

## The general report of social enterprise in China

### Executive Summary

The concept and studies of social enterprise were formally introduced to China merely 4 – 5 years ago. Relevant works, studies, forums, symposiums and conferences from 2004 promoted the theoretical studies and the practice of social enterprises in China. However, “social enterprise” is comparatively a new phenomenon in developed countries, which is still evolving quite fast with no fixed model. So it’s easy to understand that why even now the concept is not only ambiguous for the general public, but also quite new for academics and the NGO sector in China. The debate on the concept of social enterprise keeps going on, but the practice still lags behind.

In this report, 9 Chinese social enterprise candidates from NGO world were introduced, including Xingeng workshop, Beijing Stars and Rain Education Research Institute, Sowosky, Hua Dan Workshop, Raleigh China, Hetong, Fuping Housekeeping Vocational School, Hongying Nursery Education Counselling Co., Ltd and Beijing Cultural Development Center for Rural Women. These organizations adapt more innovative ways to tackle social problems. They attach much importance to keep good communication with their beneficiaries and stakeholders and have aspiring leaders with Charisma and devotion who can attract employees and volunteers to work for the mission of their organizations. However, most of them face the challenges of funding shortage and lack of business skills.

In a social enterprise questionnaire survey among local NGOs which have the potential to become social enterprise in the future (sent out 48 questionnaires and got back 30 replies), around half of the interviewees classify social enterprise as some type of NGO; approx. 1/3 of the interviewees classify it as enterprise and the rest can not make up their mind or have other definitions. When asked to describe the elements of social enterprise, the interviewees list the followings (listed according to the importance, from least to most): social mission, leader with social entrepreneurial spirits, innovative solution, the capacity of fund-raising and integrating resources available, and sustainable development. When asked to talk about the factors hindering the development of social enterprise, most interviewees point out funding shortages and legal barriers (see Table 2). There is no foundation exclusively dedicated to invest in social enterprises so far in China. What’s more, the government knows little about social enterprises and the policy is not favorable. 68% of the interviewees think social enterprises are most likely to evolve from existing NGOs. 48% of the interviewees think social enterprises are likely to be found by entrepreneurs; only 36% think students who are fresh graduate can establish social enterprises while 44% think it is impossible. Over 90% said they want to convert their organizations to social enterprises if there is chance to achieve the sustainable development.

We also interviewed several prominent experts/ scholars related to social enterprise development in China. When asked about the challenges of building social enterprise in China, they thought it includes: lack of initial fund (caught in the positioning dilemma of neither an entirely for-profit company nor a traditional NGO, social enterprises find it hard to get venture capital, or loans or grants from foundations which tend to support traditional NGOs; lack of professional NGOs that serve the target groups effectively; lack of business skills and talents in traditional NGOs; lack of innovative solutions to social problems and lack of competitiveness with commercial enterprises.

The potential partners capable of providing technical inputs for British Council's Skills for Social Entrepreneurs Project include some prominent professors such as Ding Yuan Zhu, Yang Tuan, Zhu Jian Gang, Wang Ming, Deng Guo Sheng and institutes such as the Global Entrepreneurship Research Center under the School of Management, Zhejiang University, NGO Research Center of Tsing Hua University, China Social Work Research Center, etc. The key players in the capacity building for social enterprise include Steven Koon, Global Links Initiative; Non-Profit Incubator (NPI), Fuping Development Institute, Alashan SEE Ecology Association etc.

There is almost no donor exclusively focusing on supporting social enterprise in China right now except for Ashoka which entered China early this year funding social entrepreneurs, however there are several Venture Philanthropy Funds from abroad already started to do some investigation and may establish their rep office next year. Talking about local ones, here comes China Social Entrepreneur Foundation. In addition, Ford Foundation, Asia Foundation, as well as some local ones such as Narada Foundation and Lenovo Venture Philanthropy Fund make contributions to social enterprise development in China.

Social enterprise is at its infancy stage in China and there is no agreed definition on it no matter from the experts or the practitioners. However, the notion of social enterprise is quite well-known among NGOs and gets more and more attentions from people of other fields. Social enterprise has been already considered an important direction for NGOs in China, so China should build its own social enterprise system based on Chinese situation and more efforts should be made to encourage social entrepreneurs.

## Background

### The present development of social enterprises in China

The concept and studies of social enterprise has been formally introduced to China around 2004. With the publication of the Chinese version of “How to Change the World: Social Entrepreneurs and the Power of New Ideas” by David Bornstein and “The Rise of the Social Entrepreneur” by Charles Leadbeater, the notion of social enterprise become a hot topic among NGOs, academics, media and social elite from various backgrounds, although the general public is still relevantly unfamiliar with social enterprise. If you type “social enterprise” in Google search engine, there appears 1,100,000 results often mixed with the explanations and introductions of “Social entrepreneur” which is relatively well-known. If you type “enterprise”, it pops out 589,000,000 results in less than 0.10 seconds.

### Theoretical study

Relevant studies, forums, symposia and conferences from 2004 promote the theoretical studies and the practice of social enterprises in China. For example, the Global Links Initiative and China NPO Network jointly hosted the “Sino-British Symposium on Social Enterprises/NPO” in November 2004 in Beijing. In July 2006, a conference on “social entrepreneur and public welfare” was co-held by Alashan SEE ecology association and Beijing Brooks Center. Another conference “Social Innovation and Building Innovation-oriented Country” was held in October by three organizations: China Center for Comparative Politics& Economics under the Compilation and Translation Bureau, the British Council and the Youth Foundation. In 2007 the Global Entrepreneurship Research Center under the School of Management, Zhejiang University, the Skoll Centre for Social Entrepreneurship affiliated to Oxford University, and the Entrepreneurs School of Asia jointly organized an International Forum on Social Entrepreneurship in Hangzhou.

Meanwhile, many academic journals publish relevant articles about social enterprises. Compared with others, *21 Century Business Review* and *Orient Entrepreneur* give more attention to this topic. From 2004 till now, they have each published above 20 articles with key words of “social enterprise”. People are concerned about the extension and intention of this concept, the quality and construction, history and future, function and effect, etc. Most articles are introductions to British and American experiences. Hu Xin, senior assistant of Duck University, wrote *What's Social Entrepreneurship (Comparative Economic & Social System, 2006)*. The article analyzes the latest trends and cases in America and reflects the background against which social entrepreneurship comes into being. Early in 2005, some of specialists such as Ding Yuanzhu, Dong Jiong published their articles on *China Economic Direction to*

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introduce foreign social enterprises and discuss the development strategies in China. Many specialists are keen on giving a definition or description from Chinese perspective. For example: *Transform and integrity: Character, Structure and Development of Social Enterprise* (Shi Lirong, *Theory Journal*, 2005), *Comments on Concept of Social Entrepreneurship*(Yang YU, Zhen Cuiyong, *Productivity Research*, 2007), *Discussion on Commercialize of NPO*( Yang Fenglu, Sun Qingqing, *Shandong University Journal*, 2007)etc. Every one have their own understandings of the key words. But it seems that they do not distinguish “social enterprise”, “social entrepreneur” and “social entrepreneurship”, all of which are used to refer to one meaning: social enterprise.

The exchange visit of leading British social entrepreneurs and Chinese NGO leaders and social entrepreneurs also drives the prevalence of social enterprise concept. More and more NGO leaders and intellectuals believe that the movement of social enterprise will be a good remedy for many social problems and unmet social needs and a boost for civil society development in China. The concept of social enterprise spreads quickly in first tier cities and eastern costal areas of China, such as Beijing, Shanghai, Guangzhou and Chengdu, but is relatively less well-known in inland cities due to lack of information exchange and connection with outside world. Compared with the spring up of social enterprise concept worldwide, China is just at the start point of study and practice, but it does not mean there are no practices on social enterprise before. “It is significant to have a deep research on the germination of social enterprise which may be hidden in some organizations and some one’s ideas”, Zhou Sungming said at the symposia of “Status quo and Future of Social enterprise”, hosted by SRI(Social Research Institute) in October, 2008.

### **Definition and Recognition**

Presently, the consensus about social enterprise is that this new type of organization, possessing with social purpose and business traits, combing innovation with entrepreneurship, can play an important role in poverty alleviation, enhancing participation and capacity building for the vulnerable and disadvantaged groups, establishing social capital and ensuring sustainable development and a harmonious society.

However, “social enterprise” is comparatively a new phenomenon in western developed countries, which is still evolving quite fast with no fixed model. So it’s easy to understand that why even now the concept is not only ambiguous for the general public, but also quite new for academics and the NGO sector in China. As a result, many disputes exist over the definition during these years, and there is no sign of quiet down.

