Social Entrepreneurship in China's Non-profit Sector

The Case of Innovative Participation of Civil Society in Post-disaster Reconstruction

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ABSTRACT: In recent years, civil society organisations in China have increasingly taken entrepreneurial and innovative approaches to enhance their ability to fulfil social missions. How are we to delineate the salient characteristics of non-profits engaging in socially entrepreneurial activities in comparison with their conventional counterparts? Will the emergence of social entrepreneurship in China's non-profit sector engender new opportunities for grassroots social organisations to overcome the financial and institutional impediments constraining their development? This article tackles these issues through an in-depth case study of a typical social entrepreneurship initiative launched in the process of post-disaster construction after the 5.12 Wenchuan Earthquake in 2008. The findings indicate that socially entrepreneurial non-profits participate in post-disaster reconstruction more innovatively than conventional non-profits in various ways. Nevertheless, they still need to conquer organisational and contextual challenges before evolving into an effective remedy to the development pains of grassroots social organisations in China.

KEYWORDS: civil society, non-profit, social entrepreneurship, social innovation.

Introduction

Over the last two decades, social entrepreneurship (SE) has gained considerable momentum world-wide. However, definitions of SE range from broad to narrow. The broad conceptualisation underscores innovative social value creating activities that occur within or across the non-profit, business, or government sectors. Under the narrow definition, SE typically refers to the process and outcome of entrepreneurial and innovative activities in the non-profit sector. In this article, the authors take a narrow approach to defining SE in order to shed focused light on the innovative participation of civil society in post-disaster reconstruction after the 5.12 Wenchuan Earthquake in China.

Existing literature has interpreted socially entrepreneurial non-profits as "stronger, more innovative, and entrepreneurial" alternatives to conventional non-profits,[1] having the potential to solve social problems and create social values in more sustainable, creative, and effective ways. As Raymond Dart notes, "The changes from conventionally understood non-profit to social enterprise are stark: from distinct non-profit to hybridised non-profit-for-profit; from a pro-social mission bottom line to a double bottom line of mission and money; from conventionally understood non-profit services to the use of entrepreneurial and corporate planning and business design tools and concepts; and from a dependence on top-line donations, member fees, and government revenue to a frequently increased focus on bottom-line earned revenue and return on investment."[2]

However, SE is intrinsically a contextual process in which socioeconomic, historical, and cultural contexts may have determining effects on its dynamics and nature.[3] Empirical study of the phenomenon needs to analyse specifically the embeddedness of SE through comparing the contextual effects of different countries, especially across the lines between developed and developing countries or Western and Eastern regions. As the largest developing country in the world, China has experienced a bourgeoning development of SE over the last few years, providing a theoretically promising research locus to examine the contextual effects of SE. Socially entrepreneurial organisations emerging recently in China vary from one type to the other in terms of development origin, social mission, organisational nature, legal status, and operational model.[4] The burgeoning of SE in China is driven by multiple forces embedded in the state, the market, and the third sector of China as well as the international community. Various driving forces exert their impacts in different ways, such as marketisation of state-owned welfare institutions in the state sector; corporate social responsibility in the market sector; commercialisation of non-profits and new co-operative movements in the third sector; and diffusion of overseas experience (especially in the fields of microfinance and fair trade) in the international community.[5]

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1. Sutia Kim Alter, "Social Enterprise Models and Their Mission and Money Relationship," in Alex Nicholls (ed.), *Social Entrepreneurship: New Models of Sustainable Social Change*, Oxford, Oxford University Press, 2006, pp. 205-230.
2. Raymond Dart, "The Legitimacy of Social Enterprise," *Non-profit Management and Leadership*, Vol. 14, No. 4, 2004, pp. 411-424.
3. Elizabeth Chell, "Social Enterprise and Entrepreneurship," *International Small Business Journal*, Vol. 25, No. 1, 2007, pp. 5-26; Janelle A Kerlin, "A Comparative Analysis of the Global Emergence of Social Enterprise," *Voluntas*, Vol. 21, No. 2, 2010, pp. 162-179.
4. Xiaomin Yu, "Social Enterprise in China: Driving Forces, Development Patterns and Legal Framework," *Social Enterprise Journal*, Vol. 7, No. 1, 2011, pp. 9-32.
5. Xiaomin Yu and Kaijie Ding "Shehui qiye de fazhan lujin: guoji bijiao yu Zhongguo jingyan" (The development path of social enterprise: International comparison and Chinese experience), *Zhongguo xingzheng guanli* (Chinese Public Administration), Vol. 8, 2011, pp. 12-24.

The development of SE in China is still in its infancy, drawing scant academic attention. A handful of scholars have explored the issue by defining its conceptual boundaries, identifying its driving forces, and delineating its development landscapes. [6] However, few of them have provided empirical analysis of the issue using either qualitative or quantitative techniques; and none of them has examined the phenomenon through comparing SEs with conventional counterparts in China's non-profit sector. To what extent can socially entrepreneurial non-profits be understood as a "stronger alternative" to conventional non-profits in China? In what ways will SE respond effectively to development challenges faced by China's non-profit sector, such as scarcity of financial resources and the predomination of the Party-state over civil society? This article seeks to provide preliminary answers to these largely unexamined questions through analysing empirical data drawn from a qualitative case study approach.

The year 2008 is referred to as China's "Year of the Volunteer" or the "Year of Civil Society," [7] in recognition of the unprecedentedly vibrant civic response to 5.12 Wenchuan Earthquake that wreaked devastation on Sichuan and other parts of southwest China. In addition, the post-disaster reconstruction not only witnessed a dramatic growth in the scale of civil society (in terms of social donations, volunteering, and participation of grassroots NGOs), but also fostered SE practices that have the potential to overcome the barricades hampering the development of China's civil society. For instance, scarcity of financial resources is a grave challenge confronting many Chinese social organisations, especially those operating at the grassroots level. By launching socially entrepreneurial initiatives, grassroots civic organisations may find alternative funding sources through generating market-based revenue, or establishing partnerships with commercial companies. Therefore, the innovative participation of civil society in post-disaster reconstruction provides a suitable window to examine the research questions we focus on.

