that successful social entrepreneurs possess; obtaining self-sufficiency, competitive advantage in the market, and legitimacy is crucial for sustainability; the lack of legal identity, financial support, and publicity hurdle the sustainable development of social enterprises in China, and more institutional support should be established in the legal framework. This study offers holistic insights into the conditions of social enterprises in China, and serves as a guide for social enterprises' strategic management and government policy formulation.

**Keywords:** social entrepreneurship; social enterprise; sustainability; venture philanthropy; Chinese society; business strategy.

## 1 Introduction

Social entrepreneurship (SE) is commonly defined as employing economic activities and business strategies to achieve social purposes and create social values. Despite its growing global popularity in the past few decades, SE remains a relatively new phenomenon in China. In January 2004, roughly a decade after Harvard Business School launched its social enterprise initiative, the Peking University-based journal *China Social Work Research* translated the first academic article on the subject: "The Social Enterprise" by Professor Liu Jitong [1]. In December of the same year, the Global Links Initiative, an organization based in the UK, hosted the first social enterprise forum in China. Another landmark event was in October 2006, when the International Conference on Social Innovation was organized in Beijing and received positive recognition from high-ranking officials. Since then, the concept of SE has entered the horizon of officials and policy-makers, and the practice of SE has begun to grow slowly but steadily. Social entrepreneurship is beneficial because it can create social values and benefit communities by addressing needs that have not been satisfied by government or charity

organizations. According to Man and Terence [2], the emergence of social entrepreneurship fills China's institutional void in welfare provision. In order for social enterprises to realize their social mission successfully and to achieve long-term impact, attaining sustainability is essential.

The definition of sustainability in the field of social entrepreneurship is often obscure and heterogeneous. Therefore, the study needs to give the term a clear definition based on previous literature. According to Kamaludin [3], sustainability is the integration of three components which are "social sustainability, economic sustainability, and environmental sustainability in social entrepreneurship". According to Stratan [4], "a sustainable business model framework of social enterprises must deliver value and generate impact". In this study, sustainability is defined as staying financially viable while driving continuous social or environmental impact on the desired beneficiary group.

This research aims to explore and examine the important factors that contribute to the sustainability of Chinese social enterprises, especially those in the field of aiding disabled people. To do so, a basic theoretical framework is developed and a qualitative cross-case analysis is performed. Conclusions provide suggestions for social entrepreneurs and policy-makers in China. The researcher humbly hopes this paper will serve to benefit future researchers and practitioners.

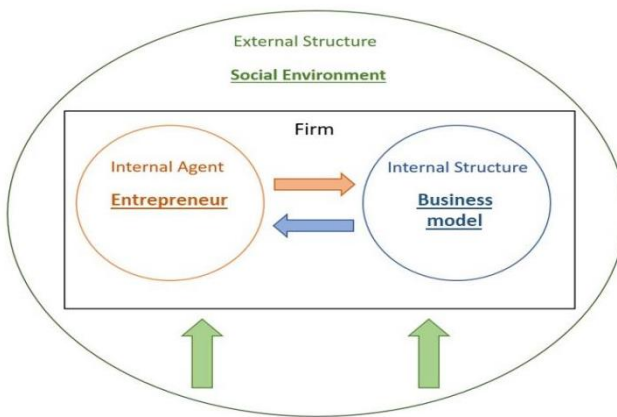
## 2 Research Design

### 2.1 Theoretical framework

A theoretical framework was developed to categorize the influencing factors into three different dimensions: social environment at the macro-level, organizational management at the meso-level, and entrepreneurship at the micro-level. Social environment refers to the social-economic environment, government policies, public opinion, and legislation that form the context for social enterprises. Business model refers to the purpose, organizational structure, business process, and strategic management of the social enterprise. Entrepreneur refers to the character traits, entrepreneurial ability, and personal values of enterprise leaders. By conducting research through these three dimensions, a comprehensive approach integrating the societal, organizational, and individual levels is achievable.