What is social enterprise? The question appears on many occasions and references. In China, the disputes focus on two questions. Firstly, do social enterprises primarily belong to NGO or corporation? Most of researchers and practitioners in the third sector hold the view that social

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enterprise should belong to the non-governmental and non-commercial “third department” because it provides public services and the surpluses are re-invest in the organization to continue helping their disadvantaged customers instead of distributed to the shareholders. While some people emphasize that social enterprise is labelled with innovative social entrepreneurs, commercial skills, and sustainable development by making profit through production and service providing. From this angle, social enterprise should be a kind of corporation first. Steven Koon holds the view that social enterprise is to solve the social problems using business models and mechanisms. Its position is between corporation and traditional NGO, but more inclined to the former. Whereas, it is widely accepted that social mission/ purpose is the key factor involved in social enterprise. Therefore, more in-depth and comprehensive analysis of the concept, methodology and intrinsic quality of social enterprise is still very much in need.

As to the sustainable development, there is another question. Can social enterprises rely on various resources from donations and government subsidies besides services providing, or must it primarily sustain by its own profit generating? People who classify social enterprise as a corporation insist that social enterprise must making profit through production and services providing, if not 100%, at least a large proportion of income should come from business operation. They consider it the most important point from which social enterprises differ from traditional NGOs. Deng Guosheng, the director of NGO Research Center of Tsing Hua University, holds this kind of view. In his opinion, there is none real social enterprise in China. However, others don't think the way social enterprises achieve sustainable development should be confined to making profits by service providing and trading only. If only the organization can adopt business models and innovative way of fund-raising, and is good at exploring and integrating all resources available – be it government subsidies, donation or its own business operation, it can be deemed as social enterprise.” I think there are three ways for social enterprise to obtain resources : charge by service providing or by trading; fund raising to support certain projects; and “mixed farming” said Sungming Chow, Deputy Director of Social Work Research Center of Peking University and Hong Kong Polytechnic University.

### **Difference from CSR**

The development of social enterprise in western countries is coexisting with another two important trends: corporate social responsibility and growing strength of ethical consumers. Similar in China, the emergence of social enterprise goes hands in hands with CSR movement. The idea of “corporate social responsibility” (CSR) is now universally accepted: an enterprise should create profit and be responsible to the shareholders, at the same time, it must shoulder its social responsibility for its employees, the society and the environment. However, the term CSR is much more well-known than social enterprise in China. Many large Chinese companies (both state owned and private) start to accept the notion of CSR and some of them have even established CSR departments. However, misunderstandings between the terms of

CSR and social enterprise exist prevalently. In Chinese, the two terms contain the same Chinese words in reversed orders, which makes the public puzzled easily. Some business leaders consider social enterprise an equivalent to CSR, and they think as long as they establish the department of CSR in their companies or donate certain proportion of the profit, their companies become social enterprises. Even some experts hold this view too. One article in last year's brochure of China Social Entrepreneur Foundation cited an example as typical social enterprise. The example was a hotdog restaurant near Tsing Hua University. It was chosen because it donated 20% of its profit annually to poverty alleviation, but obviously it's not right. There are still lots of work to do to clarify the conceptions and raise the awareness of social enterprise in China. Innovation is a key character which differ social enterprise from others. Wu Chen, member of SRI (Social Resource Institute), expresses his opinion in the *Guide for Social Enterprise (2007)*: At the present stage, a flexible space for the definition of social enterprise is needed. But it does not mean innovation should be weakened; on the contrary, it must be strengthened. Social enterprise should not only provide trainings and create jobs for less advantaged groups, but also should open up the market.

### **Practices of social enterprise**

While the concept and the theoretical study of social enterprise are getting prevalent in China now, the practice of social enterprise still lags behind. There are only a handful good examples existing right now according to the strict definition of social enterprise in western countries. But some Chinese specialists prefer to judge local social enterprises according to their own standards, normally at a more opened angle. For example, SRI (Social Resource Institute) is establishing a "Social Enterprise Directory" right now. They identify the fields social enterprises can have influences as the followings: rural development, urban livelihood, co-development between the urban and the rural. Then they choose a few organizations as cases to enrich their directory. And some cases cited in the report of "*Social Enterprise: Practice in China*" (*Comparative Economic & Social System*, 2007) by Ding Kaijie from China Center for Comparative Politics & Economics, such as Luoshan Citizen's Club is struggling to sustain its operation under the bureaucratic obstacles. Its service quality declines and can not cope with the growing needs from neighbouring communities. There are also some so-called social enterprises failing to fulfil the social commitments and gradually change back to normal business, such as Mopa Housekeeping Service. Meanwhile many quasi social enterprises have big potentials to be further developed, such as traditional NGOs and administrative institutions in transformation, social welfare enterprises, co-operatives etc.

### **Advantage**

With the shift of Chinese government from control-oriented administration to service-oriented administration, a large amount of public services will be provided by civil organizations. The flourishing of these NGOs may push bottom-up reform of the third sector, making the

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registration easier and tax policy more favourable. At 17<sup>th</sup> national congress, Mr.Hu Jintao points out that emphasize the importance to build up social organizations; improve their functions of social cohesion and public participation. As one form of social organizations, social enterprises may get a favourable political condition. Relevant theories and function patterns are being introduced into practice constantly. This provides a large space for social enterprises.

Many donors and fund providers keep their steps with the trend, noticing the huge social benefits that will be generated by social enterprises, and set up their strategies. Such as, Narada Foundation, China Social Entrepreneur Foundation. The latter claims that “they are pursuing to be the cradle of China excellent social enterprise”(the 18<sup>th</sup> newsletter of China Social Entrepreneur Foundation), and has set a “award for potential entrepreneurs”. And Narada Foundation is supporting NPI to incubate several potential social enterprises.

### **Disadvantage**

But at the very beginning stage of social enterprise development, failures and challenges are quite common. The status in quo should be concluded as the following:

There is none well-operated supporting system. The development of social enterprise in China is calling for the enabling environment and a whole supporting system for social innovation including legitimation, monitoring, comprehensive investigation, capacity building, funding and other vital resources.

Lack of social entrepreneurship is another bottle-neck of the development. Many NGOs have projects to practice social enterprise, but they do not have the right kind of talents to implement it properly. Xie Lihua, the president of Rural Women Development Centre complained it to us in the interview. “It’s not a unique phenomenon at present,” Tang Min (chief economist of China representative, Asia Development Bank) writes down in “*Calling for social entrepreneur*” (*China Entrepreneur*,2006). It’s the time.

Lack of innovation spirits constrains the development of social enterprise, but innovativeness should be the core character of social entrepreneur. Without it, there is no social entrepreneurship, and no organization worthy of the name of social enterprise. Some donors have to change their former projects, just because of dissatisfaction with the so called “social enterprise” ideas which have no innovativeness.

### **Methodology**

This research is carried out by NPI staff in Beijing and Shanghai. It is mostly desk based study plus the questionnaire survey and over a dozen face to face interview and telephone with head

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of social enterprises and experts in this field. As required we read through the joint publication *Social Enterprise Overview: A UK and China Perspective* done by British Council and China Centre for Comparative Politics and Economics as the basis for the research, and read other approx. 20 more articles on social enterprises to compile the report. As for the questionnaire survey, we designed the questionnaire based on the reference British Council provided and send it by e-mail to 48 grassroots NGOs which have some traits of social enterprise or have potential to become one to learn about their understanding of social enterprise. And we got 30 replies, among these there are 25 questionnaires were complete. During the whole period of study, we discuss the Terms of Reference with experts from British Council to have a better understanding of the background and to clarify the requirement and expectation for the research. NPI produced an interim report to inform British Council how social enterprise is developing in China, who are the key players in this area and what are their strengths and weaknesses on Nov 21, and then completed the final report according to the feedback for the interim report from the British Council and the focus group consultation results.

## **Results & analysis**

### **1. The key players and stakeholders in China**

#### **1.1 List of some prominent academics/ institutions involved in the study of social enterprise**

##### **Individuals:**

Prof. Ding Yuan Zhu

research fellow of Economic and Social Research Office of Macro-economic Institute of National Development and Reform Commission, director of Public Services and Social Management Research Center of Peking University;

Main research areas: macro-economic and social development, social policies

Prof. Yang Tuan

Director of Social Policy Research Office of Chinese Academy of Social Sciences;

Main research areas: social policy, social security, community study

Prof. Zhu Jian Gang

Associate professor of Anthropology Department of Sun Yat-sen University, director of Center for Civil Society of Guangdong Development Institute of Sun Yat-sen University;

Main research areas: urban and rural communities, civil organizations and collective action

Prof. Wang Ming

Deputy dean of the school of Public Administration of Tsing Hua University, director of NGO Research Center of Tsing Hua University ;

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Main research areas: the role of civil organizations in the building of a harmonious society, civil society governance, comparative study of international non-profit sector

Prof. Deng Guo Sheng

Deputy Director of NGO Research Center of Tsing Hua University;

Main research areas: accountability, performance and capacity-building of Chinese NGOs

Mr. Sungming Chow

Program director of China Social Work Research Center, joint program of Peking University and Hong Kong Polytechnic University

## **Institutions**

**The Global Entrepreneurship Research Center under the School of Management, Zhejiang University** (<http://www.hrsd.zju.edu.cn/aboutus.asp>)

It is an innovative research center with research talents from various fields. Its three main research areas are: innovative talents and leaders; entrepreneurship, innovative policies and district competitiveness

**Civil and Social Development Research Center of the Anthropology Department of Sun Yat-Sen University** (<http://ics.sysu.edu.cn/>)

It is a non-profit research and advocacy organization subordinated to the department of anthropology of Sun Yat-Sen University whose mission is to build a people-based, collaborative civil society. It supports the development of civil organization by facilitating cooperation between all the sectors.

