



**Universiteit Utrecht**

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**Social enterprise (社會企業) in a local Chinese context**  
An analysis of the impact of global knowledge mobility in Shanghai

University of Utrecht, Faculty of Geosciences  
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Master Thesis by Eveline Westerhuis - 5694841  
Supervised by Dr. W.H.M. Leung

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*"Strive not to be a success, but rather to be of value" – Albert Einstein*

## Abstract

This study analyses the global knowledge transfer throughout the social enterprise concept. It explores, through a constructivist lens, how this concept takes place within China's current landscape, specifically in Shanghai. Furthermore, it attempts to illustrate the potential role of knowledge migration, in contributing to the use of the notion of social enterprises. As Shanghai is composed by a mix of local, foreign and returnee's residents, this cross-border human mobility has an impact on local individual's abilities, knowledge and skills. The analysis uses data gathered in four months of fieldwork, which was predominantly focused on local and international actors regarding the social enterprise concept. Overall, it could be observed that none of the interviewees was able to fully understand the social enterprise concept. This could be ascribed to the absence of a common accepted definition, the lack of a legal status and/or the relation with the non-profit sector. Furthermore, local social entrepreneurs barely connect to foreign social entrepreneurs active in Shanghai, there is minimal collaboration between the local and foreign population. Nonetheless, related knowledge from foreigners, students and returnees could play a significant role in solving these problems in the future.

Note: In this paper, "China" refers to the People's Republic of China (PRC), excluding the Special Administrative Regions, Hong Kong and Macau, and does not include Taiwan. "Chinese" therefore denotes people and characteristics of the PRC.

## 1. Introduction

In 2016, the website Enjoyshanghai.com published an article called 'What do you do for a week in an empty city?' The title of this article is illustrative for what I have experienced during the first week of my research in Shanghai. The city felt empty and shops were closed during Chinese New Year. It seemed like the only people left were the occasional Chinese people and foreigners that had to continue working. It was the first time experiencing such a movement of people. The city of Shanghai is composed by a mix of local, foreign and returnee's residents from all over the world. Moreover, with 23 million residents, most of the people are not native Shanghainese (China's National Population Census, National Bureau of Statistics, 2015).

The variety of inhabitants have an impact on local individual's abilities and skills. It produces new encounters between those who call themselves natives and different groups of foreigners. Yet, very few studies have been carried out on the impact of cross-border human mobility on local knowledge (Song et al., 2003). According to Peng (2001), emerging economies often lack entrepreneurial knowledge, resources and expertise. These skills gap can be closed by foreign related knowledge transfers (Monteiro, Arvidsson & Birkinshaw, 2008). Accordingly, this study analyses the global knowledge transfer throughout the social enterprise concept in Shanghai.

Social enterprise is a form of entrepreneurship that is different from traditional businesses and non-profits. It addresses the pursuance of opportunities for profit realization and simultaneously delivers social or environmental benefits. The past decades have witnessed a growing academic interest in the emerging role of entrepreneurship in driving sustainability and the ability of entrepreneurs to promote environmental and social welfare (Chell et al., 2010). Social entrepreneurs are seen as innovative social change agents for dealing with complex social needs around the world (Austin, Stevenson & Wei-Skillern 2006; Chell, 2007; Leadbeater, 1997).

From 2004 onwards, the development of the social enterprise phenomenon around the world has affected China. After China initiated market reforms in 1978, it has experienced rapid economic and social development (World Bank, 2016). Despite, and as a result of economic growth, China experiences several problems and challenges. These problems include the lack of social services and

environmental sustainability (World Bank, 2016). With so many social and environmental challenges to address, social enterprises are sprouting in China.

However, definitional difficulties and practicalities are one of the paradoxes of current social enterprise research (Peattie & Morley, 2008). Over time, countries and regions have come to identify different definitions and concepts with the term social enterprise. It is important to recognize that social enterprises vary in form and function, depending upon the contextual and institutional dynamics of their operating space (Chell et al., 2010; Perrini et al., 2010). To understand the appearance of the phenomenon within China, this study is built on regional-level data and country descriptions of social enterprises in China.

Drawing on secondary data, interviews and participant observations, this qualitative research is two folded. First, it analyses the social enterprise in its specific context. Driving forces, local definitions and its operational environment will be explained. While social enterprises have developed own characteristics in China, certain problems remain. Second, this study attempts to illustrate the impact of cross-border human mobility on local knowledge through interaction between different types of individuals. More nuance questions about its international character are analysed including the influence by foreign schools of thought and collaboration between local and foreign social enterprises. Perceptions and experiences of both locals and foreigners, NGOs, incubators, community builders and academics are analysed after months of reflection.

This thesis is divided into ten chapters. Following the introduction, chapter two presents a framework of the academic concepts and theories used. This leads towards the research question and sub questions. Chapter three provides an overview of the regional context of the research area, specifically, Shanghai. Chapter four explains the research design that guided this study. Chapter five, six and seven form the analysis. This is followed by the discussion in chapter eight which provide a response to the research question posed. The final conclusion in chapter nine revisits the concepts employed and reflects on opportunities for further research.

## 2. Conceptual framework

This chapter is divided into theories around knowledge transfer within migration studies and theories around the social enterprise concept for local development. Section 2.1. focuses on mobility and specifically, knowledge mobility. This creates a certain understanding of how concepts and ideas are shaped by new linkages and flows of people and information networks. Section 2.2. focuses on the social enterprise and how this concept became increasingly portrayed as the key to development within private sector development.

### 2.1. Mobility

The movement of people, ideas and things, as well as broader social implications of those moments is what mobility is about. Capital, information, people, services and goods are crossing borders in an increasing scope and on an increasing scale (Van Houtum & Zoomers, 2009). The influence of mobility in social sciences lies within the historic and contemporary importance of movement on individuals and society. This growing number of mobility trajectories causes among other things, more societal developments and changes. Overall, migration and mobility trajectories are changing and affecting everyone on earth (Sanderson, 2013). What happens in place one will to a large degree depend on what is happening in other places, even if the relationship between the localities is not immediately obvious. Attention to the link between globalization and local development by focusing on translocal relations is useful in understanding the way people perceive and understand concepts. With this, the importance has become clear to have a more open orientation as new mobilities are increasingly shaping local life; and global investors play an increasingly important role in local development (Zoomers et al., 2011).

#### 2.1.1. Migration

Migration of people means crossing the boundary of a political or administrative unit for a certain minimum period (Boyle et al., in Castles, 2000). What follows is that people develop economic, social and cultural links in more than one nation. Implications of why people move are, work and family, leisure and pleasure, and, politics and protest (Sheller, 2008). These migrants, often contemporary, live in transnational communities. According to Portes (1997), the immigrants created networks across



political borders in their quest for economic advancement and social recognition. Through these networks, an increasing number of people are able to live dual lives. In example, participants are often bilingual, move easily between different cultures, frequently maintain homes in two countries, and pursue economic, political and cultural interests that require their presence in both.

The United Nations and the International Organization for Migration, discovered migration as one of the possible motors for development (GCIM, 2005). Moreover, The World Bank (2016) acknowledged migration as a way to alleviate poverty. Access to, and distribution of resources, is often taken as a starting point for analysing opportunities for local development. A consequence of the international mobility's is that local spaces are composed by a mix of local residents and foreign groups, producing new encounters between these people. Local development opportunities cannot be understood without considering the dynamics of networks in which people participate (Zoomers et al., 2011). With this, regularly access to knowledge can support local people in their day-to-day work.

### 2.1.2. Knowledge mobility

Knowledge mobility has many consequences for people and places that are located in the fast and slow lanes across the globe. Previous studies suggest that knowledge from external sources is one of the important factors for innovation and economic growth (Fritsch & Franke, 2004; Laursen & Salter, 2006). Other studies (Audretsch & Lehmann, 2005; Madsen et al., 2003) suggest that human mobility and the emergence of transnational professionals may play an important role in knowledge transfer. Yet and in particular, there is relatively little evidence on the extent to which cross-border human mobility affects the international diffusion of local knowledge (Song et al., 2003).

Knowledge can be classified into explicit or tacit (Hau et al., 2013). Explicit knowledge is easily expressed and communicated through written documents. Tacit knowledge is embedded in an individual's brain or experiences and thus, not easily codified or articulated. Whether knowledge transfer can take place depends on an array of factors, such as individual motivations, social capital, knowledge sharing context and the type of industry. Szulanski (2000), analysed how characteristics of the source of knowledge, the recipient, the context, and the knowledge itself affected transfer. Factors that affected the perception of an opportunity to transfer knowledge were: reliability of the source, predicted difficulty of transfer, and factors that affected the execution of transfer, such as the

recipient's ability to absorb knowledge (Argote & Ingram, 2000). What additionally enables or constrains the transfer and creation of knowledge is a knowledge network. This is a set of nodes that are interconnected by relationship (Phelps et al., 2012). Nodes can consist of knowledge elements (papers, patents, products), non-human knowledge (databases), and human knowledge. Human knowledge is transferred through skills and experiences. Someone who has obtained a high educational degree, is more willing to attract and exploit new knowledge, experiences and skills than someone who has completed a low educational degree (Lucas, 2006). Noticeable, high skilled migration is defined as the movement of high skilled migrants who have the capability to transfer knowledge into especially the developing countries (Balasubramanyam et al., 1996). Relevant for this study is the impact of reverse flows of highly skilled labour from developed countries to emerging economies, such as China, which has been overlooked (Argote & Ingram, 2000).

#### *2.1.2.1. Skilled migrants; Professionals and expatriates*

Zelinsky (1971) stated that there may be a significant international migration or circulation of skilled and professional persons, in what he called 'The advanced society'. This mobility of professional workers has globally intensified over the past twenty years. Expatriates and skilled professionals are accompanying the movement of foreign capital from developed countries into the emerging global cities of developing countries (Farrer, 2010). The absolute number of skilled migrants coming from a variety of countries has increased substantially the last few years, confirmed by the OECD (2013). Skilled migrants include architects, financial experts, engineers, technicians, researchers, scientists, chefs, teachers, health professionals, and IT specialists (Vertovec, 2002). According to Cui (2015), skilled migrants need to be considered "prospective citizens". Evidently, they have more resources and can easily overcome institutional barriers, compared to other migrants. Iredale (2001) added that high skilled migrants usually obtained a university degree or equivalent experience in a specific sector and rely mostly on networks of alumni, colleagues or organizations. Regarding development, academic mobility and skilled migration can help societies develop in a sustainable way (Leung, 2013).

### *2.1.2.2. Return entrepreneurs*

An approach that covers both migration and development is called the ‘migration-development nexus’. The idea is that return migration will support local economic development in the home country of migrants (Van Hear & Sørensen, 2000; Schiller & Faist, 2010). Returnee entrepreneurs are described as the most highly trained individuals originating from a developing country, who moved to a developed country. These individuals can build bridges between developed countries and their home country and become an important source of new ideas. Often they are defined as scientist and engineers returning to start up new enterprises in China, after several years of business and/or education in other countries (Saxenian, 2002). Since the 1990s, it is suggested that for developing countries this was actually a positive phenomenon; as these individuals studied and worked abroad, they absorbed technical expertise, managerial, and entrepreneurial skills. Afterwards these individuals returned home, and brought technological entrepreneurship leading to economic development.

Returnee entrepreneurs, possess a number of important human capital characteristics that differentiate them from local non-returnee entrepreneurs. Two will be outlined. First, returnee entrepreneurs may have specific human capital that relates to skills and knowledge with varying degrees of transferability. This is based on past experiences and may be an important factor for innovation and performance (Ucbasaran, Westhead & Wright, 2001). Returnees may also have acquired academic knowledge in the form of general education and scientific and technical training or practical business human capital from either working in a commercial environment or through their own business. Second, returnees may have specific social capital that involves the relational and structural resources attained through a network of social relationships (Adler & Kwon, 2002; Cooper & Yin, 2005). Such social capital is important to many small firms as it provides access to information and resources not available internally (Davidsson & Honig, 2003; Peng & Zhou, 2005). An individual that develops social capital through working abroad may be able to use that social capital to access diverse sources of knowledge when they become a returnee entrepreneur. This research will therefore aim to explore how skilled migrants’ knowledge is transferred and positioned in the social enterprise sector and in relation to local knowledge for development.

## 2.2. Private sector development

Development attention has shifted from the role of governments and non-profits to the role played by businesses. In the 1960s and 1970s the state was regarded as the prime responsible actor for development from a western perspective. Either the modernization theory and the dependency theory emphasized the role of the state in development. This sharply changed in the 1980s, when development was seeking to replace all the basic government functions by market mechanism (Köhler, 1995). Neoliberalism development theory has the believe that you have to dismisses the role of the government. Politicians are portrayed as those who are only looking after their own interest instead of the interest of society as a whole (Kingsbury et al., 2012). Instead of national governments, markets are seen as the catalyst of development. Neoliberals thinking including globalization has been central to policy development in financial institutions such as the World Bank and International Monetary Fund (Kingsbury et al., 2012). They started to focus on ‘trade not aid’. This shift in development thinking happened after the state and non-profit organisations had increasingly been criticised for not being able to generate real development. Non-profits in example, would not yield sustainable results, unless they were embedded in a sound economic context and a supportive policy environment (Schulpen et al., 2001). The lack of sustainability (Grinspun, 2001; Mayhew, 2005; Zoomers, 2005) relies on that they were largely funded and dependent on a continuous flow of donations for their operations, with limited impact as result. Such an organization and the government cannot solve all the problems that society faces. The responsibly shifted towards the private sector. Strengthening market forces, increasing competition and refocusing the role of the state became the new focus.