Researchers such as Lee [5] and Nicholls [6] utilized Giddens's structuration theory—a social theory based on the balanced analysis of both structures and agents—as a theoretical basis to study the sustainability of social enterprises. "Structure" refers to the "rules and properties" of social systems while "agency" refers to the capacity of individuals to make free choices [7]. The researcher, however, believes that the structuration theory is not suitable for studying organizations such as social enterprises. Giddens's two-layered approach to studying society is insufficient for studying organizations. Because instead of identifying the structure as a single dimension as Giddens does, the researcher believes that there exist two dimensions of structures for organizations, one is external and another is internal. The external structure is the society's environment and contexts, such as governmental policies and market types. The internal structure is the business model of the enterprise. To conduct comprehensive research,

both the external structure of the society and the internal structure of the enterprise should be analyzed so that both macroscopic and microcosmic perspectives can be inspected. In addition to this, the agent of the organization (the entrepreneur in this case) should also be considered. The duality nature of agents and structure in Gidden's structuration theory does not exist in the case of an organization, where the relation between the three dimensions is complex and unequal. The external structure restricts the internal structure while the internal structure binds the agent. The agent can create and change the internal structure (business model) but cannot create or change the external structure (social environment). In short, the agent and the internal structure is a feedback-feedforward process whereby the entrepreneur and the organizational structure mutually influence each other, while the external structure is overarching and overpowers the other two dimensions. Considering this, this research proposes and utilizes a three-layered model consisting of social environment, business model, and entrepreneur.



**Fig. 1.** (As the figure shows, the entrepreneur factor and business model factor influence each other within the firm. Outside of the firm, the social environment is overarching and influences both entrepreneurship and organizational management.)

Existing literature has already examined the legitimacy (Zheng et al., 2022) [8], startup strategy (Xu & Zhu, 2022) [9], and dual value creation of social enterprises (Xu et al., 2020) [10], but has yet to make connections between these factors and sustainability. In addition, literature on Chinese SEs mainly focused on structural factors (Liao, 2019) [11], but few discussed the entrepreneurial/agent factors. This paper will fill the gap in existing studies and provide a deeper and more comprehensive insight into factors influencing social enterprise sustainability.

## 2.2 Methods

Due to the small number of samples (social enterprises) existing in China and the difficulty of obtaining quantitative data, a qualitative case study method is chosen for this

research. According to Glaser and Strauss [12] and Eisenhardt [13], a case study can be used to construct theories from analyzing cases. This method fits the design of this research, which aims to generate new knowledge and findings about factors that influence sustainability. Following the instruction of Eisenhardt (1989, p. 536), this theory-building research begins with no preordained propositions and no hypotheses set to be tested [13].

Using a multiple-case approach, the researcher identified three cases. Since the random selection of cases is often considered unideal in a case study [14], all three cases are purposely selected social enterprises that have a high expected information gain, as recommended by George and Bennett [15]. All three cases are social enterprises considered to be “sustainable”: all of them have existed for more than seven years, thrived in terms of financial profits, gained considerable public recognition, and successfully implemented their social mission. To reduce extraneous variations and specify the domain of research, all three cases are Chinese social enterprises that focus on aiding the disabled. All three cases are work integrated social enterprises (WISE) created by grassroots entrepreneurs, which are representative of the typical social enterprise in the field of aiding disabled people in China.

Each individual case involves a range of data sources, including official websites, annual reports, marketing materials, news media reports and interviews, biographies, industry-related publications, and previous academic studies.

After collecting data, a cross-case analysis is performed. According to Khan [16], cross-case analysis enables researchers to “delineate the combination of factors that may have contributed to the outcomes of the case, seek or construct an explanation as to why one case is different or the same as others” (para. 2). This cross-case research involves three dimensions of analysis: the societal level, the organizational level, and the individual level, as previously identified by the theoretical framework. The data of cases will be sorted into three dimensions by bracketing essential elements and components across cases. The researcher intends to identify the success factors related to sustainability by comparing the selected social enterprises through the three dimensions and finding common patterns across cases.