Data for this article derive primarily from an in-depth case study conducted in 2011 of the "Joyful and Harmonious Home" (JHH), an SE initiative operated in quake-affected areas by Global Village of Beijing (GVB). The case was selected as a "critical case" [8] utilised to confirm, challenge, or extend an existing theory, based on several considerations: 1) as one of the most prominent grassroots environmental NGOs in China, GVB has made a considerable effort to integrate the notions and approaches of SE into its strategies and practices; 2) the JHH program is recognised as the best practice of civic participation in post-disaster reconstruction because of its innovative quality and social impact; 3) the JHH program is one of a small number of "sustained" SE initiatives located in the quake-stricken areas. Empirical data were collected from anthropological fieldwork at a small village in the mountainous rural region of Pengzhou City, Sichuan Province, where the JHH program operates. Two kinds of research methods were employed: 1) semi-structured interviews with multiple stakeholders involved in the JHH program (including two employees of GVB, one local government official, two village cadres, and eight ordinary villagers); and 2) participant observation of various reconstruction activities and business ventures under operation.

In the next section we briefly review the previous research on SE in the non-profit sector. We go on to delineate the emergence of SE in the context of post-disaster reconstruction after the Wenchuan Earthquake. This is followed by findings from the in-depth case study, describing the origin and profile of the JHH program, clarifying the activities for post-disaster reconstruction, and discussing how the SE initiative differs from conventional non-profits. We conclude with a discussion of the possibilities and challenges confronting Chinese civil society in employing the SE approach to overcome existing development hurdles and advance further development.

Social entrepreneurship in the non-profit sector: A literature review

The last two decades have witnessed a flourishing of SE as a "radical innovation" [9] in the non-profit sector across the world. Discussion of SE in the non-profit sector is dominated by three different schools of thought – the earned-income school, the social innovation school, and the social enterprise school. [10] Although the three schools of thought diverge in delineating the boundaries and nature of SE and examining its dynamics, they converge on a common analytical focus – the way SEs differ from traditional non-profits as a new approach to solving social problems and creating social value more sustainably, innovatively, and effectively. Synthesising contesting explanations of this issue, socially entrepreneurial organisations (or social enterprises, SEs) have been interpreted as "stronger, more innovative, and entrepreneurial" alternatives to conventional non-profits [11] in terms of strategy, structure, norms, and values. Specifically, the differences between SE and traditional non-profits have been delineated in the following nine aspects.

Balancing social and economic objectives. Substantially distinct from traditional non-profits driven solely by social goals, SEs need to strike an appropriate balance between social and economic objectives. As "market-driven and mission-led" dual-value organisations, SEs usually emphasise "using business tools and approaches to achieve social objectives." [12]

Hybridising organisational structure. Many SEs set up hybrid organisation structure in order to engage in both non-profit and for-profit activities. The hybrid organisation forms found in SEs range from "holding companies" that carry out for-profit activities and generate income for the non-profit parent to "joint ventures" that take the form of partnerships between non-profits and for-profits. [13] According to the level of integration between their social programs and business activities, SEs fall into three categories: embedded, integrated, and external. [14] In addition, organisational forms of SEs vary in terms of legal status. After Italy introduced laws regulating social

6. Jacques Defourny and Shin-Yang Kim, "Emerging Models of Social Enterprise in Eastern Asia: A Cross-country Analysis," *Social Enterprise Journal*, Vol. 7, No. 1, 2011, pp. 86-111; Xiaomin Yu, "Social Enterprise in China: Driving Forces, Development Patterns and Legal Framework," *art. cit.*; Xiaomin Yu and Kaijie Ding, "Shehui qiye de fazhan lujin: guoji bijiao yu Zhongguo jingyan" (The development path of social enterprise: International comparison and Chinese experience), *art. cit.*
7. Shawn Shieh and Guosheng Deng, "An Emerging Civil Society: The Impact of the 2008 Sichuan Earthquake on Grass-roots Associations in China," *The China Journal*, Vol. 65, 2011, pp. 181-194.
8. Robert K. Yin, *Case Study Research: Design and Methods (Third Edition)*, Thousand Oaks, Sage, 2003.
9. Raymond Dart, "The Legitimacy of Social Enterprise," *Non-profit Management and Leadership*, Vol. 14, No. 4, 2004, pp. 411-424.
10. J. Gregory Dees and Beth Battle Anderson, "Framing a Theory of Social Entrepreneurship: Building on Two Schools of Practice and Thought," *redf.org*, 2006, www.redf.org/system/files/Greg+Dees%27+Framing+a+Theory+of+SE.pdf (accessed on 12 November 2011); Jacques Defourny and Marthe Nyssens, "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences," *Journal of Social Entrepreneurship*, Vol. 1, No. 1, 2010, pp. 32-53.
11. Sutia Kim Alter, "Social Enterprise Models and Their Mission and Money Relationship," *art. cit.*
12. Sutia Kim Alter, "Social Enterprise Topology," *The Four Lenses Strategic Framework*, www.4lenses.org/setypology/print (accessed on 24 June 2016).
13. Howard P. Tuckman, "Competition, Commercialization, and the Evolution of Non-profit Organizational Structures," *Journal of Policy Analysis & Management*, Vol. 17, No. 2, 1998, pp. 175-194.
14. Sutia Kim Alter, "Social Enterprise Models and Their Mission and Money Relationship," *art. cit.*

cooperatives in 1991, at least 14 European and North American countries, as well as Japan and South Korea, had approved laws on SEs by 2009. [15]

Broadening operational models. Because they have both social and commercial objectives, SEs contain a high level of complexity in their strategies and operations. Not only do they have to generate sufficient revenue to re-invest in their business ventures, they also have to maintain investment in social projects. [16] Sutia Kim Alter classifies a variety of operational prototypes normally used by SEs, including nine fundamental models (entrepreneurial support, market intermediary, employment, fee-for service, low-income clients as market, cooperative, market linkage, service subsidisation, and organisational support) and combining models that provide the best fundamental models to achieve the organisation's dual objectives. [17]

Diversifying resource base. As with mainstream non-profits, socially entrepreneurial organisations rely on a resource pool combining financial, physical, and human assets. [18] As the earned-income school highlights, in contrast to traditional non-profits, which rely primarily on grants and donations to achieve their social goals, SEs often engage in profit-making activities and generate a significant amount of their revenues. [19] Going beyond earned-income strategies, the social enterprise school stresses that SEs often obey "three different types of economic principles – market, redistribution, and reciprocity," [20] and create a diversified resource base that often mixes earned income, donations, volunteering, and government subsidies. [21] In contrast, the social innovation school focuses on elucidating the innovativeness of social enterprise in using resources.