In the 1990s, development thinking has arrived in which both the state and the private sector became regarded as essential for development and thus for poverty reduction. The role of the government was to create an environment in which development may take place through a mixture of public and private initiative (Smillie & Helmich, 1993). In this institutional approach the state has to make sure that economic growth reaches the poor in society (Schulpen, 2001). The World Development Report (World Bank, 1991) took the mixture of public and private initiative as its point of departure. The interaction between governments and markets is not ‘a question of intervention

versus laissez-faire'. It made clear that both have a role to play in development. An OECD report from 1993, described the role of the private sector as 'a basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion'. The report added that 'donor motivations for supporting private sector development are based on promoting economic efficiency and social welfare'. As such, the development of the private sector in developing countries became seen as part of the fight against poverty not only in an economic way, as well as in a social and political way (satisfying human needs, desires, freedom and security). Development thinking at the end of the 1990s basically follows this logic: (1) poverty reduction is the main objective of development; (2) central to development is economic growth; (3) economic growth is best reached through the private sector; and (4) in order to make it possible that the private sector can flourish and that growth indeed contributes to poverty reduction, the government has a major role to play (DAC, 1995). This new role of businesses meant that the focus should no longer be solely on making profit, additionally, businesses have a duty to address social and environmental issues. Furthermore, the European Commission notes that, 'as public resources for development assistance are scarce, the private sector is increasingly seen as an important source of external finance and domestic resource mobilisation.' Private sector development is seen as the base for the occurrence of social enterprises in Western countries specifically.

### 2.2.1. Social enterprise take-off in the third sector

The social enterprise concept first appeared at the heart of the third sector, in Europe around 1990. A journal named 'Impresa sociale' in Italy started to shed light on new entrepreneurial initiatives which arose primarily in response to social needs that had been inadequately met by public services (Borzaga & Santuari, 2001). At that time different European researchers noticed the existence of similar initiatives in various other EU countries. Within this research, social enterprises and third sector concepts have been kept deeply connected as most social enterprises actually reflect new initiatives in the third sector. The third sector is an intermediate space in which the public, private and non-profit, approaches are combined (Pestoff, 1998, 2005; Evers & Laville, 2004). Overly, since boundaries between the sectors have been increasingly blurred (Peattie & Morley, 2008), sharing responsibility is

the basis. The unifying role of the social enterprise concept lies in the fact that it generates mutual attraction between the non-profit and the for-profit sphere. It draws certain organisations within each sphere towards a central zone. For the traditional for-profit sphere, including market-oriented enterprises, social enterprises may be seen as more oriented to the whole community and general social interest. For the non-profit side, which represents initiatives which rely mostly on public grants and philanthropic resources, social enterprise places a higher value on economic risk-taking related to productivity. The areas between the public and the private sector are areas in which social enterprises flourishes (Spear, 2006). Yet, the difficulties of traditional public policies in coping with new economic and social challenges, have also raised questions of how far the third sector can help to meet these challenges and perhaps take over from public authorities. Some fear that the third sector might become an instrument for privatization policies, leading to social deregulation. Pestoff (1992), has used a scheme in order to define the sphere of actions of social enterprises. The figure below illustrates these dynamics.

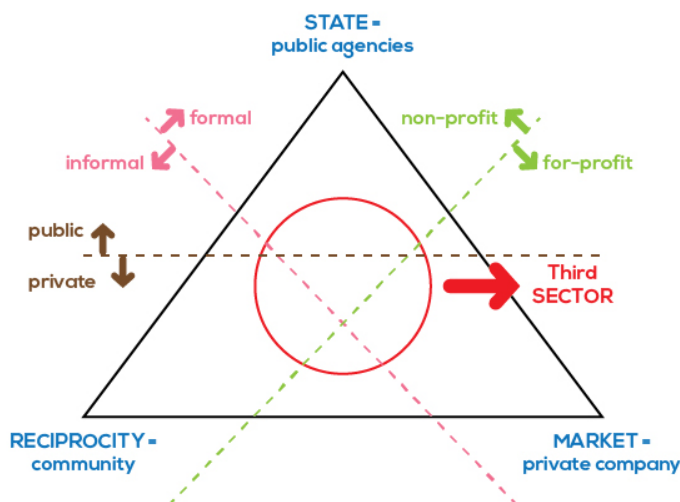


Figure 1: Explanation of the complexity of third sector within society (modified from Pestoff, 1992).

### 2.2.2. Why entrepreneurship?

Within the third sector many organisations, nowadays as in the past, are born or have been born from an entrepreneurial dynamic. This is partly why researchers talked about a new social entrepreneurship and not of an evolution of the non-profit sector (Defourny & Borzaga, 2001). People engaged in social

enterprises are social entrepreneurs (Brouard & Larivet, 2010). According to Schumpeter (1934), entrepreneurs are not necessarily the owners of a company, yet they are responsible for introducing changes in at least one of the following ways: the introduction of a new product or a new quality of product; the introduction of a new production method; the opening of a new market; the acquisition of a new source of raw materials; or, the reorganisation of a sector of activity. Expanding on Schumpeter's notion, economist Peter Drucker emphasizes the idea of opportunity. For him, the entrepreneur searches for change, responds to it, and exploits it as an opportunity (Drucker, 2007).

For social entrepreneurs, an attractive opportunity is one that has sufficient potential for positive social impact to justify the investment of time, energy, and money required to pursue it seriously (Guclu, Dees & Anderson, 2002). This social mission differentiates social entrepreneurship from entrepreneurship; social objectives are considered equal to economic ones.

#### *2.2.2.1. Corporate Social Responsibility*

Social entrepreneurship is fundamentally different than Corporate Social Responsibility (CSR). CSR has evolved from an increasing demand on business executives to manage public responsibilities and externalities through activities that attempt to compensate for a firm's negative externalities (McGill & Wooten, 1975). The dynamics of corporate activity however, in which companies have a financial responsibility to shareholders and a focus on economic returns, limits the ability of these companies to have positive social impact unless such an impact will significantly improve the company's competitive context (Porter & Kramer, 2002). Contrary CSR, social enterprises operate in the realm of pursuing positive externalities that have been neglected or inadequately corrected by government, non-profits or private sector action (Ainsworth, 2009).

### **2.3. Definitions**

There is no singular, widely-accepted, definition of the social enterprise. Various researchers emphasize on their emerging role as innovative social change agents that deal with complex social needs around the world (Austin, Stevenson & Wei-Skillern 2006; Chell, 2007; Steyaert & Katz 2004; Leadbeater 1997; Prabhu, 1999). Social enterprises address the pursuance of opportunities for profit realization and simultaneously delivers social or environmental benefits. They integrate such goals

into the core of the enterprise's plans, products and processes (Aidis et al., 2007). The term can be applied to the activities of grass-roots activists, NGOs, policy makers, international institutions, and corporations, amongst others, which address a range of social issues in innovative and creative ways (Nicholls, 2006). To formulate a comprehensive understanding of social enterprises as a strategy for change, different approaches and definitions will be described hereafter.

One of the first published definitions comes from the King Baudouin Foundation, that seeks to change society for the better. They defined social enterprises in 1994 as *'all undertakings involving an entrepreneurial dynamic, employing market and non-market resources to bring unemployed low-skilled workers back into the workforce'* (Noya & Lecamp, 1999). This understanding as an employment generating enterprise is not represented in the missions of every social enterprise.

Second, the EMES European Research Network forged a definition in the late 1990s. Key features of this approach is that it is derived from extensive dialogue among several disciplines as economics, sociology, political science and business. The framework is based on three series of indicators (Defourny & Borzaga, 2001). These are *'economic (producing goods and/or selling services, significant level of economic risk and a minimum amount of paid work), social (explicit aim to benefit the community and limited profit distribution) and participatory government (high degree of autonomy, decision-making power not based on capital ownership, and participatory nature)'*.

Third, in a paper entitled 'Social Enterprise: A Strategy for Success' (2002), the authors put forward a definition to foster social enterprises. It states that *"a social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners"* (DTI, 2002).

And last, the OECD (2006) employs a definition. They formulated a definition that applies to the entire range of entities identified as social enterprises which are sensitive to the divergent legal statuses and frameworks applied: *"any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has a capacity for bringing innovative solutions to the problems of social exclusion and unemployment"* (Noya & Lecamp, 1999).



In line with sustainable growth or sustainability in general, social enterprises are considered self-sustaining. A high degree of self-financing is a core characteristic of their strategy (Thomson & Doherty, 2006). Though, as social enterprises can include both profit, non-profit and government participation (Austin, Stevenson, & Wei-Skillern, 2006; Zahra et al., 2009), they have the ability to tap into the resources of the private and/or public sector in pursuit of sustainable growth. Comprehensive, social enterprises strive for social impact. The probability of social impact is to be affected by the theory about social impact, a business model and a viable resource strategy. Further, in order to create social change, social entrepreneurship implies the utilization of networks, building of connections between individuals, and the interactions in communities (Domenico, Haugh, Tracey, 2010).

Noticeably, there is a general understanding of the social enterprise. However, research on how the social enterprise concept is practiced is still a work-in-progress. This is due to the fact that social entrepreneurship is an umbrella construct with diversified perspectives and approaches, ranging from political science, economics, business studies, public administration, sociology to other disciplines (Short et al., 2009). Furthermore, social enterprises vary in form and function, depending upon local levels of economic and social development; context specific characteristics of welfare systems, the third sector and the climate of the embedded legal system (Chell et al., 2010). This process oriented approach formulates an understanding of social enterprise less as a set of boundaries, frameworks, or objectives, and more as an outcome of complex social processes, shaped by the context surrounding the social enterprise (Gartner, 1985; Steyaert & Katz, 2004; Chell, 2008). This emphasizes on the contextual nature and important role of institutional and developmental characteristics, local understandings, and social and market exchanges that shape the scope of social enterprises. The importance of context allowed the researcher to examine on specific Chinese local characteristics. This is critical to identify a clear perspective on local and foreign operating social enterprises and their knowledge.

### 2.3.2. Developing countries and social enterprises

Within developing contexts, social enterprises have traditionally been perceived as private sector entities that focus on generating a positive social, environmental, ethical, or economic impact, by producing affordable solutions for the base of the pyramid (Axt et al., 2011). *'In least developed*

*countries a social enterprise can be defined as a business venture that positively impacts society through products and services intended to improve the livelihoods of people while also addressing the basic needs of society” (Axt et al., 2011).* By using a business model, they contribute to the provision of some of the basic needs and services that developing communities lack. Besides, they focus on opportunities and people’s capabilities, rather than on promoting economic growth.

Social enterprises are often homegrown companies that have access to more local market segments as well as the so-called bottom-of-the-pyramid segment, whose large size and collective wealth facilitates contextually specific competitive advantage (Prahalad, 2006). Values of social enterprises in the effort of poverty elimination are examined in terms of delivering basic services to the disadvantaged groups, enhancing self-reliance of the local communities, combining innovation with entrepreneurship, and promoting cooperation between the government, NGOs and the public.

In developing countries, social enterprises are usually established by an individual who is himself directly affected by the problem. Social enterprises focus on one or a few specific social ills that directly impact them or their communities, and seek to address them in contextually specific ways. Social entrepreneurs in the developing world have an ability to generate change in this way, thus contributing to social and economic advancement. One of the distinguishing qualities of social enterprises includes the involvement of community stakeholders to create and manage the social enterprise. Community stakeholders are people in the community who are directly impacted by the change the social enterprise aims to resolve. The potential for social enterprises to contribute to the development challenge by reaching population segments and by addressing issues that governments and international bodies cannot or have not targeted, is therefore great. According to the European Commission (2014), cooperatives, social enterprises and other forms of people-centred business are often leading the way in providing decent jobs, sustainable livelihoods and inclusive solutions to social problems. Development of the private sector in developing countries is nowadays regarded as, one with a major consequence.

## 2.4. Research objective and questions

This research attempts to contribute to the literature on social enterprises in developing countries, as well as on knowledge mobility. It analysis the global knowledge transfers within the phenomenon of social enterprises in Shanghai, China. By identifying the factors that are specific for social enterprises within its local context, this study first tried to deepen in the understanding of the concept locally. Second, inherent to the main question, is the role of cross-border human mobility on knowledge through interaction between different types of local and foreign social enterprises. In order to answer the main question, sub questions have been formulated. The data gathered in the field, together with theoretical concepts and insights by academic scholars will answer the research question.

### **Main question:**

*How does human and knowledge mobility influence the local development of the social enterprise phenomenon in Shanghai, China?*

### **Sub questions:**

1. How are social enterprises within its local Chinese context defined and operated?
2. How does knowledge transfer and collaboration take place among the social enterprise scene in Shanghai?

## 3. Regional thematic context

This chapter gives an overview of the regional area and context of the research. It shortly explains important historical developments of China as a whole. Then the focus is on Shanghai, which is followed by the emergence of the social enterprise phenomenon in China.

### 3.1. Country - China

#### 3.1.1. Political history

China's political history is deeply rooted within a socialist society and their policies. For many years under the strict control of Chinese communism, China was an isolated country, with a large geographical territory and immense population. The socialist state shares a common manner of policy implementation resulting from their centrally-planned economies. This bureaucratic system was inflexible, authoritarian and employed top-down. China was very much a collective society as imposed by the Chinese Communist Party (CCP). There was very little room for individual choices, regional variation and information from the grassroots (Ho, 2001). Conformity in every aspect of life was the norm, with a goal to create "an authentic socialist culture" (Cheng & Schweitzer, 1996). Until the early 1980's China was the scene of a lot of political turmoil, such as the Cultural Revolution and the Great Leap Forward. After this, China started with their reforms.

#### 3.1.2. Economic reforms, contemporary China and migration

In 1978, the communist leader Deng Xiaoping, initiated market reforms and liberalization. This led to the beginning of the upcoming of China as a major economic power. From this point, China slowly began to open its borders and markets to foreigners. China underwent deep transformations under an increasing influence of Western civilisation (Defourny & Kim, 2011). The economic progress that was initiated led to major improvements in living standards for many civilians, especially in the more developed east side of the country. Also greater personal freedom and opportunities for its citizens was achieved. As a clear result, 150 million Chinese people no longer lived in poverty. The GDP has increased between 1978 and 1998 by 400% and foreign investment grew enormously during the nineties. However, the absolute power of the communist party was maintained. A landmark feature was China's 2001 accession to the World Trade Organisation (WTO). This acceptance into the WTO

was seen by many as confirmation of China’s commitment to integrating with the global market - the incentive that many firms required to feel confident and begin investing in China. Overall, the rapid and sustained economic growth has transformed China to a middle-income market economy in just three decades (Sutherland & Yao, 2011).