### 3 Case summaries

Xihan'er Carwash, founded in 2015, is China's first carwash company that employs people with intellectual and developmental disabilities (IDD). As a father of a son with developmental retardation, Xi'han'er Car wash's founder Cao Jun has always sought a way to ensure the self-dependency and life quality of IDD patients. By employing people with IDD and offering them rehabilitation, professional training, mental care, and sports programs, Xi'han'er Carwash effectively relieves unemployment and other difficulties associated with IDD. By ensuring high-quality services to customers, the carwash company provides a positive public image of people with disability and their work roles. Currently, Xi'han'er Carwash has 27 carwash centers across China and employs over 400 disabled employees.

Canyou Group Company, founded in 1997, is a high-tech social enterprise group with businesses in software development, animation production, electronic commerce, 3D design, etc. As one of the largest and most renowned SE in China, Canyou Group currently employs more than 5000 disabled employees, the majority of which reported high job satisfaction. Suffering from severe hemophilia and atrophic legs, Canyou Group's founder Zheng Weining pioneered the use of the Internet and knowledge-based economy to create new career opportunities and a "new way of living" for the disabled. Canyou Group not only consists of thirty-two social enterprises but also eight civil society organizations and one charity foundation. It utilizes a "trinity" structure, which incorporates charity foundation, civil society organizations, and social enterprises in its management process for sustainability and maximized social impact.

Buy42.com, founded in 2011, is China's first online Fair-trade company. Inspired by foreign charity shops she witnessed during studying abroad, Buy42.com's founder Zhou Xian decided to bring a similar business model to China and create social values. Signifying "buy for two", Buy42.com resell goods at a low price and utilizes a proportion of the revenue to fund charity projects. It employs disabled workers and provides professional training programs to them. Buy42 assigns job positions according to individual physical abilities and disabilities to maximize productivity while encouraging a free and caring work environment with few regulations to ensure workers' dignity. In addition, the charity shop reduces carbon emissions by facilitating the reuse of idle items. Currently, Buy42.com has more than 25000 registered members and more than 300 cooperative partners, providing it with around 90000 pieces of donations each year.

## 4 Discussion & Findings

### 4.1 Entrepreneur dimension

#### **Motivation.**

Social entrepreneurial activities begin with motivation, which drives social entrepreneurs to take risks, innovate, and create values. In all three cases, a source of motivation or inspiration is identified.

Xihan'er Car wash's founder Cao Jun's motivation stems from his son, who is diagnosed with developmental retardation. In China, less than 10% of the population with intellectual and developmental disabilities (IDD) are employed, and the future for Cao Jun's son seems dim. Cao Jun was deeply concerned about his son's ability to provide for himself when he and his wife become old. Driven by this concern, Cao aspires to create a sustainable career path for his son as well as other disabled people so that they could have the means to support themselves. This strong aspiration drove him to create Xihan'er Carwash, where people with IDD can work, gain respect, and achieve self-realization.

Born with severe hemophilia and later developing atrophic legs, Canyou founder Zheng Weining's life is dependent on wheelchairs and regular blood transfusions. Having lived under the shame and despair of encumbering his family and living an ignoble life, Zheng had attempted suicide three times. After decades of introspection and en-

couragement by his family, Zheng eventually determined to strive through life's adversities to achieve his purpose: giving back to society and helping more disabled people to achieve a life of dignity. Reflecting on how his unfortunate circumstances inspire him to give back to society, Zheng quotes his motto – "The world has kissed my soul with its pain, but I will return it with songs."

Before starting her social entrepreneurship, Buy42.com's founder Zhou Xian has been a businesswoman working for profits. In 2005, her volunteer experience in the underdeveloped regions of the Ta-pieh Mountains ignited her commitment to the public interest. One year later, through the book "How to Change the World: Social Entrepreneurship and the Power of New Ideas" by David Bornstein, Zhou first encountered the concept of social entrepreneurship and was immediately fascinated by it. She later pursued her graduate education in Public Service by studying abroad in the UK. During her stay, Charity shops in the UK left Zhou with deep impressions and inspired her to bring a similar model back to China. Adjusting to China's environment, Zhou decided to make create an online charity shop and employ disabled workers, thus Buy42.com is established. According to Zhou, incorporating social purpose into business and lifestyle is the central drive for starting Buy42.com.