Strengthening cross-sector partnership. In searching for resources they need, SEs frequently rely on effective cross-sector networking and partnership. [22] In the nexus of SE and company, SEs are increasingly partnering with companies in new ways, such as cause-related marketing, endorsement, sponsorships, and other forms of dealings with corporations, instead of accepting donations. [23] In the nexus of SE and government, public authorities usually provide direct support (such as public purchasing or grants) and indirect subsidies (such as exemptions and tax deductions) to certain types of SEs. [24]

Facing new challenges to achieve organisational sustainability. The earned-income school argues that financial sustainability and self-sufficiency are essential aspects of SEs that distinguish them from traditional non-profits. [25] However, financial viability in itself does not provide a full picture of the organisational sustainability of SEs. Instead, the long-term durability of SEs depends on their ability to acknowledge and manage the symbiosis between two competing sides of the organisation – commercial activity (assessed by efficiency, competiveness, profitability, etc.) and social action (evaluated by legitimacy, participation, impact, etc.). [26] In addition, some empirical studies show that the long-term viability of SEs is determined by a variety of internal and external factors, especially "their ability to gain resources and legitimacy, create cooperation with other institutions and develop internal managerial and organisational capabilities." [27]

Nurturing stakeholders' participation and democracy in governance. The main advantage of SEs over traditional non-profits is their governance model. [28] In many countries (especially in Western Europe), SEs typically have a democratic governance structure that allows the direct involvement of a wide range of stakeholders (e.g. users, clients, donors, employees, volunteers, social investors, etc.) or indirect participation through trustees or directors who have the power to make decisions on behalf of stakeholders. [29]

Limiting profit distribution. Unlike conventional non-profits prohibited from profit distribution, SEs are subjected to a "weakened" non-profit distribution constraint, to allow them to accumulate financial resources and improve their economic stability. [30] However, the degree to which profit distribution is constrained varies among SEs based on legal status and operational model.

Enlarging social impact. SEs are deemed to be more innovative than conventional non-profits in that they seek new ways to accomplish social change on a large scale. The SE paradigm provides non-profits with a mechanism to strengthen, expand, or enhance their missions by creating more meaningful social impact, by reaching new client markets, or by diversifying their social services. [31]

Based largely on SE practices in developed Western societies, previous literature has identified salient features that make SEs distinct from traditional non-profits. However, as a handful of scholars assert, theoretical development in this field needs to recognise the socio-economic, historical, and cultural contexts in which SE practices are rooted. [32] The embeddedness of SE indicates that previous theories on SEs that are constructed primarily in the context of Western societies may have limitations if applied directly to explain the situation in China, which differs from many Western societies in terms of stage of development, welfare regime, state-society relationship, and the nature of civil society. Therefore, empirical studies are needed to achieve a deep understanding of the development dynamic of SEs in the

15. Carlo Borzaga, Sara Depedri, and Ermanno Tortia, "The Growth of Organizational Variety in Market Economies: The Case of Social Enterprises," Euricse Working Paper Series, Code WP 003 10, 2010, www.jeodonline.com/sites/euricse.eu/files/db_uploads/documents/1267022714_n345.pdf (accessed on 12 August 2016).
16. Jonathan Moizer and Paul Tracey, "Strategy Making in Social Enterprise: The Role of Resource Allocation and its Effects on Organizational Sustainability," *Systems Research and Behavioral Science*, Vol. 27, No. 3, 2010, pp. 252-266.
17. Sutia Kim Alter, "Social Enterprise Topology," *art. cit.*
18. Helen Haugh, "A Resource-based Perspective of Social Entrepreneurship," in Jeffrey A. Robinson, Johanna Mair, and Kai Hockerts (eds), *International Perspectives on Social Entrepreneurship*, New York, Palgrave Macmillan, 2008, pp. 99-116.
19. Jerr Boschee, "Eight Basic Principles for Non-profit Entrepreneurs," *Non-profit World*, Vol. 19, No. 4, 2001, pp. 15-18.
20. Laurent Gardin, "A Variety of Resource Mixes Inside Social Enterprises," in Marthe Nyssens (ed.), *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*, London, New York, Routledge, 2006, pp. 111-136.
21. Adalbert Evers, "The Significance of Social Capital in the Multiple Goal and Resource Structure of Social Enterprises," in Carlo Borzaga and Jacques Defourny (eds), *The Emergence of Social Enterprise*, London, New York, Routledge, 2001, pp. 296-311; Laurent Gardin, "A Variety of Resource Mixes Inside Social Enterprises," *art. cit.*
22. Helen Haugh, "A Resource-based Perspective of Social Entrepreneurship," *art. cit.*
23. Angela M. Eikenberry and Jodie Drapal Kluver, "The Marketization of the Non-profit Sector: Civil Society at Risk?", *Public Administration Review*, Vol. 64, No. 2, 2004, pp. 132-140.
24. Marthe Nyssens (ed.), *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*, *op. cit.*
25. Jerr Boschee, "Eight Basic Principles for Non-profit Entrepreneurs," *art. cit.*
26. Jean-Louis Laville and Marthe Nyssens, "The Social Enterprise: Towards a Theoretical Social-Economic Approach," in Carlo Borzaga and Jacques Defourny (eds), *The Emergence of Social Enterprise*, *op. cit.*, pp. 312-332; Jonathan Moizer and Paul Tracey, "Strategy Making in Social Enterprise: The Role of Resource Allocation and its Effects on Organizational Sustainability," *art. cit.*
27. Moshe Sharir, Miri Lerner, and Ronit Yitshaki, "Long-term Survivability of Social Ventures," in Jeffrey A. Robinson, Johanna Mair, and Kai Hockerts (eds.), *International Perspectives on Social Entrepreneurship*, *op. cit.*, pp. 75-96.
28. Sara Depedri, "The Competitive Advantages of Social Enterprises," in Leonardo Becchetti and Carlo Borzaga (eds), *The Economics of Social Responsibility: The World of Social Enterprises*, New York, Routledge, 2010, pp. 34-54.
29. Sutia Kim Alter, "Social Enterprise Topology," *art. cit.*; Jonathan Moizer and Paul Tracey, "Strategy Making in Social Enterprise: The Role of Resource Allocation and its Effects on Organizational Sustainability," *art. cit.*
30. Sara Depedri, "The Competitive Advantages of Social Enterprises," *art. cit.*
31. Sutia Kim Alter, "Social Enterprise Models and Their Mission and Money Relationship," *art. cit.*
32. Elizabeth Chell, "Social Enterprise and Entrepreneurship," *art. cit.*; Janelle A Kerlin, "A Comparative Analysis of the Global Emergence of Social Enterprise," *art. cit.*