The economic reforms by Mao also affected migration. Before the reforms, migration was primarily regulated by the government of China. After 1978 migration became more an individual choice (Fan et al., 2011). This was partly an opportunity for Chinese to relocate to other countries. The Chinese who went overseas after these reforms were also called ‘new immigrants’ (Anshan, 2013). In the beginning of the 1980s the Chinese government introduced new reforms, including less restrictions for the ‘talented-aliens’. Meaning that it is easier for this group to apply for a visa and also to travel between different geographical locations, like Beijing, Tianjin and Shanghai (Liu, 2011).



Table 1: Maps of China’s provinces and cities: China has 34 provincial-level administrative units: 23 provinces, 4 municipalities (Beijing, Tianjin, Shanghai, Chongqing), 5 autonomous regions (Guangxi, Inner Mongolia, Tibet, Ningxia, Xinjiang) and 2 special administrative regions (Hong Kong, Macau).

### 3.1.3. Hong Kong

Hong Kong is since 1997 a so-called ‘Special Administrative Region’ (SAR) of the People’s Republic of China together with Macau. Prior to 1997, the territory belonged to Great Britain as a colony for some 150 years. This period left a lasting impact on the Hong Kong of today as Hong Kong is highly linked to the West. In Hong Kong social enterprises and all other projects are more developed and ‘westernized’ (Yan, 2012).

### 3.1.4. Development challenges

The amount of population under poverty line remains high and there is an unbalanced development between geographical areas. China faces high inequality; rapid urbanization; challenges to environmental sustainability; and external imbalances (China, K.P.M.G, 2011). Besides, there is a sense of insecurity among the general public due to the weak social safety nets. It is important to have a clear sight of the imbalanced, incompatible and non-sustainable elements within China’s development, which mainly turn out to be a tightened constraint and imbalance between economic growth on one hand and resources and environment on the other (12FYP, 2010). The 2009 World Bank report pointed out challenges such as the widespread vulnerability to poverty, dispersed allocation of the remaining poor, widening rural-urban gap and increasing inequality, growing disparities in many non-income aspects of human development, emergence of a “floating population” and the weak protection from social welfare and security system. Current social enterprises play a role in solving these problems.

## 3.2. Research area - Shanghai

### 3.2.1. History

The rise of Shanghai began after the Chinese were defeated during the Opium War in 1842. Thereafter Shanghai was opened for foreigners to settle (Farrer, 2010). Shanghai became very popular among non-Chinese since there was no need for foreigners to obtain a visa to stay there (Gilmore, 2004). Also, Shanghai looked very different than the rest of China did at the time. Wu describes Shanghai in the 1930’s as not just being dominated by the foreigners in the city, but as a city in which a constant negotiation is going on between the local and the foreign community. Shanghai was never fully

colonized, but rather semi-colonized, so it kept some of its own specific character. However, the city was also criticized and some referred to it as ‘the whore of Asia’, for being too modern and selling its soul to the Westerners (Visser, 2010). When the CCP came to power in 1949 the special position that Shanghai had was over and by the early 1950’s, the foreign population had left the city (Farrer, 2010). In the 1980s the focus was on the traditional, nationalist and uniform culture of Beijing, which was more important than the modern, westernized character of Shanghai (Cheng & Schweitzer, 1996). However, in the last two decades, Shanghai has made an amazing jump forwards (Cheng & Schweitzer, 1996).

### 3.2.2. Contemporary

Over the last two decades, Shanghai is one of the fastest developing cities in the world, becoming the commercial and financial centre of China (Guo, 2013). The city has large financial, manufacturing and retail sectors. Besides it has one of the largest ports in the world. Although it has been an important city for a long time, Shanghai became a major international hub after China started with substantial economic reforms and opening the Chinese economy (Dreyer, 2012). Present day Shanghai is a modern, cosmopolitan city often compared to New York and Tokyo. Foreigners were welcomed back by the Chinese government as they were seen as necessary for the development of Shanghai (Farrer, 2010). A lot of international companies since then have established their regional headquarters in the city, due to its location and its potential to be a gateway into mainland China. Shanghai received a variety of influences from and built various channels to the outside world.

### 3.2.3. Administrative and geographical

Shanghai is situated in the Yangtze River Delta, one of the most prosperous economic regions in China. On the administrative front, Shanghai is part of the People’s Republic of China. The city is one of the four municipalities that is directly controlled by the CCP, along with Beijing, Tianjin and Chongqing. Furthermore, Shanghai is one of the four biggest cities in China along with Beijing, Guangzhou, and Shenzhen. These cities were the first in China to be opened up to competitive economic development by the Chinese government. As a result, these cities are very developed: they are fuelled by consumption, have improved living standards, better businesses and job opportunities.

Furthermore, coastal cities in China benefit extremely from the large amount of skilled migrants, as they contribute to their development by transferring knowledge, innovative ideas, wealth and money.

#### 3.2.4. Demographics and population

Shanghai's 2016 population is estimated at 24,5 million. This includes 15 million registered and 9,5 million floating population (Shanghai Statistical Yearbook, 2014). The floating population in Shanghai accounts for more than 40 percent of the total population of the city. This includes foreigners as well as rural migrants. The poorest, rural migrants from the Chinese countryside are expanding rapidly (Qin et al.,). Contrarily, Shanghai has over 255 thousand officially registered foreigners, including residents from Taiwan, Hong Kong and Macau. The number of expatriates living in Shanghai has risen from 100 thousand in 2005 to nearly 170 thousand in 2014, which make up 25 percent of the total number of foreigners in China (Shanghai entry and exit bureau, 2014). The majority were employees and relatives of foreign companies and another part were overseas students. Obviously, there is an emergence of a skilled migrant population in the city. Yet, within this huge amount of migrants in Shanghai, the inequality gap is growing, and affects the city's social stability and development. It's projected that Shanghai, along with Beijing, will have a population of more than 50 million by 2050, which is double the current level. The real number of citizens in the city is probably even higher as rural migrants without a hukou (a record of household registration required by law in mainland China which determines where citizens are allowed to live) are not registered officially.

#### 3.3. Occurrence and public attention social enterprises

In 2004 the concept of social enterprises was introduced into the public policy discourse and attracted public attention in China. According to Wang and Zhu (2009), the concept was first introduced through the translation of an OECD draft report, published as a paper under the title "The Social Enterprise" in a volume of *China Social Work Research* (January 2004). Later in 2004, a Sino-British Symposium on Social Enterprise and NPO was jointly organised in Beijing by the Global Links Initiative and the China NPO Network, with financial assistance from the British Embassy. At that time, the British council focused on connection and attention within the non-profit sector. Due to this,



it became attractive to the non-profit sphere. Exchange visits of leading British social entrepreneurs and Chinese NGO leaders also took place and the British council partnered with a Chinese journal called *comparative economic and social systems*. Through this journal they published a lot of articles, organised forums, and promoted leadership in the social sector in 2006. Other Chinese journals like *China Economic Herald* and the *21st Century Business Review* spread the notion of social enterprises. Many conferences, symposiums and forums were held to discuss and promote social entrepreneurship by governmental agencies, academic institutions and non-profit organizations (SERC, 2009). The first books on social entrepreneurship in China, the translation of Bornstein's, 'How to Change the World' and Leadbeater's, 'The Rise of the Social Entrepreneur', were published in 2006. In China, the terms non-profit organization and social enterprise are generic terms commonly used by researchers and practitioners (Shieh & Deng, 2011).

### 3.3.1. Potential for development

One of the key factors contributing to China's rapid and sustained economic growth over the last thirty years has been the emergence of micro, small, and medium enterprises (Chen & Feng, 2000; Song et al., 2014; Gregory & Tenev, 2001). As the open Chinese market is still relatively young and entrepreneurship is still relatively new, there are lots of opportunities for them. Especially Shanghai has a growing number of start-up companies and hosted the Junior World Entrepreneurship Forum in 2013. According to Pei (1998), people of the city are famous for their entrepreneurship and many people are involved in various forms of civic organizations, where the number of civic associations in the city is much higher than the national average. There is a great potential for social enterprises to further contribute to the development challenge as an entrepreneurial driven enterprise. As the rural-urban income gap widened, disparities in attaining basic health and education has created increasing burden to the low-income earners. These groups have been chronically positioning themselves in a sense of insecure, and tend to end up with minimum-welfare informal employment and high-risk working conditions. Social enterprises reflect responses to the insufficient public services to the disadvantaged groups (Borzaga et al., 2008).

### 3.3.2. Government policies

In 2011 the CPC Beijing Municipal Committee published suggestions on strengthening and innovating social management in order to advance social construction. This policy paper advised that local governments should “explore various effective means of attracting social resources and social capital into public service, proactively support the development of social enterprises and develop social services.” After this, areas in China's coastal provinces as Shanghai, Guangdong and Shenzhen have begun to see local experimental social enterprise incubators, supported by civil affairs bureaus/ local government's exploratory first steps promoting the creation of policies and government procurement of services, related to Chinese social enterprises (China Social Enterprise and Impact Investment Report, 2013). The Shanghai Bureau of Civil Affairs and a related government foundation provided 5 million Yuan in support to establish the Shanghai Community Venture Philanthropy Fund. This government support will promote the growth of social enterprises serving these sectors. Particularly at municipal level, the government, actively provide capital for social enterprise investments, realizing the potential for these new models to supplement social welfare provision. In China ensuring support from the local government is important for localising the business.

### 3.3.3. Sectors

With the social services gap as one of the biggest issues in China, most of the social enterprises are trying to make a difference in this area, each with their own social-value proposition, asset, profit and size. Key topics in the current social enterprise landscape to support the sector are: work reintegration for the homeless, employments skills, migrant workers in the cities, elderly care, disabled individuals, rural left- behind children, education, air pollution and environment and food safety. Accordingly, all of the interviewed social enterprises were active around these key issues.

## 4. Methodology

In order to obtain the required data for this research, a qualitative study is applied. Four months of field research in Shanghai was conducted to collect data. Informal discussions, semi-structured interviews and participant observation provided information to analyse knowledge mobility on the social enterprise concept. This research captured perceptions and experiences from the respondents related to the research topic. Such methods constitute a qualitative, critical approach that has enabled an in-depth exploration of patterns associated with encounters and collaborations between local and foreign people.

### 4.1. Inductive research

The design of this research is inductive in nature. As opposed to a pure inductive approach, where theory is primarily the outcome of research, O'Reilly (2012) refers to a 'sophisticated inductive approach', which is defined as 'to be informed on existing literature and theoretical thinking, but stay open to additional, or alternative explanations'. This (informed) inductive approach is adopted, in the sense that theory was used as a precursor, and medium for study and writing, however there was no intention to develop new theory. This research arrives out of the understanding that knowledge is a product, created through interaction and relationships. Additionally, the research process was iterative, defined by O'Reilly (2012) as 'data collection, analysis and writing are no discrete phases but inextricable linked'. In this research, data-collection was somewhat informed by preliminary analysis, however only minor adjustments were made, partly due to time and resource constraints. Particularly the analysis and writing phases were overlapping in conduct. Overall the design remained flexible and open to changes.

### 4.2. Mixed methods during qualitative field research

Different methods were employed to gather a range of responses and perspectives. Empirical research is research using empirical evidence which is a way of gaining knowledge by means of direct and indirect observation. Empirical evidence (the record of one's direct observations) can be analysed quantitatively or qualitatively (De Groot, 1969). Qualitative research is suitable to develop deeper understanding of a phenomenon as it is often used to analyse experiences, realities and complexities

(Becker et al., 2012). According to Gephard (2004), it describes real-life actions in real-life contexts. It is appropriate when theory about the phenomenon of the research is in an early, formative stage (Eisenhardt, 1989). The bottom-up approach taken in conceptualizing social enterprises, suggested a semi-structured approach applying to the collection of data. This leaves respondents relatively free to introduce concepts and meanings which they perceived as relevant.

#### 4.2.1. Semi-structured interviews

Interviews are a highly efficient way to gather rich and empirical data (Eisenhardt & Graebner, 2007). In-depth interviews with people is a convenient way to understand an emerging social phenomenon. For this, semi-structured, in-person interviews have been conducted. The researcher let the interviewee lead the conversation without steering the interview too much (Bernard, 2006). Moreover, the interviewees were encouraged to express their views freely and include additional information they considered important. Additionally, the semi-structured interview is appropriate if a researcher has to deal with participants who have limited time during a working day (Bernard, 2006). The researcher has experienced this in the field with participants who had to deal with a relatively high workload. Topics and questions were based on literature research, conversations and informal interviews with key informants. The outline of the interview covers six topics on which specific attention is paid; 1) introduction and purpose of the social enterprise; 2) general questions about social enterprises in China and its institutional environment; 3) knowledge transfers 4) collaborative networks; 5) market and finance; and 6) the future of the social enterprises.

#### 4.2.2. Participant observation

Participant observation was added during the field research in Shanghai. Although, it is a highly interpretative method that requires a lot of gut feeling, it can find different in-depth information. Mobility research is concerned first with the patterning, timing, and causation of compresence. One way to ascertain this is through the 'observation' of movement. This involves observing directly or in digitally enhanced forms mobile bodies undergoing various performances of travel, work, and play. Especially significant is the observation of how people effect a face-to-face relationship with places, with events and with people.

The researcher visited and attended different meetings and events where the development of social enterprises in Shanghai was discussed. The researcher was fortunate to be allowed to sit in and participate in three of these meetings. It allowed the researcher to map out the parts of Shanghai where social enterprises and entrepreneurs come together to work, network and learn. Besides, attending the events was done in order to record patterns of knowledge transfer and network relations. Details of social enterprise possibilities and needs and goals were discussed. In addition, the researcher took field notes and photographs while observing the informal conversations and working environments in Shanghai. This emersion into the social enterprise development sphere facilitated a deeper understanding of the contemporary obstacles and objectives social enterprises were addressing. Additionally, these informal discussions and observations facilitated contacts with respondents who were actively involved in the area of research for this thesis. Simultaneously, while attending, the researcher conducted several informal interviews with social entrepreneurs and experts.