The distinct motivations of these three social entrepreneurs arise from differing personal backgrounds, but the common element is their commitment to the public interest and passion to create social values. All three of them started out without having any prior expertise or knowledge in the field of social entrepreneurship. Yet, their strong motivation and determination drove them to overcome obstacles and achieve sustainability. This confirms David Bornstein's statement that the key factor of becoming a successful social entrepreneur is not being confident or knowledgeable, but having a relentless altruistic motivation [17].

### **Creativity.**

Another common entrepreneurial trait for sustainable SEs is creativity. Creativity is the ability to find innovative solutions for existing social problems, which is a defining component of social entrepreneurship. All three entrepreneurs in the selected cases display creativity by choosing distinctive startup directions, capturing new market trends, developing pioneering business processes, and offering innovative social solutions.

Xihan'er Car wash's founder Cao Jun identified carwash as a job suitable for the disabled. Before Xihan'er Carwash, the majority of work-integrated organizations in mainland China employed people with IDD to produce and sell handicrafts, while car washing was largely unthought of. Cao Jun paved a new path for employing the disabled by considering non-traditional methods and implementing his creative ideas. Compared to handicrafts, carwash is a rigid demand among customers. The relative repetitiveness and ease of washing cars are suitable for people with developmental and intellectual disabilities, and the process of car washing requires collaboration between multiple workers, which encourages teamwork and solidarity. In addition, the capital threshold for entering the carwash industry is not high, since venues, equipment, and skilled workers can all be free-flowing capital elements. Recognizing these advantages, Cao created an innovative and effective solution for providing job opportunities to disabled people.

Canyou's founder Zheng Weining is visionary in capturing new trends. In the 1990s, when the internet was just emerging in China, Zheng immediately saw its potential and envisioned a future where handicapped people who are unsuitable for manual labor can simply sit in front of their computers and generate intellectual assets. He regarded "non-manual labor in the new knowledge economy era" as the basic orientation of employment for the disabled, and became one of the first in China to create internet-based support platforms for people with disabilities [18]. In 1997, he gathered four other disabled friends and built an online communication and resource platform for people with disabilities, which eventually led to the establishment of Canyou Group and a novel way to employ and support people with disabilities.

Unlike traditional brick-and-mortar charity shops, Buy42's founder Zhou Xian intended to create a new model—the first online charity shop in China. She recognizes the many advantages of operating based on e-commerce: it lowers the financial threshold, allows the processes of product selection, manufacturing, labeling, and sales to be more flexible, and makes after-sale services more standardized and controllable [19]. Buy42.com also utilizes creativity to actively invest in product innovation. Since a large percent of Buy42's inventory is idle items donated by individuals, many of these items are too old and ragged to be sold. To address this issue, the Buy42 design team creatively transforms outworn items and materials into new fashionable products, such as patchwork handbags created from old clothes and handmade bookmarks created from discarded cardboard [20].

All three entrepreneurs demonstrated creativity in creating innovative business processes and discovering novel paths for alleviating the unemployment of the disabled population. Just as Hisrich [21] claims, "creativity is the foundation on which innovation emerges, develops, and grows." Creativity, accompanied by foresight and feasible implementation, propels innovations, and innovations propel social changes. Thus, creativity is the essential building block for sustainable economic and social value creation.

## 4.2 Business model dimension

### Self-sufficiency.

To ensure sustainability, it is vital for social enterprises to generate enough stable revenue to support their continuous social missions without over-relying on external financial sources.

From the start of entrepreneurship to the later developing chains, Xihan'er Carwash has always operated through self-generated capital rather than relying on public funds. This robust profitability and self-sufficiency allow it to sustainably perform its commercial activities as well as social benefit activities. Xihan'er Car wash's founder explained it himself: "Only through profitability can we develop and provide long-term job opportunities [to people with disabilities]" [22].