**NGO Research Center of Tsing Hua University** (<http://www.ngorc.org.cn/>)

It is subordinated to the School of Public Administration of Tsing Hua University. Its objectives are cultivating NGO managers, leading researches on NGOs, promoting relevant laws and providing capacity building trainings to NGOs.

**China Social Work Research Center**

It is co-built by Peking University and Hong Kong Polytechnic University. It works to cultivate excellent social workers and rich the theory and practice of social work.

**Social Policy Research Center of China Academy of Social Sciences**  
(<http://www.Chinasocialpolicy.org/>)

It is under the Social Policy Research Institute, Chinese Academy of Social Sciences (CASS). Established in April 1999, it aims to provide first-class research and consultancy service in social policies in China by leveraging the research capabilities and resources of the Institute,

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and by participation and support from Chinese and international specialists with relevant expertise and background.

### **Research Center for Comparative Politics & Economics**

(<http://www.cctb.net/yjzx/bjyjzx/#>)

It is a non-profit research organization subordinated to the Institute of Contemporary Marxism. Its strength is on comparative researches, that is, organizing scholars at home and abroad to take multi-disciplinary and cross-regional comparative studies.

### **Social Resource Institute** (<http://www.csrglobal.cn/>)

Social resource institute (SRI) is a non-profit research institute with its actions and research focusing on CSR and sustainability of non-profit sectors. SRI takes the initiative in encouraging the participation of CSOs in CSR, enriching the resources and extending the space of civil society. SRI published an introduction book for social enterprises. It lists in details the basic concepts and resources of social enterprise, as well as the main risks, which shows our cautious supporting position for social enterprise.

All the above mentioned academics and institutions above make many efforts on introducing and disseminating the concept of social enterprise in China, and they are very good at theoretical studies and are good advocators for the notion. They also help a lot on building the consensus among some senior government officials, entrepreneurs and other social elites that to develop social enterprise is the right thing to do for a harmonious society. However there is very few in-depth and comprehensive research focus on the current situation of social enterprise, and most of the researchers do not have any close contact with social enterprises and direct experience running a NGO or business, so when it comes to providing the suggestions on how to develop social enterprise in China step by step, the answers will be quite vague and lack of practical value.

## **1.2 Individuals and organizations involved in the capacity building for social enterprise**

Key players in this field include: Steven Koon, Global Links Initiative; Non-Profit Incubator (NPI), Fuping Development Institute, Alashan SEE Ecology Association etc.

Steve Koon, an expert on CSR with strong business background, founder of AvanteChange website which encourages students from Philippines and Thailand to establish socially responsible for-profits, now is teaching courses on social enterprise in Fudan University and provides seed fund for excellent business plans conceived by his students.

NPI ([www.npi.org.cn](http://www.npi.org.cn)) is a NPO formally registered in Shanghai in January 2006. Now it has over 30 full time employees in Shanghai, Beijing and Chengdu offices working for the mission of "Advancing Social Innovation, Cultivating Social entrepreneur in China" by providing crucial

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and integrated supports for start-up and small to medium sized NGOs and social enterprises. With the supports from local and international foundations, multilateral organizations, private sectors and certain government agencies, NPI is actively exploring an innovative growing path of NGO supporting organizations during the booming third sector development in China. NPI is working with social entrepreneurs who have a keen grasp of social problems and demands, innovative solutions and the perseverance and capacity needed to implement these solutions. Since 2007, NPI's work has proved that the incubator model is a feasible way in supporting newly established grassroots NGOs and social enterprises. NPI not only provides office space, equipments and other facilities to incubating grassroots but also help on fund-raising and advocacy for a better development environment of NGOs and social enterprises. Furthermore, it gives training and guidance to the grassroots on institutional capacity building. Therefore, NPI receives acknowledgment on its effort from the stakeholders, including incubated grassroots, the government, corporations, mainstream media and etc.

Fu Ping Development Institute (FDI, [www.fdi.ngo.cn](http://www.fdi.ngo.cn)) is a registered NGO co-founded by famous economists Mao Yushi and Dr. Tang Min in 2002. FDI aims to promote social innovation, to further social equality, to alleviate poverty and encourage sustainable development, so as to pursue the establishment of a harmonious society. FDI focuses on promoting the growth of civil society and the development of NGOs; expediting social investment and supporting social enterprises; encouraging environmental protection and sustainable development; promoting the reform of educational systems and developing vocational education and further education and promoting integrated community development. Its main projects include Leadership for Environment and Development, Pathways to Higher Education, Micro Finance, Strengthening Capacity of NGO for a Harmonious Society, Fuping Vocational Training Program, Social Support Network for Domestic Workers, Venture Philanthropy Partnership, Renewable Energy Education, Ford Foundation IFP Alumni Facility, Rural Community Center for Education and Development etc.

Alashan SEE Ecology Association (<http://see.sina.com.cn/en/index.shtml>) primarily focuses on anti-desertification in Tengeli desert areas of inner-Mongolia Province; it also make efforts on capacity building for the grassroots conservation and environment NGOs and promoting social entrepreneurship and the practice of social enterprise. This organization possess a very strong linkage with approx. 100 prominent Chinese entrepreneurs, so it will be a good partner in the future to bring business experiences and methods to develop social enterprises.

Youth Business Development Competition (supported by the Oxford Business Network for Social Entrepreneurship, the Said Business School and their extended network of academic and business leaders) wins enthusiastic participation of collage students.

GSEAN is an internet communication platform concentrated on environmental protection. It has provides network support to WWF-WAA/ The College Environmental Forum in China/ train the trainer and above 10 regional organizations. The service GSEAN can provide for BC's

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program is counselling and dissemination, particularly in the field of environmental protection, by its internet platform which covers 1300 college leagues, 20 regional environment organizations and web networks.

### **1.3 Donors and loans provider**

There is few donors exclusively focusing on supporting social enterprises in China right now, and it is notoriously difficult for small to medium sized enterprises to get loans, let alone social enterprises which face much more challenges to balance the social outputs and business performance. China Social Entrepreneur Foundation is the only one which primarily supports social enterprise development in China. However, after Wenchuan Earthquake, the board decided to shift their work towards directly conducting earthquake relief and recovery projects in Sichuan Province and ceased the grant making activities for a period. Now, the foundation comes back to their original mission and cooperates with World Bank to establish the “award for potential entrepreneurs” to support social enterprises in China. Many international foundations, such as Ford Foundation, Asia Foundation, and “Development Market” program of World Bank etc., as well as some local ones such as Narada Foundation and Lenovo Venture Philanthropy Fund, all make contributions to social enterprise development in China. However, considering the funding needs to mainstream the development of social enterprise in China, there is still a huge gap waiting to be filled immediately.

### **1.4 Social enterprise practitioners – cases from the third sector in China**

#### **Case 1: Xingeng Workshop [www.xingeng.org](http://www.xingeng.org)**

Xingeng Workshop is a social enterprise dedicated to improving the living conditions of disadvantaged groups and the education of students from poor families via promoting fair trade handicrafts.

The founder Vincent Chu is deeply influenced by his family religious belief and tradition. He begins to do voluntary work since he was very young. This doesn't change after he came to China to do international trading business in the 1980s. At the beginning, he assisted poverty-stricken students in rural areas to receive education. But as he knows more about this group, he gets to realize that what he did is far from enough. There are many other problems need to be solved, such as the psychological problems. As a father himself, Vincent understands the students. If their parents can't live decently, where dose their dignity come from? If the students fail to receive university education and have to go back to farming, where can they apply what they have learnt in school? To answer these questions, Vincent decides that besides helping the students, he must also help their parents. This idea becomes more firm as he gets to know the poverty stricken areas more.

In August, 2006, when paying a visit to the “AIDS village” in Henan, Vincent surprisingly found

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that the local AIDS infected people were not able to participate in the heavy farm work because of the disease. In order to make a living, the local people, including AIDS orphans and widows, had to involve in the risky job of making firecrackers. Many people's faces were disfigured and some of them became handicapped in the frequent explosions. The scenery was too ghastly to look at.

It would be a great charity if a handicraft workshop can be established in the village. It would enable the villagers, especially the women staying at home, to improve their livelihood by doing safe jobs and thus help them lead a life with dignity.