Chinese-specific context. Although recent years have witnessed the growth of empirical studies on SEs in China, [33] none of the existing literature focuses specifically on explaining whether, why, and how SEs in China differ from traditional non-profits or deserve the label of "stronger alternatives."

Post-quake reconstruction and the emerging of social entrepreneurship

It has been more than eight years since the 5.12 Wenchuan Earthquake hit Sichuan and other parts of southwest China. The devastating catastrophe left 87,000 people dead or missing, 374,000 injured, and millions homeless, destroyed 50,000 villages and towns, affected the livelihoods of an estimated 50 million people, and caused the direct economic loss of 845.1 billion *yuan*. Post-quake reconstruction became the most arduous challenge facing the Chinese government and society at large. The promulgation of the State Council's Regulations on Post-Wenchuan Earthquake Rehabilitation and Reconstruction on 8 June 2008 marked the beginning of the post-disaster rebuilding, which was designed by the Chinese central authority as a process "integrating state leadership and civic participation."

The year 2008 was recognised as the "Year of the Volunteer" or the "Year of Civil Society" in China because of an unprecedentedly vibrant civic response to the disaster. Immediately after the disaster, ordinary citizens, social organisations, and socially responsible companies nationwide rushed to the stricken areas to deliver all kinds of aid. The year 2008 saw 100 billion *yuan* in social donations, with the earthquake accounting for 76 billion *yuan*, up from 31 billion *yuan* in 2007. [34] Moreover, nearly five million volunteers poured into quake-stricken areas to engage in rescue, relief, and reconstruction. [35] In addition, the quake triggered the growing participation of grassroots NGOs. By the end of 2008, 263 NGOs or volunteer groups had responded to the earthquake by raising funds, delivering materials, providing services, or organising networks. [36]

However, as the emergency phase moved into the more complicated and demanding recovery and reconstruction phase, the involvement of civic groups receded like an ebbing tide. It was reported that by April 2009, the number of NGOs or volunteer groups working in the quake-stricken regions declined from nearly 300 to fewer than 50, while the number of volunteers decreased from nearly five million to some 50,000. [37] The fading away of civic participation in the reconstruction process was a manifestation of the structural obstacles encountered by Chinese civil society over the long term.

First, scarcity of financial resources remains a grave challenge confronting many Chinese civic organisations, especially those operating at the grassroots level. Currently, grassroots groups depend mainly on unstable donations from overseas funders. The earthquake seemed to bring about an outpouring of domestic social donations. Nevertheless, China's current charity policies stipulate that only governmental organs and government-organised charities are allowed to receive donations for disaster relief from the public. Amongst the 65.2 billion *yuan* in donations collected by the end of 2008 for the earthquake, 58% went directly to government accounts; 31% (collected by local branches of government-run foundations) also indirectly ended up in government coffers; and only 11% went to government-run foundations, which became the only possible financial resource accessible to civic organisations. However, in practice, these government-organised foundations relied mainly on their local branches and governmental ties to put the funds to work. [38] In short, although social donations grew rapidly after the earthquake, only a tiny share of the new resources was available to civil society and was unable to alleviate the scarcity of financial resources among grassroots civic groups.

Second, with an authoritarian political-social regime, the Chinese Party-state persistently holds the predominant position in its relations with civil society and exerts tight control of civil society organisations through onerous regulation of their registration and operation. To register as legal non-profits in China, civil society groups need to meet certain physical conditions (such as assets, staff, and an office) and find a qualified government agency willing to be their "professional supervising unit." However, many grassroots organisations find it extremely difficult to meet all these requirements. Limited by these registration hindrances, many NGOs choose to register as for-profit businesses or to remain unregistered. Moreover, even registered non-profits are prohibited from establishing branches and operating in areas outside of their registered location. [39] In the case of post-disaster relief and reconstruction, the Chinese government took a supportive position toward the involvement of civic organisations, especially those capable of providing professional services as a necessary supplement to governmental agencies. However, all institutional barriers stemming from the predomination of the Party-state over civil society still constrained the legitimacy and sustainability of grassroots organisations (especially those not officially registered) to participate in post-quake reconstruction.