Canyou Group started with zero financial aid or investments. From a small workshop with five disabled workers and one computer to today's large social enterprise group consisting of multiple charity foundations, non-profit organizations, and high-tech companies with thousands of employees, Canyou Group's success is founded upon its

self-sufficiency and financial independence. Selling information technology outsourcing services and software products, Canyou has highly stable and sustainable income sources [8]. This self-generated income fuels Canyou Group's employee care and charity projects, enabling long-term social impact.

Self-generated revenue has always been the main source of income for Buy42.com. For example, in 2014, Buy42.com's total income was 1,461,164 yuan, out of which 1,292,054 yuan was self-generated revenue, which accounts for 81% of the total income and covers all the operating costs. Since its inception, Buy42.com has positioned "realizing self-sufficiency and sustaining profitability" as one of its most important goals [19]. Most other charity shops in China are stagnant, struggling, and even facing shut-downs. Almost all these charity shops are non-profit organizations passively relying on donations [23]. In contrast, Buy42.com's for-profit approach and financial self-sufficiency allow it to thrive for years and continuously create social values.

Self-sufficiency, or the social enterprise's ability to support itself and its missions through its own revenues, is essential for stabilized and sustainable social entrepreneurship. All three selected social enterprises predominantly rely on self-generated incomes to support themselves throughout their development processes, leading to the identification of self-sufficiency as an essential factor for sustainability.

### **Competitive advantage in the market.**

Developing competitive advantages in the market is essential for financial self-sufficiency and sustainability. Competitive advantage makes the SE's products or services more desirable than that of other rivals, generating a superior return on investment and greater economic values. Each selected social enterprise implements a unique marketing strategy to maximize its competitive advantage according to its environment.

Xihan'er Carwash is based on the principle of "use our own efforts to support ourselves, realize our own values, and win the respect of the society" [24]. Xihan'er's founder Cao Jun believes that in order to truly gain dignity, people with disabilities shouldn't be treated with differentiation but should be given equal opportunity to compete on the same playing field as normal people. Therefore, instead of using customers' sympathy for the workers as a market appeal, Xihan'er aims to gain a competitive advantage by simply providing higher levels of service than normal carwash companies do. Cao is confident that if Xihan'er offers high-quality services and low prices, customers will naturally come. To achieve high-quality services while accommodating the varying abilities of disabled workers, Xihan'er Carwash has reformed, streamlined, and modularized the carwash process, at the same time forming a complete vocational ability evaluation system and tailored training programs. It decomposed the carwash process into more than ten different modules, organized complementary workers into teams of five, and assigned specific tasks and targeted training according to the specialty of each worker. In addition, according to Cao Jun, disabled workers cherish their jobs more than normal people do and are always willing to put extra effort into their work. The streamlined carwash process combined with workers' enthusiasm maximizes Xihan'er car wash's efficiency and quality, making it perform at higher levels than many traditional carwash companies. For example, in 2017, a normal carwash center



located next to Xihan'er had to shut down while Xihan'er gained more and more sales, clearly demonstrating its competitive advantage.

Similar to Xihan'er Carwash, Canyou Group also relied on its high-quality products and services to win customer recognition. As Canyou's founder said: "We did not grow because we employ under advantaged people, but through long-term accumulation to create a good reputation step by step." [8] Canyou's reputation in the industry stems from its award-winning products and innovations. Canyou's high-end products are widely recognized, winning many prestigious awards including CMMI Maturity Level 5, China Social Innovation Award, National High-Tech Corporation Recognition, etc. [18] These recognitions increase the reputation and enhance brand building, therefore attracting more resources to build a competitive advantage in the market. Canyou also constantly renovates and optimizes the existing structure to adapt to the changing market and specific needs of its employees, continuously learning and improving its competitiveness in the industry.