### **4.3. Sampling**

As a complete list of all the social enterprises active in China or Shanghai does not exist different techniques were used to find out which social enterprises are active in Shanghai. Recruitment of the interviewees have been primarily based on the researcher's knowledge on organizations pertinent to the research topic. For this, internet was the first and main source for finding social enterprises. Unfortunately, most of the individuals did not reply. After a couple of weeks, the researcher decided to attend meetings and events to recruit. It was very useful, almost necessary, for the researcher in order to get to know more individuals active in the field, so this formed the selection and recruitment of respondents for the interviews. From then it was possible to plan interviews through snowball-sampling as well. Snowball sampling provides connections to other interviewees that satisfied the research criteria. Overall, throughout the sampling procedure, an important consideration was to ensure a sufficient variety; specifically, in terms of locals versus foreign social enterprises.

### **4.4. Participants**

Most time of the research was spent in Shanghai. The data gathered there, forms the heart of the research. Additionally, ten days were spent in Beijing. The data from Beijing is relevant as it proved to

be useful in understanding that social enterprise activities in different places have different meaning and understandings. The first three weeks in Shanghai were primarily spend behind the laptop, searching for participants with the intended purpose to interview twenty social enterprises to explore the phenomenon. In total thirty interviews were conducted in China in a fifteen weeks.

Before travelling to Shanghai, the researcher was not sure how willing participants would be to talk. Since the country is autocratic and there is quite a lot of censorship. However, the majority of respondents seemed open to the interview and were willing to share information. Besides, respondents freely spoke their minds on the research topic, and provided rich stories, not necessarily strictly in line with the questions asked. Most of the interviewees spoke sufficiently English to conduct the interview alone. In Shanghai, twice a translator was needed when speaking with local Chinese social entrepreneurs. In Beijing a translator was needed for four out of six interviews. The translator was briefed on the research aims, questions and expectations regarding the interviews.

Respondents were divided in both local and foreign social enterprises. In addition, to get a clearer picture of how social enterprises are actually practiced, interviews were conducted with incubators/support agencies, community builders, academics and NGOs that are linked to social enterprises. Firstly, interviewing the social enterprises allows the researcher to gain insights on what services the social enterprise provide, how they define themselves, what challenges they face and how they collaborate with (local) communities or other grassroots groups. Next to this, emphasis was also put on the individuals who set up these enterprises as a unit of analysis, namely; the social entrepreneur. Interviewing the social entrepreneur allowed the researcher to get insights on who tend to become a social entrepreneur in Shanghai. The concept of social enterprises is linked to the acts of individual social entrepreneurs, emphasizing the inventive use and combination of resources to address social needs and effect social change (Martin & Osberg, 2007). The individual social entrepreneur and his/her ability to manage the networks is essential to the enterprise's sustainability. Third, interviewing incubators, community builders and academics will give the researcher a broader and clearer viewpoint on the role of social enterprises in an immersive, urban city as Shanghai. Furthermore, these organizations play an important role in the migration/transfer of knowledge. Lastly, after some weeks the researcher noticed that many social enterprises were either NGOs

beforehand, registered as an NGO or in the transition phase. For this, the researcher decided to put additional effort in contacting and interviewing NGOs.

#### **4.5. Procedure**

The researcher spoke with the interviewees through e-mail and We Chat to communicate a general idea of the research and invited them to participate. After they expressed interest in the study, an interview was planned. During the interview, the respondent was first informed about the background of the research, as it is part of the Master programme in International Development Studies at Utrecht University. Besides, the role of social enterprises in addressing complex social development challenges as it is in the interest of the researcher was noted. The duration of the interview, about sixty minutes, was notified. Furthermore, the informed consent has been discussed including the following: the interviewer will make notes during the interview and if permitted by the respondent, the interview will be recorded, yet stays anonymously and for research purpose only. All interviews were recorded and later transcribed.

#### **4.6. Method of analysis**

Analysis began in the field with reflecting notes from informal discussions and participatory observation, following reviewing transcriptions of interviews. Regarding the process of coding, the interview transcripts and notes were coded by the researcher. NVivo software for qualitative data analysis was used since it was easier to consistent structure the topics and findings. Additionally, descriptive data from statistical and policy documents were reviewed.

#### **4.7. Limitations**

There is no research without limitations, shortcomings and obstacles. Limitations related to time and resources also constrain the boundaries of this research. Linked to sampling, it has been challenging to recruit a representative group to interview. For example, as a foreign student researcher (not registered in China), it was impossible to interview governmental agencies/ policy makers like the civil affairs bureau. Gaining access to the right people and making appointments was one of the main difficulties. Many respondents were very busy and did not have a lot of time to conduct an interview. Besides, the pool of local social entrepreneurs operating in China, was smaller than foreign ones and less available.

Another difficulty was the language. The English proficiency at the social enterprises and organizations was quite good, yet, usually only one or two employees per enterprise could speak sufficient English. Linked to cultural differences and interpretation, much time and effort was therefore put into finding a suitable translator when conducting interviews. These language barriers and presence of a translator were a limitation to the research. Information from respondents could have been lost or the stories might have been interpreted or translated slightly different during the translation. Nevertheless, the translator was careful in translating what was said “between the lines”, as well as literally. Such precautions aimed to reduce the risk of misinterpretation. Additionally, it is possible that, as an “outsider”, the researcher itself has misinterpreted the data from interviews and viewed it within her own framework.

*Below and the next pages show a list of participants that have been interviewed and a profile of the social enterprises including a short description of their vision and mission.*

|                                  |            |
|----------------------------------|------------|
| <b>Total overview interviews</b> |            |
| Social enterprises contacted     | 55         |
| NGOs contacted                   | 30         |
| Stakeholders contacted           | 15         |
| <b>Total</b>                     | <b>100</b> |
| Social enterprises interviewed   | 12         |
| NGOs interviewed                 | 12         |
| Stakeholders interviewed         | 6          |
| <b>Total</b>                     | <b>30</b>  |

### **Shanghai (February 15 – May 13)**

#### ***Overview Social Enterprises***

| <b>Name</b>               | <b>Nationality</b> | <b>Sex</b> | <b>Legal status</b>                            |
|---------------------------|--------------------|------------|------------------------------------------------|
| Netspring                 | French             | Female     | Business                                       |
| Earth Water               | Dutch/Chinese      | Female     | Business                                       |
| Home Sweet Home           | Dutch              | Male       | NGO in Hong Kong<br>Business in mainland China |
| Rainbow of Hope           | Chinese/American   | Male       | Chinese NGO                                    |
| Puki Deaf                 | Chinese            | Male       | Chinese NGO                                    |
| Beyond the Bund           | English/Indian     | Female     | Business                                       |
| Shanghai Young Bakers     | French             | Female     | Chinese NGO and business                       |
| World of Art Brut Culture | Chinese            | Female     | Chinese NGO                                    |
| Fair Globe                | Chinese            | Female     | Enterprise                                     |
| Cambio Coffee             | Spanish            | Male       | Enterprise                                     |



### ***Overview NGOs***

| <b>Name</b>                   | <b>Nationality</b> | <b>Sex</b> |
|-------------------------------|--------------------|------------|
| Feiy                          | French/Chinese     | Male       |
| SteppingStone                 | German             | Male       |
| Habitat for Humanity          | American           | Female     |
| Junior Achievement            | American           | Female     |
| You Dao Foundation            | American           | Male       |
| Xing Xing Aid for Street Kids | American           | Male       |
| JUCCE                         | Australian/Chinese | Female     |
| Yan Ze Social Services        | Chinese            | Female     |

### ***Overview external organizations (incubators, academics community builders)***






| <b>Name</b>                                                       | <b>Nationality</b> | <b>Sex</b> |
|-------------------------------------------------------------------|--------------------|------------|
| Social Enterprise Research Center                                 | Chinese            | Male       |
| Non-Profit Incubator                                              | American           | Male       |
| Professor Zhiyuan Yu, Department of Sociology at Fudan University | Chinese            | Female     |
| Haitao, CEIBS                                                     | Chinese            | Male       |

### ***Overview participant observation (events, brainstorm sessions, lectures)***

| <b>Name</b>                          | <b>Nationality</b> | <b>Sex</b> |
|--------------------------------------|--------------------|------------|
| Impact Hub Shanghai                  | Chinese            | Mixed      |
| Green Initiatives                    | Mixed              | Mixed      |
| Fresh Start; Social Enterprises Club | Foreign            | Mixed      |
| Workface                             | Chinese            | Mixed      |

### ***Beijing (March 26 – April 2)***

| <b>Name</b>                      | <b>Organization</b> | <b>Nationality</b> | <b>Sex</b> |
|----------------------------------|---------------------|--------------------|------------|
| Roundabout                       | Social Enterprise   | English            | Female     |
| China TAO lifestyle              | Enterprise (CSR)    | Chinese            | Female     |
| Maple Women Development Center   | National NGO        | Chinese            | Female     |
| Able Development Institute (ADI) | National NGO        | Chinese            | Female     |
| China Green Student Forum        | National NGO        | Chinese            | Female     |
| PLAN International               | International NGO   | Dutch              | Male       |

| Name                                                                                                                        | Origin        | Sector                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Rainbow of Hope</i></p>              | Local         | Agricultural and environment | Rainbow of Hope is a social enterprise with a mission to strengthen rural communities and promote sustainable agriculture by linking urban families with rural farmers, while providing healthy and safe food for all. City residents sign up to sponsor one of the family farms and receive pollution-free, chemical-free ingredients delivered weekly to their doorstep. Participants are encouraged to visit the family they sponsor, enjoy the natural landscape, and witness eco agriculture.                                                                                                                                                                                                                                                             |
| <p><i>Puki Design</i></p>                  | Local         | Social services              | Puki Design (Shanghai Puki Deaf Coordination Agency) is a social enterprise in Shanghai, that hires and trains the deaf. Puki offers graphic and web design, branding and printing services. Their mission is to care for the hearing impaired in all aspects. They employ individuals with normal hearing as well as those with hearing impairment to work together, designing layouts for corporate reports and corporate in-house magazines. They aim to raise the awareness of the public on the hearing impaired community of special needs education, promotes and explores new employment opportunities.                                                                                                                                                |
| <p><i>Beyond the Bund</i></p>              | International | Social services              | Beyond the Bund is a platform in Shanghai that helps create unique, bespoke and authentic cultural experience. They do this by connecting foreigners with the local elderly. They hope to achieve a social impact in Shanghai through eradicate the isolation of the elderly, make local youths more confident and get foreigner an insight in Chinese culture.                                                                                                                                                                                                                                                                                                                                                                                                |
| <p><i>Shanghai Young Bakers</i></p>        | International | Social services              | Shanghai Young Bakers (SYB) provides a fully-sponsored French & Asian bakery training to disadvantaged Chinese youth. Due to the growing demand of bread on the Chinese market, SYB graduates easily find a stable, qualified job after graduation and pull themselves out of the poverty cycle. Their purpose is to enable disadvantaged youth to lead independent lives through a qualified, empowering job. They will do this by achieving financial autonomy through a social enterprise model by developing commercial activities so that the generated revenue can complement donations and improve financial stability.                                                                                                                                 |
| <p><i>World of Art Brut Culture</i></p>  | Local         | Social services              | WABC is a social enterprise/ NGO helping the special needed to develop their artistic potentials as a way to educate and improve their quality of life. By setting up workshops and providing training programs in communities, they offer opportunities for the trainees to display their talents in drawing, music, pottery, etc. Meanwhile, they try to make the general public more responsive to the amazing artistic gifts of the special needed through exhibitions, selling derivatives and other forms. By doing so, they hope to promote social integration and gradually overcome the prejudices and discriminations against the special needed. WABC has established itself as a successful business model as well as a beloved community project. |








|                                                                                                                     |                       |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Fair Globe</i></p>           | Local                 | Agricultural and environment    | Fair Globe is a social enterprise fighting against world poverty by participating in the fair trade movement. Fair Globe encourages ethical shopping and cultivates responsible consumerism in China. They distribute fairtrade products to China. In doing so, they seek to increase the demand for global fair trade products. They educate consumers wishing to make ethical purchasing choices, offering them an alternative to unjust international trade networks.                                                                                                                                                                                                                                                                         |
| <p><i>Cambio Coffee</i></p>        | International         | Agricultural and environment    | Cambio Coffee is an organic direct trade coffee company. They import, roast, and serve gourmet quality coffee with love and change-making intention. As a business with a social mission, Cambio Coffee creates social and environmental impact through: direct trade (they know their coffee growers personally), price premiums (they reward growers for their top-quality coffee with international market access and significant price premiums), high-impact partnerships (they partner with small farmers and cooperatives) and projects (Cambio commits to donate 5% of its profits to development projects).                                                                                                                             |
| <p><i>Roundabout</i></p>           | International         | Social services                 | Roundabout is a social enterprise headed by volunteers. They provide a free service connecting those who wish to give, to those in need including the elderly, children in orphanages and from poor families, mentally or physically challenged people and women from disadvantaged backgrounds. They offer assistance by either directly passing on the items donated or by selling them in their retail store to raise funds. Store proceeds pay for medical costs for orphans and others less fortunate, sheltered housing for the elderly, warm blankets, food and other basic needs items for distribution. Their overhead costs are also covered by sales meaning that 100% of all monetary donations goes directly to the people in need. |
| <p><i>China TAO lifestyle</i></p>  | Local                 | Agricultural and environment    | TAOlifestyle is a social enterprise who believes of the power of nature, who designs by the way of nature, and who makes clothing and related daily supplies from natural (only organic) fabrics and dyed with vegetarian.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><i>Netspring</i></p>           | International         | Social services                 | Through green IT classrooms building and e-waste pollution reduction, NETSPRING is a pioneering social enterprise in China which strives to achieve a sustainable business model in order to help more poverty-stricken children and protect the environment in the long run.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p><i>Earth Water</i></p>        | International (Dutch) | Social services and environment | EARTH water is a social enterprise that ask consumers to buy their products, such as EARTH Water EARTH EARTH Coffee and Tea. 100% of net profit they realize namely the sale of these products, they carry out to fund water projects. They invest money in sustainable water systems in areas where it is most needed.                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><i>Home Sweet Home</i></p>    | International         | Social services                 | Home sweet home is a social enterprise/ NGO that is loving and caring for homeless people with special needs. These people can build their character in a loving home environment, develop their skills through training and employment and assist their integration in the community. Home sweet home sells their home made products using a social enterprise business model.                                                                                                                                                                                                                                                                                                                                                                  |

Table 1: Sectors and information of social enterprises interviewed in China.