In sum, given the lack of funds and the unfavourable policy environment, discovering an alternative way to sustain participation in post-quake reconstruction became an imperative task for many grassroots civic organisations. In response, some innovative NGOs began to explore the possibility of using the socially entrepreneurial approach to overcome financial and institutional hurdles. According to existing studies, a wide spectrum of SEs have emerged in quake-affected areas, ranging from non-profits engaged in commercial activities, farmers' cooperatives, and fair trade organisations, to microfinance institutions. [40] However, there is no in-depth empirical

33. Daphne W. Yiu, William P. Wan, Frank W. Ng, Xing Chen, and Jun Su "Sentimental Drivers of Social Entrepreneurship: A Study of China's Guangcai (Glorious) Program," *Management and Organization Review*, Vol. 10, No. 1, 2014, pp.55-80; Fan Qi Zeng, Mu Qiang Zheng, and Dennis Lee, "An Empirical Study on the Influencing Factors of University Students' Entrepreneurial Intention: A Research Based on the Chinese Nascent Social Entrepreneur," *Journal of Asia Entrepreneurship and Sustainability*, Vol. 11, No. 1, 2015, pp. 89-126; Hong Lan, Ying Zhu, David Ness, Ke Xing, and Kris Schneider, "The Role and Characteristics of Social Entrepreneurs in Contemporary Rural Cooperative Development in China: Case Studies of Rural Social Entrepreneurship," *Asia Pacific Business Review*, Vol. 20, No. 3, 2014, pp. 379-400; Joseph D. Tucker, Kathryn E. Muessig, Rosa Cui, Cedric H. Bien, and Elaine J. Lo, "Organizational Characteristics of HIV/Syphilis Testing Services for Men who Have Sex with Men in South China: A Social Entrepreneurship Analysis and Implications for Creating Sustainable Service Models," *BMC Infectious Diseases*, Vol. 14, 2014, pp. 2-9; Linda Wong and Jun Tang, "Dilemmas Confronting Social Entrepreneurs: Care Homes for Elderly People in Chinese Cities," *Pacific Affairs*, Vol. 79, No. 4, 2006, pp. 623-642; Xiaomin Yu, "The Governance of Social Enterprises in China," *Social Enterprise Journal*, Vol. 9, No. 3, 2013, pp. 225-246.

34. Tom Spender, "Development: Grassroots Groups Flourishing in China," *Global Information Network*, 1 March 2010.

35. Ting Yang, "Volunteer Groups Starting to Have a Bigger Role in China," *The China Post*, 13 May 2011.

36. Chuanjin Tao, "Dizhen zaihou jiuyuan zhong NGO de canyu jizhi" (The participation mechanism of NGOs in the rescue process after the earthquake), *Shehui zhengce tongxun* (Social Policy Communications), Vol. 11, 2008, pp. 18-45.

37. Limin Bao, "Shui lai zhizhang 760 yi yuan dizhen juankuan?" (Who is in charge of 76 billion *yuan* donation for quake), *Zhongguo qingnian bao* (China Youth Daily), 12 August 2009.

38. *Ibid.*

39. Shawn Shieh and Guosheng Deng, "An Emerging Civil Society: The Impact of the 2008 Sichuan Earthquake on Grass-roots Associations in China," *The China Journal*, Vol. 65, 2011, pp. 181-194.

40. Jiaju Xie and Fan Li, "Gongyi xin siwei: 10 ge Zhongguo shehui qiyejia de gushi" (New ideas of philanthropy: Stories of ten social entrepreneurs in China), Hong Kong, Zi Cheng Yi Jia Press, 2010; Qiang Zhang and Xiaomin Yu, "NGO canyu wenchuan dizhen zaihou chongjian yanjiu" (A study on NGO's participation in the post-disaster reconstruction for Wenchuan earthquake), Beijing, Peking University Press, 2009; Xiaohong Zhu, "YBC chongjian jiayuan chuangye xingdong ji qi jingyan fenxi: jiyu shehui qiye de shijiao" (YBC home reconstruction initiative and analysis of its experience: From a social enterprise perspective), *Zhonguo feiyingli pinglun* (China Non-profit Review), No. 3, 2008, pp. 172-189.

analysis on the newly mushrooming SEs in disaster-hit areas. It is therefore difficult to clearly delineate the characteristics of SE initiatives in comparison with traditional non-profits and to comprehensively assess the advantage of SE in overcoming major development hurdles faced by China's grassroots non-profits. The following section aims to fill this gap.

Empirical findings from the case study

Organisation profile and program origin

Da Ping, a small village of 279 households located in the mountainous rural region of Pengzhou City, Sichuan Province, was devastated by the 5.12 earthquake. Over 80% of the houses collapsed, a large portion of its roads and bridges were paralysed, and most villagers lost the resources to maintain their livelihoods. Fortunately, two months after the quake, this small village witnessed the sprouting of an SE initiative, Joyful and Harmonious Home (*Lehe Jiayuan* in Chinese, JHH), which was a multi-faceted reconstruction program launched by Global Village of Beijing (GVB).

GVB is an environmental NGO founded by Liao Xiaoyi in 1996 and registered in Beijing as a for-profit business.[41] Since Liao Xiaoyi won an international environmental award, the "Sophie Prize," in 2000, GVB has been increasingly recognised as one of the most remarkable grassroots NGOs engaged in environmental education and sustainable development in China. As the notions and practices of SE have been increasingly introduced to China in recent years, GVB has gradually learned to make SE a tool for transforming its disadvantage as a "business" NGO into an advantage in terms of enhancing social legitimacy and financial resources. One of the most noticeable entrepreneurial activities taken by GVB was a "fair trade service platform" established in 2008 to facilitate fair trade between urban communities, where consumers suffer increasingly from unsafe foods, and rural communities, where farmers have no guarantee of livelihood due to unfair trading rules in the over-commercialised agricultural sector.

GVB's SE aspirations achieved robust development through the launch of the JHH program in Da Ping Village. For GVB, embarking on the JHH program was much more than a spontaneous response to the disaster. Rather, it was a deliberate effort to pursue sustainable rural development in China's countryside, which has run into various developmental pitfalls such as environmental pollution, community fragmentation, family dysfunction, languishing rural economy, and the disappearance of traditional culture and lifestyles in the country's decades-long journey toward modernisation through industrialisation, labour migration, and urbanisation.[42]

However, the JHH program was only a dream before GVB got start-up funds of 1.8 million *yuan* from the Chinese Red Cross Foundation (CRCF) in August 2008. Noticeably, GVB explicitly highlighted its SE nature when trying to tap more investment opportunities for the program. As Liao Xiaoyi explains, "One of the five salient features of the program is that it represents a form an innovative philanthropy (…) as a social entrepreneurship entity, on the one hand it is able to enhance investment efficiency through ensuring a better operational performance in marketplace, but on the other hand, its social mission to service the interests of villagers can be safeguarded through a governance mechanism with participation of villagers. Thus this program deserves more consideration and support from government, society, and the investment community."[43] Consequently, the JHH program received funds from several foundations such as CRCF, Narada Foundation, Jet Li One Foundation, and Give2Asia Foundation. By the end of February 2009, the JHH program had grown into a multi-purpose reconstruction program backed by total funding of nearly 5 million *yuan*.[44]

Activities for post-disaster reconstruction[45]

To revitalise Da Ping Village in a manner that was environmentally, economically, and socially sustainable, the JHH program launched a variety of reconstruction activities, ranging from rebuilding residential houses and public facilities, developing ecological industries, and providing social services, to establishing a grassroots environmental protection mechanism.