Buy42.com created many differentiations in its operational and management processes compared to other charity shops. In terms of management, Buy42.com utilize Applied Information Economics (AIE) to measure costs, storage, timing, and other data to determine the circulation of donations and to optimize sales channel options. [23] To establish and maintain trust among customers, Buy42.com makes its financial reports and spending plans completely transparent. It also gives donors the ability to track the status of donated items and the flow of funds at any time. Unlike many other charity shops that have vague and broad scopes of social missions, Buy42.com targets one specific group— people with disabilities— to serve. This conveys an effective value proposition to donors and customers, making clear that they will directly help people with disabilities. Buy42.com also emphasizes local interactions, creating community activities and encouraging everyone to participate in the charity process. This changes the perspectives of many people because charity shops are stereotypically viewed as places that only wealthy or famous people go to, but Buy42.com made people realize that everyone can easily donate or buy something and contribute to social benefits. Due to the abundance of donations, Buy42.com sells products at a low price, usually 30% of the market price, making its products more desirable and giving it competitive advantages over its rivals.

Despite each having unique strategic management, all three social enterprises aim to maximize their competitive advantage. By having quality advantages or differentiation advantages, an SE can outperform its rivals and secure more purchases, thereby increasing its sustainable profitability and helping it to become self-sufficient.

### **Legitimacy.**

Legitimacy is defined as "a process whereby organizations seek approval for their acts from groups in society" [25]. The legitimacy of social enterprises facilitates their access to more resources, ranging from investments, sales, committed employees, and business partners, to political support and support from a range of diverse stakeholders. To obtain legitimacy and garner societal support, social enterprises should communicate their values and cultivate their public profile to improve the stakeholders' brand perception.

By conveying values and highlighting their social missions, social enterprises can align their values with the general public's, winning approval and obtaining moral legitimacy. Xihan'er constantly emphasizes its mission to provide the disabled with opportunities to support themselves with their own efforts, achieve personal growth, and gain recognition and respect from society. Buy42.com displays its core belief – “Everyone has value” on the most conspicuous spot of its homepage. According to Buy42.com, this belief applies to almost every action it takes, from giving new values to the “useless” idle items, to guiding volunteers to create social impact, to helping every disabled worker to achieve their own self-realization, it always “gives full play to the value of each person with respect for individual differences.” In addition, Buy42.com's brick-and-mortar shops actively interact with local communities, encouraging locals to participate in the charity process and reinforcing its mission to “bring charity shop's warmth to every Chinese community” [26]. Canyou, which means “friends of the disabled” in Chinese, dedicates to helping disabled friends to participate in society and lead a life of dignity. Like Buy42.com, Canyou also displays its core value – “Appreciation, Contribution, Helping Oneself, Helping Others” on its homepage. Canyou Group doesn't limit itself to helping its own employees but has created and sponsored many large-scale platforms across China to support the development of people with disabilities, gaining widespread recognition and making its social impact evident.

Another way to gain legitimacy is to create a credible public account of the good things the social enterprise is doing. To develop a worthy profile and gain public recognition, social enterprises need to publicly demonstrate and make it evident that they are doing good things.

Xihan'er's carwash process is openly displayed to all, allowing both customers and passers-by to witness its rigorous work. Xihan'er's high-quality services and its workers' outstanding work ethics are quickly spread by word-of-mouth, making its popularity surge in the area. Gradually Xihan'er Carwash became a landmark well-acclaimed for its services and contributions to society. Every day, Cao Jun receives phone calls and email requests from parents of children with IDD to ask him if he can expand his business to more regions and employ their children.

Buy42 gains a good public perception through its full transparency and integrity. Buy42.com regularly publishes financial and work reports and has detailed financial instructions on the website about the usage, amount, and processing time of its fund. In addition, it allows donors and buyers to track the flow of funds and materials at any time. This level of transparency leaves donors and buyers assured that Buy42.com is properly using its fund to help people, thereby increasing Buy42.com's credibility and making it trustworthy.

Canyou Group gained global recognition by building its brand name through winning a variety of awards. Furthermore, it initiated many major public welfare projects, including China's first “Free Computer Training for the Blind” program, a sign language education program, “Hundreds of Cities Thousands of People” remote employment program for the disabled, etc. These projects expanded Canyou's social outreach and made more people recognize its social impacts, greatly elevating its reputation and endorsement.