And in western China, many families can't afford school education for their children. However, many of these places happen to have beautiful landscapes and special traditional customs. There are plenty of handicraft products hidden in these places. It would be a great idea to develop these resources and make them known by the outside world. Through Fair trade, these products can bring additional income to the local people and improve their living condition.

On the one hand, Xingeng provides job opportunity and brings additional income for women live in poverty stricken areas, such as "AIDS village" in Henan, provide training courses and help them turn into qualified workers, and buys their products at higher and reasonable prices than the market. The products Xingeng makes is all environment-friendly and hand-made, besides the designs contain elements of traditional culture besides looking modern and attractive. By far Xingeng has made tailor-made handicraft products for DHL、Shanghai NPO Development Center、Hong Kong Social Workers Association、Malaysia Chamber of Commerce and so on.

On the other hand, Xingeng sells products with local flavours but little known by the market due to poor information、backward transportation and inefficient marketing, such as camel quilt from Inner Mongolia.

### **Challenge**

However, as a newly-established social enterprise, it still faces many challenges. Firstly, there is the problem of increasing the business size, as the market has just been developed and the variety of hand-made products is quite limited. Secondly, it can't afford the high payment to good designers. Thirdly, there is the challenge on how to protect the copyright of the products, as the simple manufacturing procedure exerts little difficulty on copy. What's more, the team also needs more capacity building on financial and institutional management.

In the field of fair trade, MART Fair Trade Center, Beijing Zhongfu Limin Economic and Trade Development Co., Ltd (<http://www.fairfield.org.cn/index.php/cn/contact/index/40>) and Rabbit King Research Center of Poverty Alleviation (<http://www.rabbitking.org/>) are similar organizations.



Rural women of Henan province is working in Xingeng workshop

Products of traditional Chinese Lunar new year pictures



**Case 2: Beijing Stars and Rains Education Research Institute**  
<http://www.guduzh.org.cn/Default.aspx?alias=www.guduzh.org.cn/English>

Beijing Stars and Rain Education Research Institute is China's first non-governmental educational organization dedicated to serving children with autism. In 1993 when it was founded, there were just three doctors who could diagnose autism. There was none organization, whether school or hospital, that could provide service or counselling to autistic children.

Under the circumstances, Ms. Tian Huiping (mother of an autistic son) and her partners began to fill the gap. After many difficulties, they finally succeed in finding out an effective way to help their target groups, which is the applied behaviour analysis based autistic children training approach and parent-training course.

Note: This report is completed by NPI (Non-profit Incubator) who was commissioned by the British Council to conduct a national research on the social enterprises in China in 2008.

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Since 1993, it has helped over 6,000 autistic children and their families through their unique 3-month parent-training course, which gives parents the skills necessary to educate their own children. Because of the inadequate provision of care for autistic children in China, it would be impossible to directly educate more than a fraction of the autistic children in the country. To get around this problem Stars and Rain focuses on giving parents the skills to educate their own children.

### **Financial statue**

As a NGO, Stars and Rain hardly gets financial aids from the government. And the autistic families can hardly get help from the social security system. Stars and Rain charges the least fee as possible. Its development is largely owed to the help from the public and organizations at home and abroad.

In the past eleven years, Stars and Rain gets about RMB 2,300,000 donation, which is used to maintain Beijing Stars and Rain and other branch organizations. From 1998, Stars and Rain begins to send teachers to places outside Beijing and a website named “Heart-Alliance Network” is established to coordinate the work.

Stars and Rain established a fund to support their teachers receive professional trainings from foreign experts and study in other organizations. Meanwhile, there is a micro fund to help inspiring autistic children get trainings.

To ensure the financial transparency, Stars and Rain lists all the donors and the usage of the donations on the website.

### **Challenge**

The challenges mainly laid on Star and Rain can not growing fast enough to satisfy the increasing demands on the service. The autistic children generally have to wait for 2 years for the services. And a growing number of families are demanding continuous services along the growth of their children. Stars and Rain has begun to provide services to 7-12 autistic children and plans to provide services to 12-18-year-old youth. It plans to build a national network and professional industry to meet the huge demands. Besides, it has not been formally registered and thus can not enjoy favourable tax policy.

Shanghai Qing Cong Quan Children Intelligence Training Center ([http://www.qingcongquan.org.cn/index.php?option=com\\_frontpage&Itemid=22](http://www.qingcongquan.org.cn/index.php?option=com_frontpage&Itemid=22) ) is a similar organization to Stars and Rain



Children and volunteers climbing the Great wall



Training parents

**Case 3: Sowosky [www.sowosky.com](http://www.sowosky.com)**

Sowosky is the first NGO providing internship opportunities、 technique trainings and job-hunting services to social work students in mainland China. Making use of its well-known website, Sowosky builds a bridge between social work students who need jobs and organizations that need talents.

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The founder Mr. Li Zhaowei is a social work graduated from East China Science and Technology University. He has a keen grasp of the current situation and future development of social work. The civil affairs bureau plans to cultivate about 100,000 social workers in the coming years. Li predicts that social worker organizations will have great potential in the following years but the students major in social work still facing increasing pressure on internship and employment.

Due to lack of professional guides and professional social work organizations and etc., social work internship is difficult to develop. The students may gain some experience through various channels, but it is far from enough and thus they do not get due practice. This doesn't only affect the development of social workers, but also affect their employment.

Meanwhile, the social work practitioners as a whole are not well educated. Most of them don't get professional trainings. As a result, their working ways and abilities fall behind. There is none organization for social workers exchanges by far. Under the circumstances, Li opened Job.sowosky.org to facilitate communications between job-providers and seekers. By far, this website has become an important information platform in China. Over 90% of its members are educators, workers and students of social work. It is recommended by teachers in over 260 universities. Now, Li establishes Sowosky which put the focus on talents themselves. Under Sowosky's advocacy, the social worker associations of Guangzhou University、Yunnan University etc. establish Sowosky network and build partnership with Shenzhen Pengxing Social Work Service, Shanghai Pudong Social Workers' Association, "Social Work" magazine, Social Sciences Academic Press, CCTV-Society and Law Channel, etc. Now, Sowosky has put forward its new website <http://job.sowosky.org/> and plans to develop it into a professional web for talents recruitment. It is also a try on social enterprise.

Li has the courage and perseverance of an entrepreneur and a keen far-sight on the future development of social work. Sowosky plans to develop toward social enterprise by charging annual fee from relevant government agencies, NGOs and any other institutions that need their services on recruitment. However, it faces policy risk and pressure from similar organizations with government background.



Social workers of Sowosky

In the field of social worker service, Pudong Association of Social Workers (<http://www.pdswa.org/news/default.asp>) is a similar NGO but with strong government background.

#### **Case 4: Hua Dan Workshop [www.hua-dan.org](http://www.hua-dan.org)**

Hua Dan Workshop is a social enterprise which enables personal, social and economic empowerment to China's migrant workers through participation in and leadership of inspirational arts-based projects.

The founder, Caroline Watson was born in Hong Kong of British parents. She is a Bachelor of Arts in Theatre Studies of Lancaster University, UK, which has a particular focus on community theatre and participatory approaches to training and education. Her graduation thesis is about the approaches and practices of theatre in prisons.

Caroline returned to Asia in 2001 with a strong desire to contribute to a culture that has so influenced her upbringing. She founded Hua Dan Workshop in the hope of helping the disadvantaged groups with her professional knowledge.

Hua Dan believes that each individual holds within them the key to unlocking their own potential. Whilst traditional educational processes go somewhat in helping people to self-actualise, They believe that people are increasingly searching for something different,

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wanting a key to unlock ALL the potential they have within them, physically, intellectually, emotionally and spiritually. At Hua Dan, the participatory theatre workshops are by far considered to be the best approach to radically inspire individuals to 'think out of the box' about their future and the future of the world around them.

Hua Dan uses a variety of applied theatre forms in their workshops, namely advanced role-play, improvisation, creative games and exercises, storytelling and other participatory training techniques. The workshops act as a way to educate and inspire around a range of issues as well as provide a forum for participants to come together and contribute to solutions for a better future. A key aspect of Hua Dan's workshops is the way in which they 'process' each game and activity to help participants make links between the activities and their everyday lives. Participation in the workshops also helps to develop a space for building relationships, intercultural skills, conflict resolution skills, creative thinking skills, presentation skills, confidence, etc.

Hua Dan ran 5 session workshop with 34 rural women from Sichuan at Rural Women Knowing All and started running weekly workshops at The Migrant Women's Club, Beijing in 2004. In 2005, CCTV's TV program 'Half the Sky' filmed a two-part documentary about the Hua Dan Project. In 2006, Hua Dan collaborated with UNESCO to produce a short drama on domestic worker's legal rights for a seminar held in conjunction with the Chinese Academy of Social Sciences and Beijing University Women's Legal Aid Center. Hua Dan's achievements in these years are remarkable. Now they have a branch office in Sichuan province after the 5.12 earthquake, running participatory theatre workshops in temporary camps and schools throughout the disaster areas.