First, how to rebuild damaged houses in an ecologically friendly way became a key concern of the program. State subsidies and social donations constituted major funds for home rebuilding, which were managed as a "collective fund" owned by all quake-affected residents in the village. Unlike commercial construction projects, which are usually outsourced to construction companies, the JHH program relied mainly upon voluntary work by professional architects and volunteers, as well as the reciprocal labour of villagers. Such an arrangement aimed not only at controlling costs and ensuring quality, but also at embedding the concept of environmental protection and strengthening the values of participation, solidarity, and reciprocity among villagers. By the end of 2009, 80 households had moved into rebuilt eco-houses that were more seismic-resistant, land-saving, and low-carbon than conventional houses. Due to the land-saving feature of eco-houses, a large amount of redundant residential land belonging to farmers prior to the quake was used to construct public facilities. By May 2010, a diversity of public facilities, including two eco-clinics, two community centres, and a village college, had been constructed.

Second, the program endeavoured to revitalise the community's economy and provide a sustainable livelihood for all residents through developing the ecological sector. Prior to the disaster, Da Ping was a low-income village where annual income per capita was roughly 1,000 *yuan*, and the majority of households relied on growing economic crops, planting medical herbs, or taking casual jobs at nearby coal or limestone mines to earn a living. The program was designed to revive the local economy by replacing unsustainable lime mining and chemical agriculture with green industries such as ecological agriculture, countryside tourism, and innovative handicrafts. By the end of 2009, four organic mini-farms, two organic livestock and poultry farms, and one handicraft workshop had been built. These newly launched green businesses were operated as an embryonic form of cooperative economy in which production was household-based while financial and trading activities were managed intensively by professionals. The products made by these cooperatives, such as the "Love Handkerchief" and "Green Chicken,"

41. Facing various difficulties in registering as government-accepted non-profits, many grassroots NGOs register with the Industrial and Commercial Bureau as for-profit businesses to obtain legal status, although they actually operate as non-profits. However, not all grassroots NGOs registered as commercial entities in China are social enterprises, as many of them operate as pure non-profits and do not engage in any entrepreneurial or business activities.
42. Xiaoyi Liao, "Cong Lehe Jiayuan kan xin nongcun shengtai wenming jianshe" (Construction of ecologic civilisation in China's new village: Observation of Lehe Jiayuan), *Beijing diqiu cun huanjing jiaoyu zhongxin* (Beijing Global Village Environmental Education Center), 2009, www.gvbchina.org.cn/chuanbo/baodao_fangtan/lehejiayuankanxinnongcun.html (accessed on 10 May 2011).
43. *Ibid.*
44. Yingchun Wang, "Lehe Jiayuan: yige lixiangzhuyizhe de xiangjian wutuobang" (Lehe Jiayuan, a utopia of countryside construction of an idealist), *Zhonguo jingji daobao* (Economic Weekly), 16 February 2009.
45. Interviews with employees of GVB and village cadres, 28 August 2011.

gained market access to nearby urban communities through the "fair trade service platform" managed by GVB.

Third, the program strived to make preventive healthcare and other social services accessible and affordable to all Da Ping villagers. To this end, the program mobilised all available sources such as newly constructed eco-clinics, specialised village doctors, and internet-based long-distance consulting services. In December 2010, the village's social services function was further expanded with the establishment of the "Da Ping Sunshine Community Centre" resulting from the cooperation between GVB and Non-Profit Incubator, the most influential incubator of grassroots non-profits. The community centre is currently working on two main schemes: firstly, to foster community groups such as "Kids Team," created in July 2009 as an institution to train village children as ambassadors of traditional ethics and the values of environmental protection; and secondly, to carry out community-based philanthropic and cultural activities.

Fourth, the program intended to establish an effective environmental protection mechanism fully involving villagers. In order to embed the concept of environmental protection in the everyday life of villagers, a series of facilities for energy saving and waste disposal, such as a methane system, firewood-saving stoves, and garbage-sorting boxes and balers, were constructed in all households. Moreover, a refuse recycling system was established through which some solid waste such as plastic and paper could be processed appropriately for circular use.

The making of a social entrepreneurship approach

To varying degrees, the JHH program operated by GVB reflects the nine features of SE summarised previously, making it distinct from traditional non-profits.

Balancing social and economic objectives. The primary purpose of the JHH program is to revitalise the quake-devastated Da Ping Village as a model for "constructing ecological civilisation" in rural China that can be replicated in many other villages. Unlike conventional community development programs launched by NGOs, the JHH program has the economic objective of strengthening the financial viability and sustainability of the program through engaging in various green industries such as eco-agriculture, green breeding, eco-tourism, and innovative handicrafts.