## 5. Analysis: The Chinese social enterprise

The social enterprise concept in China comes from overseas and is shaped within a Chinese context. Section 5.1. analysis the underlying driving forces behind the emergence of the social enterprise in China. Currently it is difficult to say what the social enterprise concept means in China. This is described in section 5.2. What follows in section 5.3 is the undeniable relation with the non-profit sector as involving actor. Hereafter, in section 5.4. the public confusion is described. Section 5.5. finishes with an overview of the various geographical areas in which social enterprises are active.

### 5.1. Driving forces

The early development of social enterprises was mainly driven by international organizations. However, there are internal trends as well that have an influence on the rise of social enterprises in China. Different internal driving forces and environmental conditions for the emergence of social enterprises in China named by the interviewees were the declining welfare state; crisis of the state owned enterprises; liberalization of the economy; privatization and marketization of public services; increasing participation of the third sector in socio-economic issues and; the growing awareness of social responsibility. The three main driving forces most named were the declining role of the government in social welfare; the growth of civil society; and the Sichuan earthquake for individual participation in social enterprises. These will be further explained.

First, most of the interviewees agreed that the Chinese government is realizing that after a long period of economic growth, there are many fundamental issues that needs to be solved as their current path of development is not sustainable. Importantly, the government alone cannot solve these problems, resulting in the fact that they started looking for new solutions. To illustrate this, in June 2011, the Beijing Municipal Committee published a policy paper on strengthening and innovating social management in order to advance social construction. This paper advised that local governments should “explore various effective means of attracting social resources and social capital into public service, support the development of social enterprises and develop social services.” Subsequently, areas as Shanghai, Beijing and Guangdong have begun experimenting with incubators, supported by

the civil affairs bureaus to promote services related to social enterprises (China Social Enterprise and Impact Investment Report, 2013).

Second, the role of the socialist state as a social welfare provider has significantly shrunk and civil society organisations have achieved an expansive development (Yu, 2010). Over the past few years, the People's Republic has seen an emergence of a broad range of social organizations, varying from hierarchic, top-down public lobbies working from within the bureaucratic system, to participatory, grassroots organizations and enterprises. In this sense it implies a significant strengthening of civil society (Ho, 2001). Civil society can be seen as, voluntary service organizations, non-governmental organizations, non-profit organizations, and other types of civic groups which voluntarily advocate common interests in a society (Shieh & Deng, 2011).

Third and lastly, the Sichuan earthquake is seen as a driving force for individual participation in social entrepreneurship. According to a female social sciences professor at Fudan University, after the earthquake in 2008, some social enterprises played an efficient role in contributing to rebuild the area. Moreover, the Chinese government realized the unique effect of social enterprises and as a result started to seek for cooperating opportunities.

*"When rural people experienced the earthquake disaster, their philanthropic sense and understanding grew. They showed their power by uniting together. At that time many organizations with a social purpose were set up and transitioned into a social enterprise".* Chinese Secretary General at SERC

## 5.2. Definitional difficulties

Chinese social enterprises have the 'freedom' to choose a legal status and register either as a for-profit or non-profit organization. By missing an explicit legal status that includes rules and requirements to which social enterprises should conform, they receive no legitimacy and support. The female social sciences professor at Fudan University who holds a Ph.D. and M.A. in sociology from the University of Chicago and whose current researches includes social and political movements, research on non-governmental organizations and philanthropy, explained that 'In China, due to a missing legal status, defining and understanding the concept is broad, flexible and about self-identity. Currently, everyone can claim its organization a social enterprise in China'. An advantage of this flexibility according to

her is that it is easy to adapt. “More and more people will be aware of the social enterprise concept and will put effort in social movements and social innovation”.

In spite of this flexibility, there is no knowhow on the correct number of social enterprises in China. Besides, there are organizations using the social enterprise label while they are actually not a social enterprise, mentioned by a male social enterprise teacher at China Europa International Business School (CEIBS). For instance, someone told him “I employ people so I am a social entrepreneur that runs a social enterprise”. The teacher noted that it is too easy to define your organization a social enterprise in China. It points out that organizations are confused themselves and do not have a clear idea on what a social enterprise is and how they operate. Steppingstone, a Chinese NGO with a mission to improve the education and general welfare of disadvantaged children in China, agreed that the concept’s definition is too broad in China. “It is less clear here compared to the West”. This view was underlined by the Secretary General at Social Enterprise Research Centre (SERC) who added that if someone attempts to start a social enterprise, there is no common road to follow.

As a Chinese social enterprise it is not possible to benefit from tax exemption, donations or funding’s from either the government or multinational companies. Unless if they register as a non-profit organization since the government and multinationals are only allowed to donate to non-profit organizations. As a result, Chinese social enterprises are often registered under two different legal entities: the non-profit as well as the regular enterprise status. By doing this, they generate finances from different angles. As a consequence, social enterprises are legally not distinguishable from regular enterprises and non-profits. Moreover, stated by the social sciences professor at Fudan University, they intertwine to a certain extend. One example comes from Shanghai Young Bakers (SYB), a social enterprise that provides a fully-bakery training to disadvantaged Chinese youth. SYB was set up as a social innovation project in 2008 by twelve French volunteers from the French Junior Chamber of Shanghai. Two years later, SYB was handed over to Chi Heng Charity Foundation. They explained that the biggest part of their profits comes from selling their bakery products and the other part comes from donations. Interviewees agreed that generating a large proportion of the social enterprise’ income from the market is one of the most important points by which social enterprises differ from traditional NGOs. Precisely, the profit sharing is what should make the social goal clear.

*"In the way we function, we are very close to a NGO, the difference is that we do not have any donors. We have clients.*

*Ideally, no one excepts from our clients is paying us money".* French Program Director at Netspring

In reaction to the missing legal framework, SERC tries to build a better and clearer understanding of the social enterprise concept. Their actions include setting up a more rigorous definition including operational guidelines. They do this since 2014 by creating a social enterprise certificate called the China Charity Fair. This certificate is not government issued. The certification was initiated and carried out by five Chinese organizations: Beijing Normal University, Peking University; Narada Foundation; the fair's organizing committee and; SERC. The certification requires a social enterprise to set aside at least 65 percent of its annual revenue to help society, and over half of the enterprise's proceeds should come from commercial activities like selling products or services. The social enterprises must also be legally registered as a regular enterprise and have operated for at least two years. Last year, seven social enterprises out of 70 applicants were chosen and certified. If social enterprises strive to get certified they need to follow procedures and meet certain requirements including business components. The certificate increases trust for the public and for a social enterprise being officially recognised is something they can use in dialogues to externals and stakeholders.

*"Anyone can run a social enterprise since we miss regulations and rules to follow. Yet, if people are serious about social entrepreneurship, they will come to people who consult, like us".* Chinese Secretary General at SERC

### **5.3. From NGO to social enterprise**

Social enterprises do get attention from both the business and the non-profit sector, from which they gain even more. An explanation for this is that the social enterprise phenomenon has landed in the Chinese non-profit sector to drive the development of civil society. Where social organizations have been weak since 1990s and China's civil society in general faces a difficult environment to operate in due to legal, political, economic, and cultural obstacles (Xu & Ngai 2009) there was room for social enterprises. Moreover, NGOs in China face challenges in raising financial donations. Since they require a continuous flow of donations for their programs, their impact is limited and dependent

according to the Secretary General at SERC. Consequently, Chinese NGOs have shown great interest in the potential of a social business model to make profitability and social responsiveness converge.

*"Many people criticize NGOs, saying they are very low in efficiency with high costs. They need to work as a business: focusing on quality, efficiency, rules and sustainability. Social enterprises can set up as a role model for non-profits".*

French program director at Steppingstone

As a consequence, there is an increasing number of NGOs that intent to transit to a social enterprise. A number of them started to embark towards commercialization to continue delivering their services and becoming self-sustaining. Half of the social enterprises the social sciences professor knows, evolved from existing non-profits. To illustrate this Netspring, a foreign social enterprise in Shanghai is born out of a NGO. In 2009 when they started, the organization operated as a NGO. Yet, they had financial issues and were not sustainable. In 2012 was decided to switch to a social enterprise model. Due to this, they still run their program. Also Joint US-China Collaboration on Clean Energy (JUCCE), an American-Chinese NGO, yet in China registered as a company, is facing similar problems. They have the desire to turn into a social enterprise for the future. JUCCE realized that to be purely non-profit, their model is not sustainable. To continue and move forward new resources and money is needed. To solve this issue, incorporating a business model is necessary. Another NGO promoting social enterprises is Junior Achievement. By running an educational program called YESxBOP (Young Enterprise Solutions for China's Bottom of the Pyramid), they encourage students to develop innovative businesses models and sustainable solutions to improve the lives of millions of poor people in China while generating profit. According to Cambio Coffee, a social enterprise in Shanghai that creates social and environmental impact through direct trade and price premiums for small farmers, "it is better to be a social enterprise with a business approach instead of a NGO in China". JUCCE that is dedicated to changing the way China creates and uses energy agrees that the concept of social enterprises is definitely more welcome than before: "The concept modifies with the Chinese environment, as the main principle is to solve social issues with a solid business model".

*"The concept is both beneficial for the non-profit and the business world. A social enterprise is something between two different worlds".* Chinese entrepreneur at Rainbow of Hope



A little contradiction noted by some interviewees accounts for foreign social enterprises. Stated is that many foreign social enterprises in China would prefer to operate as a NGO. Yet, it is too difficult for them to legally register as a NGO. Due to the history of a strong state control in the past of China including difficulties for foreign NGOs to register as a NGO, the social enterprise idea is a solution and something in between, to avoid the struggles that come with registering and operating as a NGO. Home Sweet Home is an example of a social enterprise and NGO combination. They care for homeless people with special needs. These people can build their character in a loving home environment, develop their skills through training and employment and assist their integration in the community. In Hong Kong they are registered as a NGO and in Shanghai as a regular business. Since the owners are foreign, they cannot register as a NGO in mainland China. Besides, they prefer to earn money both from own financial profits as from donations.

*“Some organisations, especially foreign ones, decided to register as a regular enterprise, to avoid all the hassle that comes with registering as a NGO”.* Belgium Director at PLAN International

#### **5.4. Public confusion and misinterpretation**

Due to definitional difficulties and the intertwinedness with the non-profit sector, building acceptance of social enterprises in the general public is a current challenge. The public is not aware of the concept according to many of the interviewees. Building credibility is the hardest thing for social enterprises according to the NGO Steppingstone. The general public has to understand that it is possible to earn money for a social purpose. Moreover, recognizing that when a social enterprise is profitable, the profit flows directly towards the implementations of its social goal is a challenge. Additionally, this is often what makes people suspicious and confused. This suspiciousness is partly due to the similarities between social enterprises and NGOs and their shared social mission. Stated by the French program director at Netspring, nobody understands the social enterprise concept in China as it may not have been very well communicated. When talking about a social organization with a social purpose the majority of the Chinese people imagine a NGO. For example, Netspring started in 2009 with their ‘‘Green IT classroom against poverty’’ together with the Shanghai Overseas Chinese Foundation.

Through these green IT classrooms building and e-waste pollution reduction, Netspring is a pioneering social enterprise which strives to achieve a sustainable business model in order to help more poverty-stricken children and protect the environment in the long run. Still, seven years later they find it difficult to explain the way they operate and create profit. She explained that nearly all the people she speaks with suppose that everyone who works at Netspring is a volunteer and should not be paid. ‘‘The public does not understand that it is possible to run a business with something that they perceive as charity’’. Furthermore, after a few publicised scandals involving NGOs, there is deep mistrust of allowing businesses engaged in seemingly charitable causes to pay dividends to shareholders. To strengthen the development of social enterprise in China, it is needed to select social entrepreneurs and profile their successes. Success stories would help people to see and believe which creates trust, mentioned director at PLAN International.

*‘‘The general public is less aware of the concept and very suspicious’’.* Chinese Professor at Fudan University

## 5.5. Geographical differences

There are differences in how the concept occurs and is operated between various geographical areas in China. SERC and Non-Profit Incubator (NPI) noticed that most of their members are from the Guangdong Province, around Shenzhen, Beijing and Shanghai. The governments of these three cities have a reputation of being innovative, experimental and looking ahead. Each of the cities and regions with a growing social enterprise scene has its own documents and policies regarding social entrepreneurship. Additionally, these local governments have social management systems with which they make social enterprises quite an important component for their local governance. Noted by the NGOs Steppingstone and Habitat for Humanity, cities are the centres of money, both for funding and promotion as they are usually wealthier. Yet, according to the social sciences professor at Fudan University, social enterprises are not just an urban phenomenon, the concept starts to gain more recognition in rural areas. However, the people and entrepreneurs in these areas lack education and generally get by on their natural business instincts, following their own business models to provide a social service. They improve their service by relying on best practices. This is agreed on by the

Secretary General at SERC, to which was added that rural areas are very interesting locations with different nationalities, types and minority groups facing social needs and problems that have to be addressed and solved.

### 5.5.1. Shanghai

Shanghai was and still is the most advanced city in China economically. Shanghai received a variety of influences from overseas and built various communication channels to the outside world. Shanghai is seen as the commercial and financial centre, and remaining one of the main industrial centres of China. According to NPI, Shanghai was and is much more business oriented. Stated by Secretary General at SERC and many other interviewees, in Shanghai it is about economic growth, wealth and a large financial and banking industry. So the social enterprises and entrepreneurs here are more business minded. There are more social enterprises that started from the beginning with the identity of a social enterprise according to NPI compared to those in Beijing. Furthermore, Shanghai tends to deploy a higher number of expats, where most of the social enterprises are expat run or affiliated with them. This is also noted by JUCCE who mentioned that Shanghai is about communication with the West. Another distinction is that in Shanghai, market competition is of high importance, resulting in a lack of interest for jobs in the governmental or non-profit sector. According to Yangze, a local social service NGO, people in Shanghai are not very interested in politics and they do not talk about it. A topic such as human rights is very sensitive, but people in Shanghai are not that interested in social rights. Yet, the people in Shanghai are more open minded and are more willing and open for new business models and ideas noticed by the director at PLAN International.