### **Strength**

- The arts-based projects of Hua Dan are very new in China, and prove very effectual.
- Hua Dan has a good relationship with the participants and really brings changes to their life.
- The initiator of Hua Dan Caroline Watson brings Hua Dan experience of theatre training and workshop skills. Besides, her open-mindedness and personal relationships bring Hua Dan new ideas and resources.
- Hua Dan encourages innovations, which is an important characteristic of social enterprise.
- Hua Dan has many chances to work with excellent artists and organizations and can learn from them.

### **Challenge**

- As a refreshingly new model, there is few organizations that Hua Dan can learn from and there is little dialogue among existing social enterprises.

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- Lack of capital hinders Hua Dan's growth severely.
  - Hua Dan still lacks the capacity to implement big programs and the implemented projects don't have big impacts.
  - Hua Dan is registered in Hong Kong, so still faces legal problems when working in the mainland. Particularly when its work gets connected with the education and other departments, many chances are given up due to policy sensitivity.



The Logo of Hua Dan

Shanghai Jiuqian Youth & Children Activity Center is a similar organization with big potential to become a social enterprise. <http://www.jiuqian.org/>

**Case 5: Raleigh China** [www.raleigh.org.cn](http://www.raleigh.org.cn)

In 2008, Raleigh China, the fifth independent community of Raleigh International in Asian comes into being. Raleigh International is an NGO dedicated to youth education. It is launched by Prince Charles. Through holding large scale expeditions worldwide, it gathers volunteers to experience life in out-of-the-way places and through it to improve their personal qualifications and strengthen communications between cultures.

Raleigh China is dedicated to capacity building for young people aged 18 – 24 via organizing expenditures in rural areas and nature reserves. The activities aim at building confidence, improving leadership skills and promoting collaborative spirit of Chinese youth through self-managing team work on environmental protection, outdoor sports and community development projects.

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The founder Mr. Lu Feng joined in Raleigh's expedition in 1998 when he was still studying in Nanjing Normal University. The experience left him an unforgettable memory. After several years' service in the government, he resolutely gave up the job and devoted himself to introducing the advanced model of Raleigh International to China in the hope of bringing a refreshing life experience to the Chinese youth.

The defects of the current Chinese education system are often concerned and discussed widely. The students have enough knowledge getting from textbook, but generally lack EQ and practical skills, such as leadership, collaborating and communication skills and their social responsibility and environmental protection consciousness are weak. Raleigh China works to solve these problems.

### **Strength**

Different from traditional class;

As complementation to the exam-oriented education, the focus of Raleigh China is to develop the students' all round personal qualifications by programs beneficial to themselves, the communities and the environment.

Different from traditional camp activities

Raleigh China emphasizes on the practices. The team has challenging missions to fulfil. For example, in the construction program, the team members carry construction materials and build the walls under the guidance of craft masters. The youth will get a real sense of accomplishment in their hard work and learn to cooperate with each other. The members come from various backgrounds, even including marginalized youth. Through rigorous selection and evaluation, those who are most likely to benefit from the projects will be given the opportunity.

Different from popular philanthropic tourism

In Raleigh China's programs, the team members stay for a longer time than the volunteers of most other organizations. They have more communication between local communities and residents, which promotes true friendship between both the sides and among the team members themselves.

Different from business trainings

The business trainings are like fast food. The trainees must understand something out of a story. But Raleigh China's programs are like a French feast, from which people get far-reaching improvement and a life-long memories.

Raleigh China has already drawn wide attention and supports. It becomes the strategic partner with China Population Welfare Foundation、China Green Foundation as an important member in the sustainable environmental protection and poverty alleviation program.

### Strength

- The founder Lu once worked in the government and understands how to build a good relationship with it.
- Raleigh China has professional technique assistance from Raleigh International, which provides a whole set of management skills and documents. This greatly eases Raleigh China's work.
- An international brand can win recognition and draw resources, especially from foreign enterprises, more easily.
- The team members of the 1998 expedition are almost successful. They as Raleigh China's China advisories will bring Raleigh China social resources.

### Challenge

- Raleigh International's model is formed overseas. Whether it is suitable to China is yet to be proven.
- The expedition team's security is very important, but there is not an outdoor sports law by far.
- Affected by the economy crisis, the cooperation with enterprises is affected. Raleigh China plans to develop some fair trade products in its expedition to ensure sustainable development.

Junior Achievement China (<http://www.jaChina.org/>) is a similar organization dedicated to youth development.



Introducing Raleigh to others



Community development programme in Guansu province

**Case 6: Hetong** [www.zglry.org/english.asp](http://www.zglry.org/english.asp)

Hetong is a social enterprise providing services for the aged. It now has 3 institutions: Hetong Senior Citizen Association; Hetong Civilian Institution and Hetong Charitable Foundation for the elderly.

Its founder Mr. Fang Jiake learnt the traditional Chinese medicine once and went to learn in Australia upon invitation from an Australian doctor. There he was amazed at the advanced management and services of the rest homes. When he came back to China, he planned to send his father to the best rest home in his city as his heavy workload made it impossible for him to take good care of his father himself. However, deeply influenced by the traditional family concept, his father was reluctant to live there. This incident motivated Fang to establish a rest home himself. On April 20th, 1995, Hetong was founded in Tianjin. When at abroad, Fang saw the elderly use paper diapers. Thinking it an effective way to protect their dignity, he persuaded Pual Hartmann, the biggest factory that produces paper diapers for the elderly, to investigate the market in Hetong. Now, the company has its China headquarter in Shanghai.

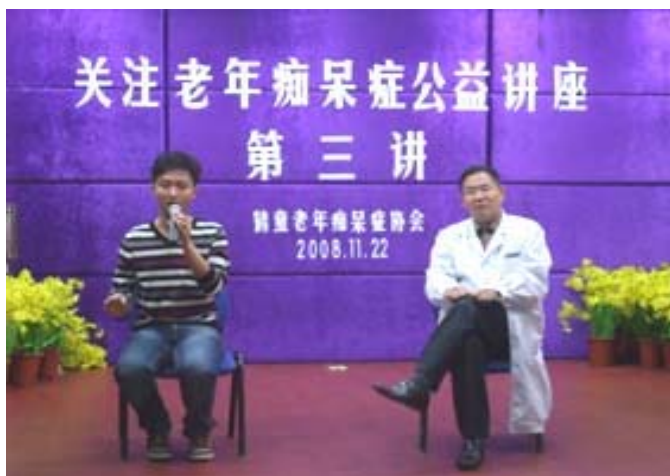
It is common in China that old people from better families go to governmental rest homes, while civilian rest homes face common-income or even low-income customers. As a civilian rest home, Hetong is in the same situation. However, the financial problem doesn't change its determination to provide international standards services. 1999, the International Year of Older Persons, was an important year for Hetong. In this year, it founded 4 rest homes. In 2000, as the only represent of civilian rest homes, Hetong attended the "National social welfare and

social work conference” in which Fang gave a lecture named “the growing path of Hetong as a non-profit organization”. Hetong wins recognition and becomes an example since then.

Through 12 years’ efforts, Hetong has already set up a grand association of service industry for senior citizens based on integrating resources from the government, communities, the general public and research institutions. It has 5 rest homes (long term care for the elderly); 1 hospital specialized in presbyteries, 2 nursing education schools, 1 national professional skills appraisal institute for nursing and other business such as sanitation work, canteen for the elderly etc. with an annual income at RMB13, 000,000. Up to now it has successively provides high quality services for tens of thousands of senior citizens and solved the unemployment problem of hundreds of 40-to-50-year-old laid-off workers, so it enjoys a high reputation for its excellent work.

### Strength

- Hetong has years of experiences in serving the elderly. It strives to improve their living quality and at the same time protect their dignity.
- While learning advanced techniques from abroad, it combines them with the reality of the Chinese society and keeps developing innovative services.
- Hetong Charitable Foundation for the elderly is established to ensure that those who can’t afford the pay can also enjoy the services.
- Hetong successively gets hundreds of 40-to-50-year-old city laid-offs to be re-employed.
- Hetong is a famous brand in the industry of services for the elderly and is highly-praised for its credibility and accountability.
- The management team of Hetong is mainly made up of retired officials, professionals and researchers.
- The society-donated, tax-free and public goods ensure Hetong’s sustainable development.



Lecture about Alzheimer's dementia



Inviting artists to perform for the elderly

### **Case 7: Fuping Housekeeping Vocational School**

Fuping Housekeeping Vocational School provides housekeeping trainings to migrant women. It is founded by famous economists Mao Ganshi and Tang Min and is subordinated to Fuping Development Institute. The founders think domestic service industry is easier to enter for migrant women workers. In 2002, the domestic service market was sluggish. The workers didn't get payment on time and there were many other problems, such as little time of rest and sexual assault. Under the circumstances, Mao and Tang decided to build a domestic service school themselves. Since its establishment, Fuping Domestic Service School has provided trainings to more than 10,000 migrant workers, the majority of whom find jobs which on average pay RMB1000 a month.