Legitimacy is a precondition for access to support and resources. People perceive the legitimate organization as more meaningful and more trustworthy [27], and stakeholders are more likely to supply resources to social enterprises that appear proper, upright, and credible. Therefore, legitimacy enhances the sustainability of social enterprises, and social enterprises should effectively communicate their values and develop a good public profile to acquire legitimacy.

### **4.3 Social environment dimension**

However, social enterprises cannot drive social change by themselves. They require governmental support and are dependent on policies to aid their development [28]. Social entrepreneurs choose their business structure and management strategies according to the social environment in which their organizations are embedded.

All three companies are located in China and under the same society. Therefore a discussion of China's policy and social context for SEs is needed. According to Zhao, the Chinese government is "choosing neither to promote nor to restrict the discussion and practice of social enterprises" [1]. While the government is aware of the social enterprise sector, it is not a subject of administrative focus and is usually left aside during policy-making. Currently, there are no regulations or support structures for SEs in China's legal framework. Several factors that hinder the sustainable development of SEs in China are identified and listed below. In addition, for each factor, the researcher will propose a set of policy recommendations.

#### **Lack of legal identity.**

Officially, no laws recognize the identity of "social enterprise". To obtain legal status, unrecognized social enterprises can only register either as a firm or as a nonprofit. If the SE registers as a firm, it faces the same taxes as traditional firms; if it registers as a nonprofit, it cannot perform many commercial activities. Both options generate significant difficulties for the development of sustainable social enterprises.

The registration process for nonprofit organizations in China is extremely complicated. To obtain nonprofit status, the group needs to register both at the Ministry of Civil Affairs and at a professional supervisory agency. This "dual administration system" is a major barrier to nonprofit registration in China because the professional supervisory agency, fearing politically-sensitive activities and money laundering, often-times rejects affiliation requests from nonprofits. Even when successfully registered, nonprofits remain under close state control and are subject to strict conditions for license renewal, monitoring, and administrative supervision, hurdling their capacity for self-determination.

Since most civilian social entrepreneurs find it difficult to register as a legal nonprofit organization, their only option to have a legal identity is to register as a for-profit firm. As a firm, the SE would face significant financial challenges. In addition to tax requirements, high interest rates for loaning, and other conventional costs, social enterprises need to cover "social-impact costs" such as lower productivity rates, care for

disadvantaged employees, and monetary contributions to charitable causes. Many social enterprises, especially those in the early stages, struggle to generate enough profits to cover all these costs and often fail to survive.

Policy recommendations:

As advocated by Borzaga et al. [29] and Liao [11], the government's legal recognition and regulation is the first important step toward the sustainable development of social enterprises. In terms of system setup, relevant laws and regulations should be legislated, so that social enterprise can have a clear legal status. Specific criteria for classifying social enterprises should be developed, so that social enterprises can have a clarified scope and straightforward registration process. Relevant management departments (such as Social Organization Administration) should be designated or a new administration department should be established to regulate the development of social enterprises.

### **Lack of financial support.**

Due to their obscure legal identities and lack of promising returns, traditional banks are usually hesitant to fund social enterprises, making the financial situation even more difficult for social enterprises.

All three selected social entrepreneurs have mentioned in interviews about the lack of support during their business startup. Although the three SEs all eventually become stable and sustainable, all three social entrepreneurs recognize the substantial difficulty and pressure they faced during the initial stages. However, in the later stages of its development, Canyou Group received various forms of government support and incentives, and as a result, it expanded immensely in scale and volume, far surpassing the other two enterprises which received little to no governmental support.

Sufficient funding is the premise for the creation and sustainable operation of any organization. A social enterprise that cannot access funding through loans or government incentives would struggle to meet its basic costs and social impact costs, let alone sustainable operation. Even if it can survive and sustain for a period of time, it will unlikely be able to attract talents in the workforce or experience significant business growth.

Policy Recommendations:

Improved access to finance is an urgent issue and a vital factor in terms of social enterprises' sustainability. To address the financial pressure faced by social enterprises, it is necessary for the government to support social enterprises with grant funding, tax reductions, and/or government loans. In addition, the government can establish social enterprise foundations and social enterprise start-up funds to provide financial support for entrepreneurs who are willing to create social enterprises. Lastly, increased resources should be provided to training programs and incubators that provide support for capacity building, thereby helping social enterprises to build their managerial skills and achieve financial sustainability.