*"In Shanghai, many are kind of international educated entrepreneurs, so they have a global sense in my opinion".* Chinese Secretary General at SERC

*"There are more Shanghainese young people who work in International companies. So in Shanghai, social enterprises are more an international thing".* Chinese Social Enterprise teacher at CEIBS

### 5.5.2. Guangdong

One of the areas with a high amount of social enterprises is in the Guangdong Province, around Shenzhen. According to NPI and SERC, the people in these Cantonese areas are situated the furthest from the Chinese political centres. Therefore, they are the most innovative and can experiment without the role of the government. Besides, this area is very close to Hong Kong so they can learn very easily from Hong Kong, which makes them highly progressive and innovative.

*"The Shenzhen government is really, really, really, pushing social innovation. Shenzhen especially, since it has the tendency to look at Hong Kong. The Hong Kong government is really pushing social enterprises".* American Program

Manager at NPI

### 5.5.3. Beijing

Beijing is the capital of China and the governmental hub of China. As the government is located here, governmental relations are very important. According to Steppingstone, Beijing is highly politically minded and conservative. Consequently, most of the international philanthropic efforts and their foundations in China are based within their headquarters in Beijing mentioned by most of the interviewees. This also accounts for the United Nations. Furthermore, most of the social enterprises in China are born out of NGO institutions. Logically, as most of the NGO's are located in Beijing, this is also the city where the number of social enterprises are rising. Most of the Chinese social enterprises and organizations in Beijing spoken for this research, all stated they gained their knowledge about the social enterprise from the implementation of British council situated in Beijing. Some of the social enterprises and NGOs were even trained afterwards and educated by the NPI in Beijing.

*"If you interact and work at national scale, you need to be in Beijing to interact with the government. I see this with social enterprises affiliated with NPI. Also all the foundations are based in Beijing as well as universities who encourage social*

*entrepreneurship".* American Program Director at NPI

*"Beijing has a different culture compared to Shanghai. There people like to talk about politics".* Chinese Director at Yangze

Social Services

## 6. Analysis: Global knowledge transfer

This chapter analysis knowledge transfers on the notion of social enterprises more thoroughly. In section 6.1. the influence of foreign schools of thought in Shanghai is identified. Section 6.2. and 6.3. addresses the division between foreign and local social enterprises. Section 6.4. discusses knowledge migration and the way foreign and local social enterprises collaborate. This is further outlined in section 6.5. with the role of supportive knowledge organizations. Section 6.6. analysis the cross-border human mobility on the knowledge of Chinese individuals, return-entrepreneurs and students.

### 6.1. Foreign influence

As described before, the early development of social enterprises was mainly driven by international organizations in which a major role was played by the British Council. Noted in a report completed by the Non-Profit Incubator (2008), most Chinese publications about social enterprises from 2004 and onwards were introductions to British and American experiences. Also all the interviewees agreed that the social enterprise concept is a foreign originated import, where the British played a key role in the introduction and promotion. This implies that the occurrence and understanding of the social enterprise concept in China is drawn upon foreign experiences and knowledge. To illustrate, in 2009 the British council set up a training programme focussing on social entrepreneurship. They decided to set up this up in the first place because ‘‘it builds connections across borders between social entrepreneurs, intermediary organisations and investors, which creates opportunities between the UK and China’’. The programme draws on the experience of the UK, a world leader in social enterprise stated by the project manager at the British Council. The programme has been featured in over 5.600 Chinese media reports. In 2013, the British Council additionally launched a Social Investment Platform to promote social investment and provide training and funding opportunities.

*‘‘The British Council is the United Kingdom’s international organisation for cultural relations and educational opportunities’’.*

English Project Manager at British Council East China

*‘‘It is the role of British foreign policy to advocate the idea of social entrepreneurship and social enterprises around the world as a world leader. In China they play a very important role’’.* Chinese Social Sciences Professor at Fudan University

### *6.1.2. Foreign community in Shanghai*

It is almost impossible to be in Shanghai and not encounter the large foreign community. The foreign community in Shanghai has over the past century made an incredible mark on the city and its people. Being a foreign researcher, it was hard not to get involved in the foreign community. The general division between the locals and the foreigners became clear soon enough, just by walking into a bar, club or supermarket. The foreigners in the city have come up with many ways to maintain this division, for example through the many expat websites where the foreign restaurants, clubs and bars are listed. Another example are the formed communities as there are already two Dutch societies in Shanghai.

*"I feel like there is a lot of tension in Shanghai between foreigners and Chinese people. Due to the competitive environment there is a lot of competition".* English Social Entrepreneur

## **6.2. Foreign social enterprise scene**

The distinction between foreigners and Chinese people have also made their mark on the social enterprise sector, where the influence of foreigners cannot be denied. It seems that the expat social enterprise scene is excluded from the local Shanghainese scene and vice versa. Doing desk research online in China, mainly social enterprises in Shanghai with a foreign background were found easily including a professional website in both English and Chinese language. With this it became clear, somehow in line with the amount of foreigners in Shanghai, that there is an active and growing foreign community of social entrepreneurs in Shanghai.

When interviewing the foreign social entrepreneurs, often these people had been working in a corporate business either in their home country or in Shanghai. Their gained business skills in this corporate environment are necessary for the social enterprise in China explained by Netspring, Earth Water and Shanghai Young Bakers. Hence, the business model is what distinct a social enterprise from a non-profit organization. Two other foreign social enterprises, Beyond the Bund and Cambio Coffee are owned by two young European entrepreneurs who specifically moved to Shanghai to start a

social enterprise. As they were familiar with Shanghai's possibilities for social enterprises and the quest for social services this felt as a great change to them.

A place where the influence of the foreign community became very visible was during the different events held by accordingly Impact Hub, Green Initiatives, Fresh Start and Work Force regarding social enterprises and sustainability. Green Initiatives for example is a non-profit organization that promotes awareness, facilitates actions, implements projects, and stimulates change toward sustainable models of growth and consumption. Fresh Start supports the growth and development of Social Enterprises in China. Certainly most of their visitors, guests and speakers are foreigners that come to network. The foreigners interact and share knowledge with each other, using successes from overseas. During these events the main language spoken is English.

*"There is a big division between the Chinese and foreigners. Fresh Start for example organizes weekly an event where social entrepreneurs were invited to give a speech and discuss new topics. For this English speakers were preferred".*

American Program Manager at NPI

*"There are many network groups and events in Shanghai where you can gain knowledge. These are organized by Cambio Coffee, Fresh Start, Green Initiatives, the Chamber of Commerce and the British Council. Almost all foreign, which is a pity".*

French Director at Social Enterprise

### **6.3. Local social enterprise scene**

Opposite to foreign, are local social enterprises and their view regarding the social enterprise phenomenon. Few interviewees explained that due to a growing middle class in China, there is a certain level of stability and education. For this reason, individuals are starting to think about how to include more (disadvantaged) people in their country's economic growth. To put emphasis on the local individual, the interviewed Chinese social entrepreneurs in this research were motivated to set up their social enterprise based on that they were personally surrounded by the social problem. Born out of the desire to solve these problems and do something meaningful, rather than contributing to civil society as a whole. Examples come from the founders of Puki Deaf and World of Art Brut Culture (WOABC).

Puki aims to help young people with hearing problems find new employment opportunities. The founder, a young man in his thirties, explained that he started his social enterprise by his empathy for others, not aware of the social enterprise concept back then. While working for a NGO on rebuilding the Sichuan area after the 2008 earthquake, he met a deaf designer who proceeded to introduce him to the deaf community in Shanghai where he learned sign language. Noticed was that these hearing-impaired citizens of Shanghai had low-paid manual labour jobs. In 2010, he decided to quit his job with six years' experience in the design and advertising industry and to set up his own business. As a social entrepreneur he does not like to emphasize on the charitable aspects of Puki, preferring to compete with other companies under the same rules. Now he has twelve employees working in their Shanghai office as a graphic designer. They design mostly for foreign big companies who know Puki deaf as a social enterprise.

World of Art Brut Culture (WABC), is a social enterprise that helps people with special needs, specifically children with autism. The founder of WABC is an artist, curator and entrepreneur who opened his own studio after graduation. He realised that art can play a very important role for those people in need. Since the founding of the organization in 2009, WABC has arranged many art training classes for special needs people, including painting, music, photography and drama. These classes help to increase their imagination, as well as help them create works that show their individual style. The created work is eventually what WABC sells to others from which they earn their income.

*“Many grassroots Chinese social enterprises are operating alone. It may take a few years before they are discovered by supporting organizations or manage to get media exposure”.* Chinese Secretary General at SERC

#### **6.4. Encounter between foreign and local social enterprises**

This section examines how the existing knowledge transfers between local and foreign actors take place. According to the social science professor at Fudan University and noticed by the interviewees, there is barely any collaboration and integration between the two actors. None of the foreign interviewees had contact or relations with local Chinese social enterprises. Netspring, a foreign social enterprise, explains that they have partnerships with the American and Australian Chamber of



Commerce. Those chambers provide a good network by having a lot of foreign members, who have knowledge about social enterprises and entrepreneurship. Although Netspring has a significant amount of foreign contacts, it aims to reach ample amount of Chinese organizations as well. Up to now they have not succeeded in this. The question that rises is why foreign social enterprises barely connect and cooperate with local initiatives. A majority of the interviewees ascribed the absence of cooperation to language and cultural distance. People want to speak in their own language and due to this they separate from each other. The people working for Netspring do not speak Chinese, have no Chinese contacts and are not affiliated with a Chinese network. Consequently, Netspring has difficulties integrating Chinese people in their enterprise as the two groups live separated lives in Shanghai.

*"My goal was that anyone interested, either foreign or Chinese could be put together. Then, everyone who replied was foreign".* English Social Entrepreneur at Beyond the Bund

Opposite to foreign social enterprises are local enterprises. Four out of five local social enterprises interviewed, do not collaborate or work with international companies or social enterprises. Moreover, World of Art Brut Culture and Puki Deaf even do not know one. They primarily work from their own office, situated in an area specifically build for local social enterprises named Gongyi Xintiandi. This area focuses on cross-sector collaboration and community development for local NGOs and social enterprises. Foreigners are barely found here.

Yet, different from the foreign scene is that some local social entrepreneurs do seek for best practices from foreign social enterprises. These local entrepreneurs believe that foreigners can provide them with opportunities in gaining knowledge and promoting their social enterprise. One local Chinese agricultural social entrepreneur, for example, do gets advice and support from an American designer who shares his time and expertise. The designer is educated both in civil engineering as in Chinese studies. Together they focus on scaling up and promotion of the social enterprise. This Chinese entrepreneur explained that overseas foundations have more experience from which local enterprises can learn.

*"For all the organizations, the social enterprise model, is still fairly new. So Chinese organizations often need and have a western counterpart to advise them". American-Chinese NGO, JUCCE*

Another example of cross-border collaboration comes from JUCCE, a Chinese NGO funded by the United States. The original organization came out of a desire to bridge the gap between China and the United States. Their aim is to share knowledge and try to implement best practices and knowhow from the United States while adjusting this in a Chinese context. Knowledge transfers imply that knowledge created by one party produces externality which can facilitate innovation by other parties. Likewise, according to one of the incubators, using foreign knowledge can be very useful. Moreover, when you want to scale up and replicate your model as either a local or foreign social enterprise, you have to work with different international organizations, companies and non-profit organizations. So if the two actors find something on which to work together, probably they will do so mentioned the social sciences professor. Though, explained by the incubator from NPI, it is very difficult to transfer the right and useful information and/or skills. Some tools do work in Europe, yet these do not work in China whereas other tools are universally useful. Presenting a foreign tool to China can be dangerous as some would easily say 'it is foreign Western knowledge so we want to use it' without considering the local situation and adaptability. This is something that needs to be avoided. Instead it is important to understand the procedures that are in place from a multidisciplinary approach.

*"As a project manager, I do not bring in a lot of foreign knowledge. Besides, a lot of foreign advises are not useful here, since China is so different compared to the UK. People from wealthy countries do want to help but this is tricky because you need to spend a lot of time here to understand how everything works". American Program manager at NPI*

## **6.5. Supportive organizations**

There is an emerging support network of incubator organizations, accelerators and entrepreneurship supported programs who facilitate cross-border collaboration. Their goal is to create and share knowledge globally and to strive for an optimal ecosystem for local social enterprises to flourish. Impact Hub in example is an international impact builder for social entrepreneurs where impact makers can connect, work, meet, collaborate, grow and scale. They provide training and assistance to

social entrepreneurs. Currently they are opening a new office in Shanghai. The Chinese director explained that everyone working at Impact Hub is Chinese, there are no international members. The role and influence of two other local supportive organizations in knowledge transfer will be explained subsequently.

*"We trained over 800 Chinese majors and governments to inform them, create awareness and starting the dialogue.*

*Explaining international concepts is easy but not to integrate them. If you want everyone to adapt, you need multiple touch points".* Chinese-American NGO in Shanghai

#### *6.5.1. Non Profit Incubator (公益孵化器)*

The Ministry of Civil Affairs in Shanghai is investing in the construction and the maintenance of the social innovation sector, which is partly operated by NPI. NPI is China's largest grass root platform supporting social entrepreneurship since 2006. They are seen as a capacity builder and one of the largest and most influential local social organizations in China. NPI vision is to "advance social innovation and cultivate social entrepreneurs in China, where all social entrepreneurs and non-profit practitioners can excel in an environment of ample support from government policy and public opinion". Its programs can be divided into three initiatives: a platform for social entrepreneurs, a platform for community service and a non-profit consulting service. Currently, NPI operates incubation offices in Shanghai, Beijing, Chengdu and Shenzhen, besides they run programs in nearly 30 cities. NPI used to be fully funded by the government (Shanghai Civil Affairs Bureau) who donates money to incubate non-profits and community centres. Though, in 2015 NPI opened co-working spaces with private money without restriction to industries, like a social enterprise itself. According to the interviewee, who is the only foreigner out of 240 employees, NPI's incubator parks are quite grassroots, which makes them different from other more international oriented organizations in Shanghai. To illustrate, both local social enterprises WABC and Puki design do get their support. NPI offers them a free office and introduces them to Chinese companies, government agencies and academic institutions. Moreover, most local social enterprises in Shanghai can trace their roots back from the NPI program. Originally, NPI incubated only non-profits. Yet, after a few of their trainees started to work for a social enterprise or as a social entrepreneur this changed. Currently, NPI does not

make a distinction between NGOs and social enterprises. Probably ninety percent of the organizations are non-profits and ten percent are social enterprises at NPI, which is shifting a bit as some non-profits moved to a social enterprise business model.