At the beginning, Fuping had difficulty in finding students. Although Mao is famous, the migrant workers had no idea about know who he was. The school didn't have impact. Later, Fuping changes the strategy. It collaborates with local offices of poverty alleviation and women unions, and gradually wins the trust of the workers. Owing to Mao and Tang's personal influences, more and more governments from Anhui/Gansu and etc. begin to collaborate with Fuping. The provincial government of Gansu once sent about 3000 workers to Fuping to receive education and the governor made a special trip to visit the students there.

Fuping used to provide free trainings to students, but they came and left causally without cherishing the chances. Now the training fee is RMB600 per month, RMB300 lower than the actual cost which is compensated by local governments' poverty alleviation aids.

Fuping insists to develop as a social enterprise. Up from its establishment in 2002 till now, it has only accepted funding aid from the Shell. It maintains operation by charging tuition fees

and service fees (intermediary fee on finding domestic worker for needed family). The profits are re-invested in the organization. In 2003, a forum was co-hosted by the State Council Leading Group Office of Poverty Alleviation and Development, Ford Foundation, World Bank and Fuping to introduce the “civilian founded, government aided” Fuping model.

### Strength

- The personal influences of the founders make it easier for Fuping to build partnerships with others and help the students find jobs more easily.
- Fuping has a keen grasp of the demands from customers and the change in the market.
- Fuping has a professional school and teaching team for the students. After three weeks’ trainings, the pass rate is extremely high.

### Challenge

In February 2007, a domestic worker from Fuping indirectly caused the death of a child. Fuping tries to solve the case by law, but fails the first and second trial. The incident highlights the problem of the industry. There aren’t clear regulations on the responsibilities of the employer, the domestic workers and the training school. Fuping plans to build a registration system of domestic workers and introduce relevant insurances.



Cooking class

Shanghai Mopa Housekeeping Service Co., Ltd. (<http://www.mopa.cn/>) and Shanghai Hao Shi Service Skills Training Center are similar organizations.

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### **Case 8: Hongying Nursery Education Counselling Co., Ltd**

Hongying Nursery Education Counselling Co., Ltd is a nursery education training center made up of a team of professional educators. The company focuses on the development of the intellect of 0-3 –year-old children by providing nursery education trainings, counselling, guides and activities.

The founder Ms. Tang Meihua once worked as primary school teacher and then kindergarten teacher. She has 20 years' teaching experience. In training, she got to know nursery education and instinct told her the role it actually played in one's life. In China, people send their children to kindergartens and leave them to the teachers. It is not until they reach 3 years old that their intellect development is paid attention to. Hongying believes that the changes a child experiences and adapts to in the first three years of his life surpass those in all the years after. So in a certain sense, the first three years can be deemed the same important as the remaining years. Tang decides to make the concept of nursery education known by more and more people.

To achieve this, Hongying values the involvement of families and communities. The collaborative model of Hongying Nursery Education is like the following: Hongying takes IQ tests on the children and provides tailor-made courses, trainings and guidance; the parents receives the trainings and apply them to educate their children while the communities take the responsibility to disseminate nursery education concept.

The activities of Hongying are mainly held in Sanlin Public Center. The residents around it are generally not high-income so are unwilling to spend much on nursery education. To attract more people to get to know the concept, Hongying charges little for its specialize classes. The children, whether whose families pay or not, can play in the center every morning. Besides, it holds parent-child activities to rich people's free time.

Hongying collaborates with the employment department to employ university graduates who have difficulty in finding jobs. After trainings, they become Hongying's teachers, whose salary partially come from Hongying and partially come from subsidiaries from the employment department. By far, it has 8 full-time staff.

#### **Challenge**

Nursery education is by far little-known in China. To popularize the concept, Hongying has to charge less than necessary to make the ends meet. The founder has to use her own money to maintain the organization. How to integrate social and governmental recourses is a big challenge for it.



Children playing games at Hongying

Shanghai Ruixin Community Service Center (<http://www.happy3thirty.com/work.html>) is similar to Hongying.

**Case 9: Beijing Cultural Development Center for Rural Women**  
<http://www.nongjianv.org/web/english/index.html>

Beijing Cultural Development Center for Rural Women aims to provide information, trainings and services to rural women migrant to urban cities, empower them and build their capacity for self-development and achieve sustainable development.

The founder Ms. Xie Lihua is also the founder and editor of Rural Women magazine. In 1994 when she attended the “International Forum on Women Development and Women Media” held in Bangkok, it was the first time for Ms. Xie to hear about NGO and got to know the practitioners. To help solve the difficulties migrant women encountered, she established Migrant Women’s Club in 1996, and then the Practical Skills Training Center for Rural Women in 1998 and Beijing Cultural Development Center for Rural Women in 2000. The quick development of the organization put on lots of pressures on the management and planning. After receiving capacity building trainings, Xie got clearer picture of the inner connections of the programs and manages the organization in a more efficiently way. Now, the center has three branches: the Practical Skills Training Center for Rural Women, Migrant Women’s Club and rural development program.

The Practical Skills Training Center for Rural Women is to provide short-term training that will enable women from poor families to learn practical skills as well as to build their general abilities. This will ultimately enable them to improve their social and economic development

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and participate fully in society. To date the school has trained 4,360 students from 17 ethnic groups from 26 provinces and regions. Three types of successful training programs have been implemented.

**Training for Grant-Aid Fund Students:** Ms. Leslie Chu, a social activist and ceramicist from the USA and the center, started the Grant-Aid Fund in 2000. The fund provides short courses of one to three months for students to learn computing, sewing, waitressing, hairdressing or giving beauty treatments. The training center goes directly to poor areas to enroll students through local branches of the women's federation.

**Training for Payment-After-Work Students:** These trainees come from many rural areas in China to receive training in waitressing for one month. The school seeks jobs for them and once employed the trainees give back to the school part of the cost of their training and accommodation (400RMB). The current enrollment channel is through local branches of the women's federation and local government labor departments. However in the future it can be open up to other channels to attract more students. And this is the good sustainable model for the center to expend their services provided to the disadvantaged people.

**Training for Rural Women Activists:** These courses train women to participate in rural community development projects including "Planting and Livestock Raising"; "Rural Women Participating in Politics"; "Capacity Building for Female Village Leaders"; "Female Rural Teachers"; "Start Your Own Business"; "Rural Women Participating in Marketing"; "Mental Health for Rural Women" and training for reporters and distributors of the Rural Women magazine. Training time varies from one week to twenty days and is decided by the course content. Training expenses are usually covered by the donors who support the projects. This program also has the great potential to become partially self-sustaining by charging the students tuitions.

The training center is frequently reported by the media and is well known now. Officials from local government and abroad often pay visits to it.

Migrant Women's Club aims to uphold migrant women's civil and labour rights; improve their living qualities and abilities of self-development. Meanwhile, it tries to find the way in which rural women can act in the city plan. The club encourages migrant women to organize and serve themselves. The staff members are from the countryside, who used to be volunteers or members of the club.

The rural development program is made up of three major parts: literacy class which aims to help rural women learn basic knowledge; psychological counselling to prevent suicide and promotion of women's participation in the government.

Now, the center has above 40 full-time staff.

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### Strength

The center has achieved much on serving rural women for more than 10 years, the long history and good tracking record enable it enjoys a high reputation among Chinese NGOs. Besides, it has very good connection with several government agencies and administrative institutions such as Women's Federation in many rural areas. Therefore, it is proficient in fund-raising and has less funding pressure comparatively.

### Challenge

The very prominent status and relatively sufficient funding actually hinder the development of social enterprise for Beijing Cultural development Center of Rural Women. Though the leader Ms. Xie herself wanted to give a try, however the institution is lack of incentives and thus don't have enough attraction to the right talents with strong entrepreneurial spirits, which should play a big role in its development. Besides, many people working for the center are not made up their mind whether they should become social enterprise or not. Apart from these, it still faces the registration problem.



National Women village officers' forum 2006



#### Mental health training

By far, the notion of social enterprise is not yet formally mentioned by the government. Instead, it is mainly studied and practiced by the grassroots NGOs. Along with the emergency of new social demands and the shift of government functions, many new types of NGOs with innovative solutions have appeared, among which some have got the embryonic form of social enterprise and some are already social enterprises. From the above cases, it can be seen that:

- 1) These organizations adapt more innovative ways to solve social problems;
- 2) They attach much importance to keep good communication with their beneficiaries and stakeholders;
- 3) Overall they have aspiring leaders with strong entrepreneurial spirit who can attract employees and volunteers to work for the common goals;
- 4) They value a good relationship with the government;
- 5) Most of these organizations don't consider themselves as social enterprise by the moment but intend to become social enterprises in the future, although they hold different opinions on its definition;
- 6) Except for Hetong, Funding shortage is common to most of the organizations, but they show a strong capacity in getting and integrating resources, which is a key factor for sustainable development;

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7) Most organizations still has a long way to go to build their brands and accountability;

8) How to better adapt business skills to develop their organizations is a common challenge to them.