Hybridising the organisation structure. In contrast to many traditional non-profits or cooperatives, all green business activities included in the JHH program take the form of jointly-owned social ventures based on 15-year cooperation contracts involving three partners: 1) GVB plays the crucial role of absorbing investment and carrying out industrial planning, management, and marketing. GVB therefore holds the controlling shares (51% of the stake). 2) Da Ping Mountain Ecology Association (DPMEA), a grassroots environmental group established shortly after the disaster with GVB's facilitation, represents the interests of 100 village households involved in the JHH program by facilitating the management of various green industries and coordinating the involvement of villagers. Thus, DPMEA and individual villagers hold a 49% stake in the businesses. 3) The villagers' committee (the prevailing type of grassroots organisation in rural China, quasi-governmental in nature) plays the role of maintaining the partnership between the three parties and supervising the operation of the businesses. [46]

Broadening operational models. The JHH program strives to create an operational model conducive to accomplishing social missions and achieving financial sustainability. Specifically, the JHH program operates as a "market intermediary" (Alter, 2007) between beneficiary groups (cooperatives and villagers) and marketplaces by providing value-added services such as product development, production, and marketing assistance. On the side of creating social value, the program helps villagers earn a liveable income and enhance environmental standards; on the side of creating economic value, market-based revenues help to cover program costs and strengthen self-sufficiency.

Diversifying the resource base. The JHH program is a social experiment in diverting mixed resources creatively from the state, social, and market sectors. With regard to monetary resources, although its start-up funds are mainly derived from social donations from foundations, local governments also provide substantial grants – for example, the Pengzhou City government offered one million *yuan* to construct the first motorway, which was the precondition for developing the eco-economic sector in the remote mountain village. [47] In addition, GVB attaches importance to self-earned income through producing and trading organic vegetables, green livestock and poultry, and innovative handicrafts. However, income from the sale of green products currently constitutes only a small source of revenue, partly because these new businesses remain small in scale or are operated mainly as experiments for gaining know-how in green farming (such as fertilising, controlling weeds, and saving water). [48]

Strengthening cross-sector partnership. GVB has made various efforts to establish and strengthen partnership with local governments to gain legitimacy and obtain resources crucial to the success of the program. In its interaction with local governments, GVB focuses on networking with the government at the municipal level rather than with the subordinate township level, believing that the former is more capable of providing substantial resources. Such a strategy worked well until 2010, when the deputy chief executive of the township government was elected head of the village branch of the Chinese Communist Party (the Party chief), which is typically the decision-making agency of the Party-state in the villages. Various disagreements gradually arose between GVB and the newly elected Party chief, who criticised GVB for not respecting the opinions of the township government and two grassroots quasi-governmental organs, the villagers' committee and the village branch of the Chinese Communist Party. The Party chief subsequently set up a farmers' cooperative planting bamboo shoots and plans to launch other eco-industries through absorbing commercial investment. [49] This kind of conflictual relationship between GVB and the township Party-state and its village branch apparently undermined villagers' trust and loyalty toward GVB. Many villagers began to place their hopes in alternative reconstruction plans that promised more significant benefits to villagers than the JHH program. [50] On behalf of the villagers, the villagers' committee finally proposed revising the cooperation contract between GVB and Da Ping Village, claiming that the villagers should have more shares in the joint-venture businesses and that the villagers' committee should have more decision-making power. [51] Improving the relationship with local governments and regaining villagers' trust then became a top priority in GVB's agenda. [52]

46. Interview with village cadre, 30 August 2011.
47. Interview with local government official, 29 August 2011.
48. Interview with staff of GVB, 31 August 2011.
49. Interview with local government official, 29 August 2011.
50. Interviews with ordinary villagers, 29-31 August 2011.
51. Interview with village cadres, 30 August 2011.
52. Interview with the staff of GVB, 29 August 2011.

Facing new challenges to organisational sustainability. The program has not generated sufficient earned income to support its social programs. Several organisational and contextual factors constrain its ability to accomplish financial self-sufficiency. First of all, as the major green industries of the JHH program, ecological farming and livestock/poultry breeding are located in unfavourable market conditions in which the demand for organic food in local rural communities is quite limited, and grasping market opportunities in large cities makes the products lose their price advantage due to increased storage and transportation costs. Nevertheless, GVB persists in its market-based trading activities by exploring new approaches such as processing fresh livestock and poultry products into instant products and developing new market opportunities in local communities by more closely integrating ecological farming and livestock/poultry breeding with countryside tourism. [53] Secondly, engaging in business activities poses various managerial challenges to GVB, such as cultivating new efficiency-oriented values, figuring out new ways to manage mixed human resources, and creating new approaches to assessing performance. Thirdly, the organisational sustainability of an SE is not solely determined by its internal operations but also by management of the environment in which it operates. In the case of the JHH program, the fragile partnership with local governments appears to be the major contextual factor jeopardising its legitimacy and sustainability. In addition, the underdevelopment of the "social investment" sector in China also makes it difficult to access sustained investment from "social investors" that use a mainstream investment approach to provide growth capital capacity-building services for SEs.

Nurturing stakeholders' participation and democracy in governance. As designed by GVB, the JHH program operates through a "democratic" governance structure to enhance the participation of villagers. To this end, GVB in 2008 facilitated the creation of the Da Ping Mountain Ecology Association (DPMEA) as a voluntary association of villagers involved in the program in order to coordinate villagers' participation. However, in the eyes of villagers, DPMEA is merely a "puppet" of GVB and is unable to truly represent villagers' opinions and interests, as the committee administrating DPMEA was created through GVB's appointment rather than through election by villagers. It appears that in spite of the good intention to strengthen villagers' participation in the program, a democratic governance structure was not effectively established. Decision-making power was usually held by GVB, and such a non-participative governance situation made villagers felt "marginalised" or even "employed as tools" in the process of reconstruction. [54]

Limiting profit-distribution. Although it engages in revenue-generating activities, the JHH program does not aim at maximising profits but rather at scaling-up its social impact. To this end, a limitation is set on the distribution of profits generated from its business activities. Specifically, the profits accrued under the shares held by GVB are prohibited from distribution and are used only to accomplish its social missions. By contrast, the profits accrued under the shares held by villagers are allowed to be distributed. According to villagers interviewed in 2011, each villager involved in the program received 60 *yuan* at the end of 2010 as the distributed profits generated from the green businesses.