*“Originally our mandate is to incubate social organizations that were working in for example elderly care, community services and education”.* American Program Manager at NPI

#### *6.5.2. Social Enterprise Research Centre (社会企业研究中心)*

Social Enterprise Research Centre (SERC) based in Shanghai, is the leading research organization in China focusing on local social enterprise research, education and training. Their goal is to boost the development of social enterprise and social investment industry and to build up a favourable external environment for the industry. The interviewed secretary general works full-time together with a team of five and several interns. When SERC started, their focus was purely on social enterprise research for their own interest. From 2008 onwards they continuously visited different social entrepreneurs. Furthermore, SERC teaches classes on social entrepreneurship at Shanghai University and they run social innovation workshops for the government, companies and social organizations. This is done to enhance capacity and resources for social enterprise sector in China by exchanging ideas, showcase social enterprises and explore partnerships. After five years, in 2013, the industry started to develop, with an emerging group of social enterprises. From 2014 SERC runs the China Social Enterprise and Social Investment Forum (CSESIF), jointly initiated by a group of foundations and venture philanthropy funds in China. It dedicates to the development of China’s social enterprises and social investment. It is a forum body though it works as an association with memberships and fees for social entrepreneurs and supporting organisations. SERC sees itself as a platform organisation, where they are responsible to find those who have expertise and thereafter connecting them with the trainees.

*We introduce speakers from organisations with whom we are happy to partner, so we can bring their expertise to our members. Usually we have three speakers of which one is from an incubator, one from the British Council, and one from a foundation. All with a specific background and approach, so our members can have access to different methodologies. We are also planning an overseas study trip to the US to visit different social enterprises”.* Chinese Secretary General at SERC

## 6.6. Impact of cross-border human mobility

Notably is that most of the interviewees (both foreign and Chinese) in Shanghai had international experience, either working or as an international student. This has raised the question to which extend knowledge transfers occur through entrepreneurs' mobility across national borders. The return entrepreneur is a special group that promotes social enterprises in China. Many of those interviewees have been exposed and inspired towards social enterprises during their time abroad and are now taking action upon their return to China. Moreover, the interviewees are simultaneously embedded in two distinctive knowledge contexts referred to the country they studied or worked in and their home country. This embeddedness provides them the opportunity to draw upon sources of advanced knowledge and new ideas.

To illustrate, the social enterprise teacher from CEIBS, worked and conducted research in France, Cambodia and China regarding social enterprises. He found that the social entrepreneurs in Shanghai are either expats who come to Asia or local people who studied/worked abroad and now take the concept to China. The social sciences professor spoken with holds a PhD and MSc from an American University where she gained knowledge and experience. Another example is from a Chinese/French social entrepreneur, who lived both in France and China to study, and is now using his experience from both countries and bridges these with his own non-profit organization named Feiy. Feiy is an online platform that connects people with high-impact organizations and social impact initiatives in China. By being a community platform for NGOs and social enterprises, their goal is to inspire a new generation of social dreamers. He connects mostly young entrepreneurs and students from either China or Europe. As a last example, the director of NGO Yangze social services have lived in Canada where she studied and did community work. She uses foreign ideas, experiences and gained knowledge in her current work. Overall, these people often do not have to deal with the language barrier as they speak English. Moreover, returnees' cultural background enables them to exploit non-local experiences and knowledge through China.

## 7. Analysis: Future possibilities and challenges for knowledge

Different future potentials for the growth and development of social enterprises in China were presumed by the interviewees. These are divided into three main elements: the influence and potential of We Chat in knowledge transfers and promoting and increasing awareness surrounding social enterprises; the quest for more business knowledge within the social enterprise scene, and; the increase and involvement from Chinese leading Universities and youth as potential for social enterprise development and cross border collaboration.

### 7.1. Knowledge through We Chat

The Internet has grown more rapidly than any previous technology, with significant impacts throughout much of the world. The growth of such information and communication technologies is allowing new forms of coordination of people and events to emerge (Büscher & Urry, 2009). This involves examining how knowledge and information, increasingly converge and overlap. Obviously, there is a certain exchange of (international) knowledge and experience due to the technologically connected world. Moreover, adoption of the internet and mobile phones is one of the biggest and most important impulses for the promotion of social enterprises in China. In China almost everyone is connected through We Chat (Waxing in Chinese) with 656 million Chinese users in 2016 (Statista, 2016). We Chat is a mobile instant text and voice messaging communication service that has become an important social media platform in China (Lien and Cao, 2014). All the social enterprises interviewed are visible on We Chat with a business account where they promote themselves and where it is extremely easy to bring and share information with others stated by the secretary general at SERC. More specifically, it is one of the places where most of the knowledge is shared between Chinese citizens. NPI for example, explained that their online magazine has already 6000 readers with the help of their We Chat account. For the social enterprise Beyond the Bund, We Chat is the only platform where they actively promote themselves. According Lien and Cao (2014) We Chat motivates and builds trust among the users. The willingness in making positive comments on products and services increases. This can positively affect the attitude towards social enterprises. Additionally,

social media platforms like We Chat provide citizens with the opportunity to express opinions and discuss social and developmental issues previously restricted by the state-controlled media.

## 7.2. Business knowledge

As most people who start to work in a social enterprise are from the NGO sector, they struggle due to inadequate business expertise within their teams according to the social sciences professor at Fudan University. This also accounts specifically for NGOs in their transition phase. While the social mission for those organisations already exists, their business model is often unclear and their income generating strategies appear inefficient, lacking a commercial advantage. The current absence of business knowledge and their mind-set has to change.

*"We need to focus more on the business sector to have a better understanding of how to bring a social purpose into their business. In the future, more focus and work on the business sector needs to be done, rather than the NGO sector".*

Professor at Fudan University

A possible solution is to work and collaborate more with business people. Different players have to collaborate, with a mentality that combines a social and business purpose and mind-set according the social enterprise teacher from CEIBS. In order to realize its potential, social enterprises, like any other business, require the finances to set up and grow to scale. Besides, a key part of the social enterprise business model is the reinvestment of profit to further the social or environmental mission for social good. A good example of this is Netspring, a NGO that transitioned to a social enterprise. At the time when they were a NGO, people had no knowledge on the financial aspect. When they transitioned to a social enterprise, the new directors had business knowledge and hired a marketer and sales person. Now, all the employees have a business oriented mind due to their background in the for-profit industry. This is important since a social enterprise is in the end a business that has to generate profit.

## 7.3. Chinese youth and education

Leading universities in China are adopting the social enterprise concept. One example is the global collaboration between Utrecht University Centre for Entrepreneurship and Fudan University for a summer school on entrepreneurship. Equivalent is Tongji University that cooperates in a joint

initiative with four other universities to “enable entrepreneurs to shape a better world” with the Global Entrepreneurship Summer school. Furthermore, Shanghai Jiao Tong University has a faculty in Entrepreneurship and Innovation. One focus part is social entrepreneurship and social innovation. The growing interest from Chinese universities and the younger generation can be ascribed to a number of factors described subsequently.

First, one of the underlying causes is that public and social welfare work was primarily regarded as a government responsibility. Yet, the Chinese government cannot succeed alone in this process. As a result, the Chinese government is encouraging new approaches from the society to pilot innovative ways to meet the increasing needs. Consequently, one of the approaches is the funding and promoting of social entrepreneurship with relevant subjects in the Chinese university curriculum. Second, due to the prevalence of English and globalization, modern Chinese youths can better understand Western culture when going abroad to study, travel, or work. This also positively affects the social enterprise scene in China. According to Steppingstone, a Chinese NGO, the new generation of students is more social aware, partly due to the influence of floating ideas and practices around the world. This generation is more and more likely to work in the social sector for social enterprises or NGOs according to the social sciences professor at Fudan University and the program director at Steppingstone. Steppingstone notices this because they have a lot of Chinese volunteers which is very different compared to the past when there were mainly foreign volunteers. These new Chinese volunteers often worked abroad for an international company. Now these individuals want to do good for society. Some of them even quit their job to start working in the non-profit sector according to Steppingstone and PLAN International.

### *7.3.1. Barriers for Chinese youth*

Nonetheless, two factors impede the interests and growth in social enterprises. These are organisations and customs in civic society and parental expectations. China is still a socialist state with policy implementation resulting from their centrally-planned economies. This has affected Chinese civic society with derived norms of behaviour and how they interact with formal rules, which subsequently affects Chinese youth and their aspirations and possibilities. Almost all the interviewees explained that it is obstacle for Chinese individuals to pursue their dreams and live fulfilled lives.



*“The social sector is not yet accepted in China. Moreover, there is no freedom to follow your passion as an individual. We had one candidate, a young ambitious woman who was very interested in the job. After we arranged everything, totally unexpectedly, she called that she could not accept the job as her parents did not allowed her. to”* Director at NGO

Two local social entrepreneurs explained that China passed the stage of economic development and that individuals are not only satisfied by ‘making money’ anymore, they think about creating a positive externality too. Yet, they are grown up in a very competitive environment and in a one child family oriented policy where their parents have put all their effort in this child to become successful. Especially in Shanghai, this is very important. These individuals face a lot of pressure from their parents as they need to justify their choice when working in the social sector. Their parents and the older generation cannot understand it says director at PLAN International as they come from a time when China was underdeveloped. Moreover, explained by the social sciences professor from Fudan University, from a historical Confucian perspective people are more caring for their family and less for their ‘neighbour’. Families were so tightly connected; one’s social interaction mainly came from within one’s own family unit. In contemporary China, however, this traditional family structure and way of life has been undergoing rapid changes to more Western values.

In conclusion, social entrepreneurship and working for a social enterprise is not seen as the ideal career path. Yet, it is changing rapidly in China and it is becoming more well-known. Furthermore, the secretary general at SERC and social entrepreneurs from WOABC and Puki Deaf explained that social enterprises do from a historical perspective fit very well with the Chinese culture in relation to building a harmonious society and caring for others, which should be highlighted more.

*“China is a socialism country, though it is not very clearly what this means, a social enterprise seems to have a sort of connection with our Chinese ideology too; creating a harmonious, more balanced and socialistic society. This will facilitate the growth and acceptance of social enterprises, especially within the younger generation”.* Secretary general at SERC

## 8. Summary

In the first results chapter, the influence of the specific context of Chinese social enterprises was analysed. Specifically, its driving forces, local definitions and operational environment. Findings showed that the interviewees had difficulties with understanding the social enterprise concept in the first place. It could be observed that none of the interviewees was able to fully understand the social enterprise concept. This could be ascribed to the absence of a common accepted definition and in line with this, the lack of a legal status and rights; it is rather open to a range of interpretations and actors. Everyone can claim its organization a social enterprise. The results indicate that social entrepreneurship in China is highly dominated by non-profits organizations, public institutions and social welfare enterprises that have been performing the functions of social enterprises. Due to this, the terms non-profit organization and social enterprise are generic terms commonly used and loosely correspond to the legal forms in the Chinese legislation. To further develop social enterprises, they must receive support from the national government as social enterprises directly redistribute wealth to improve individual livelihoods and increase overall social benefit. The role of the government is to create conditions in which social enterprises are tolerated. Since in policy-making it has been common to argue that the key to development is changing local conditions (Sheppard, 2002) and to view development policy in terms of the local supply of adequate services and conditions, China needs a transition in political and regulatory systems and legal frameworks intended to facilitate and shape local Chinese social enterprises to operate in a more supportive institutional environment. Overall, the first sub question *'how are social enterprises defined within its local Chinese context?'* is answered and shows the lack of a clear definition and understanding, which can result in issues that could bear consequences for the growth and development of social enterprises in China. This is one of the challenges faced by Chinese social enterprises. Interesting is whether a broad and diverse definition or a strict definition of a social enterprises is more beneficial for their future potential and development in China.

In chapter six the impact of cross-border human mobility on local knowledge through interaction between different types of individuals was discussed. The focus was on the resources,

skills, international knowledge and the ways of benefits-sharing transfers that are taking place. This comes together with social and business networks that social enterprises are integrated into. The findings showed that local social enterprises and foreign social enterprises barely interact and connect with each other. None of the foreign interviewees had contact or relations with local Chinese social enterprises and vice versa. A place where the influence of the foreign community became very visible was during different social enterprise and sustainability events. These places were overwhelmed with foreigners using business knowledge gained in previous corporate jobs and locals were often missing. Although different overseas organizations bring in foreign schools of thought and experiences through explicit knowledge as documents and papers, it was noticed that all the interviewees had difficulties with gaining and sharing knowledge. Different from the foreign scene is that some local social entrepreneurs do seek for best practices from foreign social enterprises. These local entrepreneurs believe that foreigners can provide them with opportunities in gaining knowledge and promoting their social enterprise. Moreover, to scale up and replicate your model as either a local or foreign social enterprise, you have to work with different international organizations, companies and non-profit organizations. While doing this, it is important to transfer the useful information since presenting a foreign tool to China can be dangerous as some tools are not universally useful. Overall, the second sub question *'how does knowledge transfer and collaboration take place among the social enterprise scene in Shanghai?'* is answered from which can be concluded that foreign social enterprises barely connect, encounter and share knowledge with local initiatives.

Chapter seven described the future potentials for the growth and development of social enterprises in China that were presumed by the interviewees. Named were the growing influence and potential of We Chat in knowledge transfers; the quest for more business knowledge within the social enterprise scene, and; the increase and involvement of youth as potential for social enterprise development and cross border collaboration.

## 9. Discussion

The previous chapter presented a short summary of the findings, which suggest further discussion to determine the difficulties associated with knowledge mobility surrounding the social enterprise context in Shanghai. In this chapter a link will be made with the literature and previous research on social enterprises and knowledge mobility. Outcomes of the research will be discussed and questioned.