The above cases just show a small proportion of the whole picture for social enterprises development in China. There are definitely much more endeavours outside our radar so far. Professor Zhu Chuanyi of Institute of American Studies under CASS holds the view that social enterprise is the hope and direction for Chinese NGOs. Today's China is a good laboratory for social enterprise. (Welcome to become social entrepreneurs, China NPO, September, 2008)

## **2. Results from questionnaire survey**

### **2.1 The definition of social enterprise**

After analysing the questionnaires, it can be concluded:

All the interviewees have heard of social enterprise. 63.33% of the interviewees say they are clear about what they are; 36.67% say they are not. But when asked for detailed explanations of social enterprises, the answers get diversified greatly. 50% of the interviewees classify social enterprise to NGO; 26.67% classify it to enterprise; 10% can not make up the mind and the remaining have their own interpretations which fail to say clearly what social enterprise is.

When asked to list the elements a social enterprise should have, they answers are(listed according to importance, from least to most) social mission, leaders with social entrepreneurship, innovativeness, the capacity of exploring and integrating all kinds of resources available, and sustainable development (see Fig.1). Social mission is considered as the most important element of social enterprise, while the capacity of exploring and integrating resources and sustainable development are given the least importance. This may be related to the fact that most of the interviewees are NGOs, which first see social enterprise's difference from commercial enterprises and then its difference from traditional NGOs. Figure1 shows that people's opinions on the necessity of leaders with social entrepreneurship differ greatly, while their opinions on the other elements are comparatively accordant.

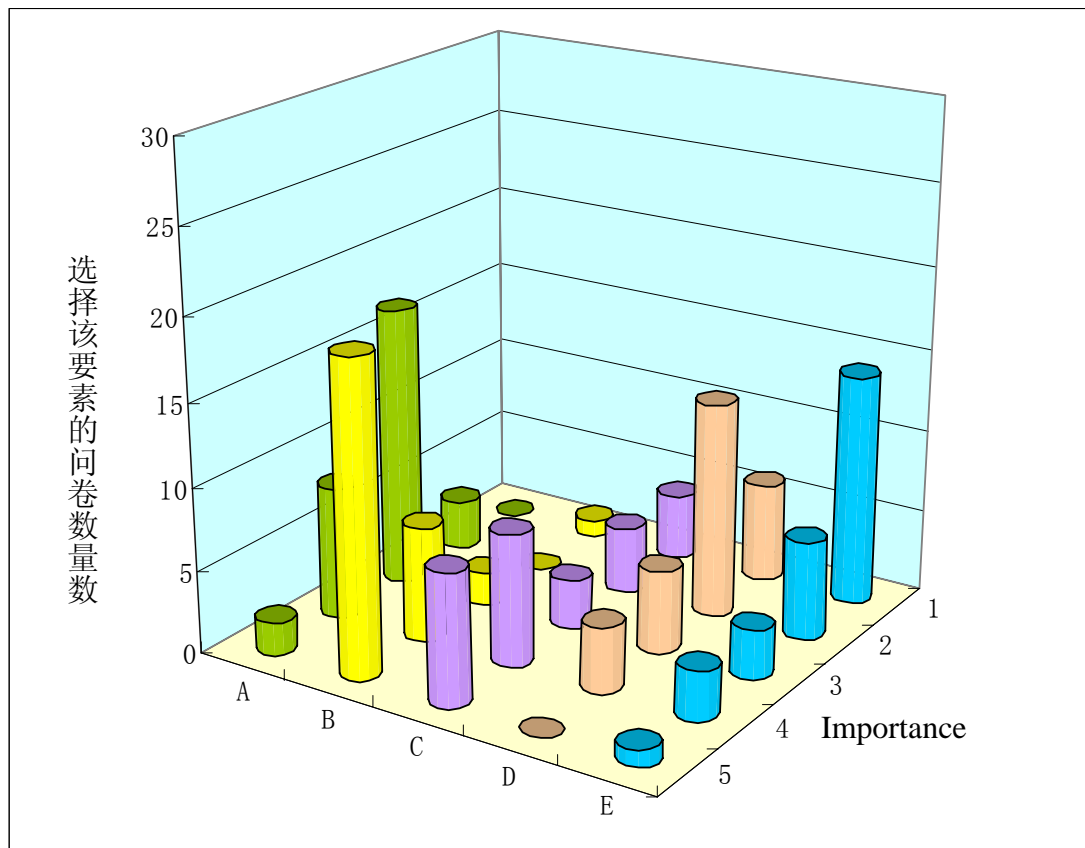
### **2.2 The function of social enterprise**

More than two thirds of interviewees know that social entrepreneurs and social enterprise can create fair trade between countries, regenerate communities, improve the community economy, create wealth that is socially or commonly owned, create jobs for people who are unemployed and people who are disabled, create business that improve the environment and deliver public services in a more enterprising way, etc. (see Table 1). It shows that most

interviewees know in which fields social enterprise can have influences, most of which are also where NGOs work.

The most famous example of social enterprises is the Grameen Bank which offers the poor micro-credit in Bengal. However, there are far more barriers in China for non state-own institutions including NGO or social enterprise to carry out Micro Finance program in China, the regulation is still highly restricted. 1/3 of the interviewees are not sure whether social enterprise can help people save and borrow money. Social enterprise is at its starting stage in China, so it's too early to judge if it can replace charities with more democratic organizations. About 1/3 interviewees are not sure about that, either. More than a half are not sure or give negative answers to the question whether social enterprise can be owned by the workers or owned by the community or owned by both. This collective ownership business is no longer in the mainstream. The interviewees were not optimistic about whether social enterprise can create these businesses.

Fig.1 The importance rank of elements of social enterprise (X-axis from 1to 5 on behalf of the increasing importance of the order; y-axis from A to E stands for innovativeness, social mission, leaders with social entrepreneurship, the capacity of exploring and integrating all kinds of resources available, and sustainable development respectively; z-axis stands for the number of interviewees who choose the item )



<b>A</b> ■ innovativeness	<b>B</b> ■ social mission	<b>C</b> ■ leaders with social entrepreneurship
<b>D</b> ■ the capacity of exploring and integrating resources		<b>E</b> ■ sustainable development

Table 1 functions of social entrepreneurs and social enterprise and results of questionnaire survey. (based on 25 qualified questionnaires)

	yes	unsure	no
Can create fair trade between countries	76%	20%	4%
Can help people save and borrow money	56%	36%	8%
Can regenerate communities	80%	16%	4%
Can improve the community economy	84%	12%	4%
Can create wealth that is socially or commonly owned	76%	16%	8%
Can create businesses owned by the workers	40%	36%	24%
Can create businesses owned by the community	44%	36%	20%
Can create businesses owned by both community and workers	44%	36%	20%
Can create jobs for people who are unemployed	92%	4%	4%
Can create jobs for people who are disabled	96%	4%	0
Can create business that improve the environment	88%	12%	0
Can create business that support homeless and other disadvantaged groups	96%	4%	0
Can deliver public services in a more enterprising way	80%	16%	4%
Can support charitable work through a trading income	84%	12%	4%
Can replace charities with more democratic organizations	60%	36%	4%
Can put innovative business ideas to good purpose	76%	16%	8%
Can spread wealth more equally within society	80%	16%	4%
Can provide opportunities for volunteering	76%	20%	4%
Can attract ethically based investment	84%	12%	4%

Note: the data is analysis by 25 valid questionnaires collected.

### 2.3 Negative factors hindering social enterprise's development in China

When asked to talk about the negative factors hindering social enterprise's development in China, most interviewees point out funding barriers and legal barriers. (see Table 2). There is no venture philanthropy fund for social enterprise and this largely affects its development. Besides, social enterprise lacks legal support and can not enjoy favorable tax policy. Other factors include low awareness amongst donors, government agencies and general public, plus political barriers. The interviewees are mainly NGOs. The control of the government over them is likely to make them think the possible control over social enterprise in the future. People have some disputes on the necessity of training for managers, governors and entrepreneurs. 40% think lack of training will hinder the development of social enterprise while the rest consider it may not be the case.

Cultural barriers and awareness amongst NGOs also need to be noticed. The concept of social enterprise comes from the West. How to adapt foreign theory to Chinese reality is also challenging. Besides, the awareness of social enterprise among NGOs is also confined. For some public service providing NGOs or NGOs involved in rural development, poverty alleviation such as Fair Trade, it is quite well-known, but in other fields, the NGO practitioners may have never heard about it before.