**Lack of public recognition.**

Due to the late start of social enterprises in China and the lack of publicity to improve the understanding of the general public, social enterprises in China lack public recognition.

In China, there remains a sharp distinction between charitable and profitable activities. As Qiu Qingqing, head of the social innovation unit at the China Social Entrepreneur Foundation, explained: “The public has an ideal and heroic view of people working in the charity sector...It is difficult for them to accept that nonprofit practitioners would talk about salary or other business issues.” [1] As the public lacks a clear understanding of the concept of social enterprise, many believe that commercial and social goals are fundamentally incompatible and doubt the validity of the use of commercial means by social enterprises to achieve social goals.

The Chinese public holds many concerns about the newly-emerging social enterprises. On the one hand, people are dubious about whether social enterprises can genuinely maintain their social goals in the fierce market competition. On the other hand, there is widespread distrust toward Societal Benefit Organizations. Due to a few notorious cases of organization ethics anomie, Societal Benefit Organizations have low accountability and social trust. Many perceive social enterprises as stereotypical “pseudo societal benefit organizations” that use the facade of social benefit to engage in selfish activities [30].

Low levels of trust and understanding and distrust result in a lack of perceived legitimacy, and consequently lack of support among key stakeholders. For example, CSR programs of major companies tend to prefer supporting traditional philanthropy instead of social enterprises, due to their lack of publicity and prestige. As a result of social enterprises often struggle to attract investors and strong cooperation networks. Customer demands remain low due to social enterprises’ deficient public image. In addition, local communities are often disjointed from social enterprises and unwilling to provide support. These circumstances significantly hurdle the sustainable operation of social enterprises.

**Policy Recommendations:**

More promotions are needed to raise awareness and enhance credibility. Public awareness and education projects should be organized at regional levels to raise public perceptions. At the same time, existing social enterprises also need to stay true to their social missions to set up good standards for the industry. To help with this and to secure the public trust, the government should develop a supervision mechanism to monitor social enterprises and ensure their genuine contributions to social welfare.

**5 Conclusion**

During the past few years, China has witnessed a burgeoning development of social enterprises. However, social entrepreneurship is still a new field with little comprehensive research that addresses the full range of phenomena. This paper assessed the major factors in the social environment, business model, and entrepreneur traits that influence the sustainability of social enterprises in China.

In the entrepreneur dimension, strong motivation and creativity are the key qualities that enable entrepreneurs to create a sustainable social enterprise. Successful social entrepreneurs have a relentless mission-driven motivation and the ability to implement innovations and transform creative ideas into social changes.

In the business model dimension, self-sufficiency, competitive advantage, and legitimacy are the vital factors for sustainability. Social enterprises may choose suitable business strategies according to their market and specialties to create differentiation for gaining competitive advantage and creating self-sustainable income sources. Social enterprises should communicate their values and cultivate their profile to gain public approval and legitimacy.

In the social environment dimension, the sustainable development of SEs is currently faced with a series of problems, including a lack of legal identification, a lack of external structural support, and a lack of publicity. To improve this condition, the government should legislate and enforce industry regulations and policies, provide financial incentives and support programs, and expand promotions and supervision mechanisms.

In terms of theoretical implication, this study developed a comprehensive three-dimensional framework and addressed a full range of factors that influence SE sustainability, filling the gaps in the existing literature and contributing to the emerging field of social enterprise research. In terms of practical implication, this study contributes to the understanding of the social entrepreneurial process and can serve as a guide for social enterprises' strategic management and government policy formulation.

There are several limitations to this study. First, since this is a qualitative case study, it is not statistically representative and has shortcomings in external validity. Second, since this study focuses on social enterprises in the field of disability care, it is uncertain if the results can be generalized to other types of social enterprises in China. In the future, quantitative research can be conducted with larger samples of empirical data that includes social enterprises working in all fields.

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