### 9.1. The Chinese social enterprise context

That definitional difficulties and practicalities are one of the paradoxes of social enterprise research (Peattie & Morley, 2008) matches with the findings of this research. The research findings seem to support the notion that the understanding of social enterprises is shaped by the context surrounding them described by Steyaert and Katz (2004), Chell (2008) and Perrini et al., (2010). Precisely, arguments of scholars that social enterprises vary in form and function, depending upon specific characteristics of welfare systems, the third sector and the climate of the embedded legal system (Chell et al., 2010) are supported by findings from this research. The first results chapter analysed the social enterprise concept in its contextual nature with the influence of institutional characteristics and local understandings for the development of social enterprises in China. Outcomes show that China faces specific conditions that do not account for other countries or places. Although the concept exists for more than ten years in China, social enterprises are still in an early stage of developing where key bottlenecks withhold their growth. A social enterprise, in the terms of a commercially oriented, productive, democratic, surplus generating, autonomous institution (Defourny & Nyssens, 2008) does not exist in China. Likewise, there are no social enterprises in China as we know them in the West, this also accounts for the foreign ones due to the specific Chinese context. Social enterprises of true scale are rare and most have yet to go beyond the initial pilot phase.

### 9.2. Foreign discourse

Evidently, the early development of social enterprises was mainly driven by international organizations. Most Chinese social enterprise publications from 2004 onwards were introductions to British and American experiences. All the interviewees agreed that the social enterprise is a foreign originated import in which a major role was played by the British Council. This mobility of a foreign

concept influences local ideas and thoughts since many documentations and information that reaches local initiatives have an international character. Also success stories are often affiliated with an international background. Throughout, the social enterprise concept is framed within a foreign discourse as a mean to tackle social issues that are not well served by existing solutions organized through government or non-profit means. A discourse provides a set of possible statements about a given topic, and organises and gives structure to the manner in which this particular topic or object or process is to be talked about (Foucault, 1984). Worth considering is why this western concept is the only form of conceptualizations that enters the field of Chinese thought. Consequently, this embrace capital and power, from institutions like the British Counsel. The concept is being translated into Chinese discourses of newness and innovation which marginalize the Chinese account. This newness (Boddice, 2009) allows the neoliberal conceptualization to deny the historicity of forms of social entrepreneurship in the Chinese context. Newness means no context and no need to engage with history. Discourses exist not solely within texts but are co-constructed by many different sources. This is further illustrated with the operational definitions 社会企业 (the social enterprise), 社会创业 (the social start-up), and 公益创业 (the start-up for public good). Their distinctions are derived from the English-Chinese translation of the words social and enterprise which in Chinese have different meanings than in English. Due to the foreign discourse the social enterprise concept is somewhat alien for local Chinese. Nevertheless, such a foreign approach and framing does not explain why social enterprises emerges in the way it does, or why it is new for solving China's problems.

### **9.3. Lack of finances and business knowledge**

Peattie and Morley (2008) state that the unifying role of the social enterprise concept lies in the fact that it generates mutual attraction between the non-profit and the for-profit sphere. Between these areas social enterprises flourish (Spear, 2006). Yet, in China almost all the social enterprises have primarily aroused and still arise out of a NGO as a result of that the social enterprise phenomenon has landed in the Chinese non-profit sector to drive the development of civil society. This bears some consequences. Economic value in producing goods or selling services with a significant level of risk is one of the indicators of a social enterprise (Defourny & Borzaga, 2001). In other words, a core

characteristic of a social enterprise' strategy is a high degree of self-financing (Thomson & Doherty, 2006). Some authors even argue that a social enterprise needs to generate hundred percent of its finances, with zero dependency (DTI, 2002). This argument is not supported based on findings from this research as most interviewed social enterprises are not self-sustaining. Most of the social enterprises arise from the non-profit sector facing challenges regarding business models, knowledge and skills. It can be questioned whether it is possible to operate as a social enterprise without generating own finances and having a sustainable business model. Can social enterprises rely on various resources as donations and government subsidies, next to their own revenues, or do they have to be fully self-sustainable by generating profits? Some consider that an organization can also be a social enterprise if it adopts innovative ways of fund-raising and explore all available resources (Defournny & Kim, 2011).

#### **9.4. Knowledge mobility**

The nature and impact of skilled migrants on knowledge mobility and production is a discussed topic in development studies. The argument that high skilled migrants usually obtained a university degree (Iredale, 2001) can be supported referring to the findings that show this idem. All the interviewees in this study have a university degree. Simultaneously, according to the Global Entrepreneurship Monitor (2011) the propensity to engage in social entrepreneurial activity is related to education levels. Skilled migration can help societies develop in a sustainable way (Leung, 2013). Someone who has obtained a high educational degree, is more willing to attract and exploit new knowledge, experiences and skills than someone who has completed a low educational degree (Lucas, 2006).

##### **9.4.1. Encounters between foreign migrants and locals**

Shanghai received a variety of influences from and built various channels to the outside world as a consequence of international mobility's. The literature chapter describes that Shanghai as a major international hub benefits extremely from the large amount of skilled migrants, as they contribute to their development by transferring knowledge, innovative ideas, wealth and money (Dreyer, 2012). In the second results chapter the encounters between foreign social enterprises and local social enterprises were discussed. Findings showed that the foreign social enterprises distinguish from local

initiatives and that these two groups barely encounter, connect and collaborate. There is an exclusion of expats from locals, where expats live in their own 'bubble'. This is agreed by Farrer (2010) who argued that it seems like foreigners in the city mainly mingle with other foreigners. This resonates with additional research on this topic showing that transnational expatriate often lives and work in social and cultural isolation (Yeoh & Willis, 2005). This can also be placed in the context of this research. With Western expats as a category of 'strangers' within the Chinese city a classic description of urban migrant life is that of the 'urban villager' (Gans 1962), which would seemingly fit the gated suburban Shanghai communities, derided as 'expat villages'. In contrast to this is that according to Portes (1997) people are able to live dual lives. In example, people move easily between different cultures, frequently maintain homes in two countries, and pursue economic, political and cultural interests that require their presence in both. This can be questioned as to which extend people truly live a dual live and move between cultures.

Answers were given why foreign social enterprises barely connect with local ones. Language and/or cultural distance were most often ascribed to the lack of cooperation. These findings support the argument that a common language is required when individuals coming from different countries would like to transfer knowledge, experiences and skills (Bartol & Srivastava, 2002). In addition, cultural differences are usually represented by dissimilar language, background, perceptions and mentalities (Swierczek, 1994). Nevertheless, English is a common used language at the international level. In China, English is taught as foreign language (Sharifian, 2009). The trend is that in China an increasing number of natives are using English to interact with other natives (Jackson, 2012), which would decrease distance and positively affect the transfer of knowledge.

#### 9.4.2. Knowledge transfer and social trust

Described in the literature is that the level of trust influences the transfer of knowledge, experiences and skills. In essence, a high level of social trust will reduce uncertainties and individuals are more willing to transfer knowledge, experiences and skills (Capasso et al., 2005). This argument is supported in the findings that show a current lack of social trust and/or support towards social enterprises (Xu & Ngai 2009). The promotion of social enterprises currently primarily relies on the younger generation; the public society is not there yet. Building acceptance and credibility for social

enterprises in the public is a challenge. The idea that a business can pursue altruistic goals and profits simultaneously is extremely foreign. Moreover, recognizing that when a social enterprise is profitable, the profit flows directly towards the implementations of its social goal is another challenge. Trust has to be built. Trust emerge in networks in which individuals are involved. Additionally, building personal trust means that intensive social interaction is required (Widen-Wullf, 2014). When someone has a high level of social trust, this person is willing to get involved in high risk situations. At the same time, social trust could also be realized when individuals have shared values and a shared moral code derived from a culture (Williams, 2010). The culture of a society comprises its shared values, understandings, assumptions and goals which results in common attitudes, codes of conduct and expectations that mould the behaviour of the people (Loosemore, 1999). According to Kwan & Ofori (2001), one of the characters of the Chinese culture is building relationships (guan xi) and trust. When transferring the social enterprise concept to China it can be argued that focusing on these aspects is important and necessary for its growth potential.

#### 9.4.3. Knowledge networks and connections

There is a growing support network of incubator organizations, accelerators and entrepreneurship supported programs who facilitate cross-border collaboration and to strive for an optimal ecosystem for local social enterprises to flourish. The argument that in order to create social change, social entrepreneurship implies the utilization of networks, building of connections between individuals, and the interactions in communities (Domenico, Haugh, Tracey, 2010) can be supported. With the help of these organisations social enterprises can built a knowledge network with whom social enterprises can share papers, products, databases, skills and experiences (Phelps et al., 2012). It is important that these supportive organizations create more opportunities to transfer knowledge and lower the difficulty of transfer, and the recipient's ability to absorb knowledge (Argote & Ingram, 2000).

#### 9.4.4. Skilled returnee migrants

Theoretical findings can be supported implying that the emergence of returnee migrants may play another important role in knowledge transfer (Audretsch & Lehmann, 2005; Madsen et al., 2003). Experiences from Chinese who gained knowledge across national borders facilitates international



knowledge transfers regarding social enterprises. Many of the interviewees have lived abroad where they have been exposed and inspired towards social enterprises or social services in general. They use this past experience now in their performance which is supported by Ucbasaran, Westhead and Wright (2001). All of these people have compared to non-returnee entrepreneur's knowledge advantages, where non-returnees have limited access to non-local knowledge and networks. Besides, returnees have specific social capital that involves resources attained through a network of social relationships (Adler & Kwon, 2002; Cooper & Yin, 2005). Such human and social capital is important to many small firms as it provides access to information and resources not available internally (Peng & Zhou, 2005). This further supports the 'migration-development nexus' with the idea that return migration will support local economic development in the home country of migrants.

## **10. Conclusion and recommendations**

This research has contributed to the scientific literature on social enterprises within its local Shanghainese context and the influence of knowledge mobility. This chapter gives an overall conclusion, deals with the problems of this study and gives recommendations for further research.

The overall aim of this research was to draw a better understanding of the social enterprise concept and practice in China. The research gap assumes that there is little evidence to which cross-border human mobility affects the international diffusion of local knowledge (Song et al., 2003). Consequently, the main question relies on the influence of human and knowledge mobility on the local development of social enterprises, which creates a certain understanding of how concepts and ideas are shaped by new linkages and flows of people and information networks. This research has further built on the critical yet difficult-to-quantify effect of migrants in the role they play in transferring knowledge and how their movements take shape locally, specifically within the social enterprise context.

The findings showed a huge lack of knowledge transfers between local and foreign social enterprises and individuals. Characteristics of the source of knowledge, the recipient, the context, and the knowledge itself affected the potential transfer. A given solution to the lack of collaboration and global knowledge, is the emerging support network of incubator organizations, accelerators who

facilitate cross-border collaboration. They are seen as an asset to facilitate social enterprise opportunities for the future. To illustrate, most Chinese social enterprises can trace their roots back from the NPI incubators program. Next to these supportive organizations, knowledge is also transferred through the returnee entrepreneurs. The skilled return entrepreneurs and the development-nexus has to be further optimized. They can increase the success of social enterprises within a global world. Their experiences gained across national borders facilitates international knowledge transfers regarding social enterprises. Many interviewees have been exposed and inspired towards social enterprises during their time abroad and are now taking action upon their return to China. Their emergent mobility can be considered as a bridge between different institutional and cultural economies while contributing to the future growth of social enterprises. Regularly access to knowledge can support local social entrepreneurs in their work.

### **10.1. Recommendations**

This research shows to a certain degree dualism between native and Western citizens. This has been used to characterise various aspects of the geographical transition from one place to another. Yet, such an approach can be problematic as it focusses on difference which may not reflect reality and can overlook the diversity of relationships. Furthermore, this study shows a rather complex landscape, which invites researchers to remain open to diverse approaches of social enterprises.

A focus group discussion was planned as a final data collection method to gather additional information on the topic of knowledge transfer with Chinese students. However, due to time limits and unexpected visa issues it was not possible to gather enough local participants on time. This would be recommended for further research. Additionally, basic demographical information was missed during interview due to the absence of a survey. A questionnaire-survey to acquire basic demographic information, and quantitative information can be added for further research. Quantitative information can be primarily used to introduce the research population in terms of general demographics and relevant statistics of characteristics of entrepreneurs e.g. age, employment status, education, length of stay in China, experience (living/working) in other countries. Also quantitative characteristics of the enterprises would substantially have added value referring to the age, size, sector, revenues etcetera.

Respondents in this research represent educated, experienced, urban social entrepreneurs and individuals. The theory and practice of social enterprises are concentrated in large cities as cities are the hierarchy of space where centres become areas of decision-making, knowledge and consumption (Millington, 2011). Many social entrepreneurs in rural parts of China do not have the same experience, English language ability and high-levels of education. The social entrepreneurs operating at the grass roots level in rural China are separated from an ecosystem that nurtures, trains, educates and supports them. Therefore, there is a lack of participation in rural and under-developed areas and their growth potential is often limited. Additional research by focussing on them is recommended.

Since many social enterprises have been transformed from NGOs in China, this interaction and overlap with the NGO sector raises questions whether the social enterprise belongs primarily to the non-profit sector or also to the world of corporations. To which extend do regular business and enterprises transit to a social enterprise model. Or is this called Corporate Social Responsibility(CSR)? More focus on the business side regarding social enterprises in China is recommended.

In chapter seven, the influence of Chinese leading universities in adopting the social enterprise concept is explained. Due to academic mobility, described as the academically motivated geographical movements of students, faculty and researchers, to study, teach or take part in research for a period of time (Leung, 2014) knowledge and new ideas are transferred more easily. Besides, due to the prevalence of English and globalization, modern Chinese youths can better understand cultural differences (Hannerz, 1996) when going abroad to study, travel, or work. International students are internationally orientated and intercultural aware (Findlay et al., 2006) and their international experience undermines nationalistic tendencies and prejudices (Hayden et al., 2000). Yet, a number of recent studies have concluded that overseas students rarely ‘mix’ with individuals from the host society (Candery et al., 2008; Ehrenreich, 2008; Tsoukalas, 2008). International education does not, in this context, work to break down social barriers and expose individuals to cultural ‘difference’; rather it serves to create social networks that limit experiences of difference and maximise encounters with ‘people like themselves’. Further research on student mobility and the transfer of knowledge is recommended, especially within the context of the ‘foreign’ social enterprise concept.

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