Tabel 2. Negative factors hindering social enterprise's development in China and results of questionnaire survey.

	Very likely	possible	unlikely	definitely not
Awareness of the general public	44%	28%	24%	4%
Awareness amongst government bodies	48%	32%	12%	8%
Awareness amongst donors	56%	32%	4%	8%
Awareness amongst NGOs	36%	36%	20%	8%
Legal barriers to setting up social enterprises/ co-operatives	68%	32%	0	0
Funding barriers to setting up	60%	36%	4%	0
Funding barriers to promotion and support	64%	24%	8%	4%
No training provided for managers, governors and entrepreneurs	20%	40%	32%	8%
Political barriers	44%	36%	12%	8%
Cultural barriers	36%	24%	24%	16%

Note: Data analysis from 25 valid questionnaires collected.

## 2.4 Areas enabling the growth of social enterprise

68% interviewees think social enterprises are most likely to evolve from existing NGOs. 48% interviewees think social enterprises are likely to be founded by entrepreneurs. Other frequently mentioned areas and founders are community organizations, activists and leaders, and people who would otherwise do voluntary or charity work. Now Fudan University, Peking University, Ren Min University and Zhejiang University have courses on social entrepreneurship or leagues cultivating social entrepreneurs, but only 36% think students who are going to graduate or have just graduated will found social enterprises and 44% think it impossible. Hu Xin, program officer of Fuping Social Entrepreneur School think it is more practical to disseminate the concept among MBA or post graduates who have more experiences and capacities.

**Table 3 Areas enabling the growth of social enterprise**

	Very likely	possible	unlikely	definitely not	unsure
From students about to graduate or new graduates	12%	36%	44%	4%	4%
Amongst unemployed or homeless groups	4%	44%	44%	4%	4%
From community organizations , activists and leaders	56%	36%	4%	0	4%
From entrepreneurs	48%	40%	4%	0	8%
From people who would otherwise do voluntary or charity work	56%	32%	4%	0	8%
From existing NGOs	68%	24%	4%	0	4%
From government bodies	12%	24%	48%	12%	4%
From academic institutes	12%	40%	44%	0	4%

Note: Data analysis from 25 valid questionnaires collected.

As there are only a few social enterprises in China, so most of the interviewees of this report are NGOs that have potentials to become social enterprises, which is directly related to the 100% awareness of social enterprise in this report. If the interviewees were randomly chosen, the rate would certainly be much lower. When asked to list examples of social enterprises, some don't think there is any and those who think there are mainly list Hetong, Beijing Stars and Rain Education Research Institute, NPI, Xingeng Workshop, Rabbit King Poverty Alleviation Research Center, Fuping Development Institute and etc., which are frequently mentioned. 90% of the organizations who don't consider themselves social enterprise by far express the wish to develop towards it.

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### 3. Results from interviews

Social enterprises exist all across the world. Different regions and countries, different social walks have different opinions on it. In Hong Kong, the government states its supports clearly and even encourages social enterprises to play a more active part in the society. In mainland China, the notion of social enterprise has never been formally mentioned by the government; the South Korean government introduced the legislation of social enterprise in 2006; the western countries also have their laws, but they differ from each other particularly on the point that whether the profits can be divided. Therefore, there is by far no unified definition on social enterprise in China, there are two major views on social enterprise from the practitioners. One classifies it as a new type of company. Steve Koon is the represent of this view. He thinks that the practice of social enterprise is the process of using business models to meet social demands. To classify it as a profit-making company will save many disputes over surplus distribution. He thinks now that business has been proven effective in the economy, it can be also used to philanthropy. The reason why many people are not willing to work in NGOs is because the pay is low. Social enterprise can do good deeds while ensuring high incomes. The other view is that social enterprise belongs to NGO. Mr. Lv Zhao, director of NPI, is the represent. In his opinion, social enterprise is an innovation of NGO for sustainable development. Its ultimate goal is to solve social problems. The profits can not be divided.

The academic researchers have comparatively unified opinions. Prof. Deng Guosheng points out that when mentioning “social enterprise”, the United States use “social entrepreneurship”, which emphasizes the spiritual level while the United Kingdom uses “social enterprise”. The Chinese people translate social enterprise literally into “社会企业”, but the term is partially responsible for the misunderstandings. In Deng’s opinion, “社会事业” (literally “social career”) is a better Chinese translation. Prof. Yang Tuan thinks that social enterprise shouldn’t be confined to a certain organization form, as it is more like a spirit, a culture. She thinks that apart from the market (the first sector, the government (the second sector) and the voluntarism sector (the third sector), there should also be a fourth sector, which is made up of public service suppliers or public institutions. The operation and production of the fourth sector are both philanthropic and commercial. Social enterprise is different from traditional NGOs and philanthropy, so it should be put into the fourth sector.

When asked to talk about the problems met by social enterprises, most of the interviewees mention the followings: shortage of initial fund (caught in the position dilemma of neither an entirely for-profit company nor a traditional NGO, social enterprises find it hard to get venture capital, loans or grants from foundations which tend to support traditional NGOs); lack of professional NGOs that serve the target groups directly; lack of business skills and talents in traditional NGOs; lack of innovative solutions to social problems and lack of competitiveness with commercial enterprises.

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Mr. Pu Qijun of Chongqing Academy of Social Science thinks that the government should make effort to set standards on identifying, supporting and supervising over social enterprises. He also points out ways for social enterprises to compete with for-profit companies: taking advantage of their innovations and unique positions to get more supports and resources from the society: networking with traditional NGOs and making good use of volunteers.

## Conclusions

Social enterprise is a booming phenomenon globally and a rising star. In China, it is at the very early stage of development but with great potentials. There is no agreed definition on it no matter from the experts or practitioners. While the concept and the theoretical study of social enterprise are getting prevalent in China now, the practice of social enterprise is still far behind. There are only a handful good examples exists in China right now according to the strict definition of social enterprise in western countries. Meanwhile many quasi social enterprises have big potentials to be further developed, such as traditional NGOs and administrative institutions in transformation, social welfare enterprises, co-operatives etc.

With the shift of Chinese government from control-oriented administration to service-oriented administration, a large amount of public services will be provided by civil organizations. The flourishing of these NGOs may push bottom-up reform of the third sector, making the registration easier and tax policy more favourable. This provides a large space for social enterprises.

The organizations introduced in this report are mostly grassroots organizations. Although they are innovative, they still have a long way to go before widely acknowledged successful as social enterprises. They face challenges on funds, talents, management skills and policy support and so on and so forth. It is too early to predict their future. However, the pleasant aspect is that the notion of social enterprise is quite well-known among NGOs although people have different interpretations on it, and many express the wish to develop towards it. Social enterprise is considered an important direction for NGOs in China.

The larger picture is that the development of Third Sector in China is still at very early stage. The legal system is prior to control and even confine the development of NGOs, though the regulation of “Civilian Non-Enterprise Institutions” itself is suitable for promoting social enterprise by giving permission for NGOs in China to adopt business models and innovative mechanisms, even generating profits through production and services providing, if only the surplus re-invest in the institution or its disadvantaged customers. There are many barriers for grassroots NGOs to get registered as a “Civilian Non-Enterprise Institutions”, and there is a lacking of democratic administration. Quite a few existing “Civilian Non-Enterprise Institutions” are quasi administrative organizations with strong government background, and they are not motivated to improve operating efficiency and the quality of their services. Furthermore, there are many For-profit organization mingled into this sector – for example, there are some private

hospital/ health care institutions, schools and training centers exploit an advantage from this regulation and actually making a fortune out of it. Hence it arise suspicion and distrust towards NGOs in the society. In order to promote social enterprise practice in China, there are strong needs on collective efforts to push the reform of social administrative further ahead, improve the legislation environment, increase the efficiency and effectiveness of NGOs, and induce cross-sector collaboration.

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#### Annex of interviews and meetings held:

##### Principle stakeholders who accepted face-to-face or telephone interviews

Interviewees	Their Agencies
Prof. Pu Qi Jun	Chongqing Academy of Social Sciences
Prof. Yang Tuan	Social Policy Research Office of Chinese Academy of Social Sciences
Prof.Deng Guo Sheng	NGO Research Center of Tsinghua University
Steve Koon	Founder of AvanteChange website
Hu xin	Fuping Development Institute
Lu Ke Ping	Fuping Domestic Service School
Zhao Lv	NPI
Xie Li Hua	Beijing Cultural Development Center for Rural Women
Tang Mei Hua	Hongying Nursery Education Counselling Co., ltd
Lu Feng	Raleigh China
Li Zhao Wei	Sowosky
Zhu Bing Zhao	Xingeng Workshop

**The British Council**

<http://www.britishcouncil.org.cn>

**Discover Social Innovation**

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

**Non-profit Incubator**

<http://www.npi.org.cn>