Enlarging social impact. To create greater impact, the program chooses to pursue a "scaling up" approach by diffusing the experience of "constructing ecological civilisation" in Da Ping Village to other rural regions. However, both academics and practitioners doubt that the JHH model can be properly duplicated by other social organisations in other rural communities. The sceptics argue that few grassroots NGOs in China have GVB's capacity for fundraising, project operation, and social networking. In contrast to this scepticism, GVB is quite optimistic about the replicability of the JHH model, highlighting the SE model's innovativeness in creating an ownership structure, governance mechanism, and operational model that can be transferred to other organisations and locations. As a result of GVB's persistent efforts, in 2010, the JHH model gained the endorsement of government officials of Wuxi County, located in the middle of the Three Gorges Reservoir Area in Sichuan Province. By the end of 2010, the JHH model had been introduced to three other villages in Wuxi County.

Discussion: Will SE cure the development pains of grassroots NGOs?

As revealed by the unsustained participation of civil society organisations in post-disaster reconstruction, grassroots civic groups in China persistently suffer from two major development pains: 1) the predominance of the Party-state over civil society (or the dependency of civil society on the state for legitimacy and resources); and 2) the insufficiency of financial resources. As illustrated by the case study of the JHH program, some innovative grassroots NGOs in China have taken socially entrepreneurial approaches to seeking more sustained participation in post-disaster reconstruction. As other relevant studies show, various types of SEs are also playing active roles in other fields of development in China, such as work integration, social services (e.g. eldercare and childcare), health care, poverty alleviation, education, rural development, and sustainable development. [55]

As the case study shows, grassroots civic organisation still encounter various challenges to overcoming the structural hurdles constraining their development, even when using the innovative vehicle of SE. However, in recent years, various efforts have been made by the Chinese government, SE incubating organisations, and social investing institutions to strengthen the "ecosystem of social entrepreneurship" – a healthy institutional and social environment to support the practice of SE [56] in China.

First of all, Chinese local governments have made institutional efforts to foster the development of SE via legislative or policy platforms. For instance, in September 2011, the Standing Committee of the Ningxia Hui Autonomous Region People's Congress promulgated Regulations on the Promotion of Charity in the Ningxia Hui Autonomous Region, promoting the development of "social charitable enterprises," recognised as the first local

53. *Ibid.*

54. Interviews with ordinary villagers, 29-31 August 2011.

55. Andrea Bernardi and Mattia Miani, "The Long March of Chinese Cooperatives: Towards Market Economy, Participation and Sustainable Development," *Asia Pacific Business Review*, Vol. 20, No. 3, 2014, pp. 330-355; Chen Yinwei (ed.), *Zhongguo shehui chuangye anliji* (The case study of social entrepreneurship in China), Beijing, Peking University Press, 2013; David Bromwich and Max Saunders, "Establishing Cooperatives for Effective Community Development in Rural China," *Development in Practice*, Vol. 22, No. 8, 2012, pp. 1097-1108; Fan Qi Zeng, Mu Qiang Zheng, and Dennis Lee, "An Empirical Study on the Influencing Factors of University Students' Entrepreneurial Intention: A Research Based on the Chinese Nascent Social Entrepreneur," *art. cit.*; Joseph D. Tucker, Kathryn E. Muessig, Rosa Cui, Cedric H. Bien, and Elaine J. Lo, "Organizational Characteristics of HIV/Syphilis Testing Services for Men who Have Sex with Men in South China: A Social Entrepreneurship Analysis and Implications for Creating Sustainable Service Models," *art. cit.*; Linda Wong and Jun Tang, "Dilemmas Confronting Social Entrepreneurs: Care Homes for Elderly People in Chinese Cities," *art. cit.*; Pan Jia'en and Du Jie, "The Social Economy of New Rural Reconstruction," *China Journal of Social Work*, Vol. 4, No. 3, 2011, pp. 271-282; Rong Xiang and Tak-Chuen Luk, "Friends or Foes? Social Enterprise and Women Organizing in Migrant Communities of China," *China Journal of Social Work*, Vol. 4, No. 3, 2011, pp. 255-270; Xiaotao Yang and Kam Hung, "Poverty Alleviation via Tourism Cooperatives in China: The Story of Yuhu," *International Journal of Contemporary Hospitality Management*, Vol. 26, No. 6, 2014, pp. 879-906.

56. The Centre for Advancement of Social Entrepreneurship (The Fuqua School of Business, Duke University), "Developing the Field of Social Entrepreneurship," June 2008.

legislation on SE in China. According to the regulation, "social charitable enterprises" have one of the following features: 1) profits are not distributed but are devoted to charitable activities; 2) continually engaging in charitable, philanthropic, or social relief activities; 3) consistently donating a certain percentage of the enterprise's annual profits to society; 4) providing concentrated employment opportunities in which the disabled and the impoverished reach a certain percentage of the workforce; 5) offering concentrated settlement of poverty-stricken people such as the elderly or the disabled. Under the provisions of the regulation, "social charitable enterprises" can enjoy preferential policy treatment in accordance with the investment scale of their charitable projects, ranging from low-interest loans to the reduction or exemption of administrative fees and taxes charged by local governments.

Meanwhile, although a specific policy concerning SE has not yet be promulgated, several policy changes at both the central and local levels are providing direct or indirect support to the development of SE in China. At the central level, the Chinese government issued a new policy in 2013, Circular of the General Office of the State Council on Government Procurement of Services from Social Forces. The policy clarifies that the entities undertaking government procurement include both non-profit organisations legally registered with civil affair departments or approved by the State Council as exempt from registration, and social forces such as enterprises legally registered with industry and commerce departments or institutions registered with industry administration departments. [57] The policy apparently relaxes restrictions on government purchasing of social services, thereby offering SEs registered in diversified legal forms more opportunities in the growing market of government procurement of social services.

At the local level, several provincial and municipal governments have recognised the concept of social enterprises or have even begun to promote the development of social enterprises in related policies. The Beijing municipal government was the first local authority in China to use the concept of "social enterprise" in policy documents. In June 2011, the Beijing Municipal Committee of the Chinese Communist Party issued *Opinions on Strengthening and Innovating Social Administration and Promoting Overall Social Construction*, which recognises "actively promoting the development of social enterprise and vigorously developing social services" as a strategy to further enhance the level of public service. In November 2011, the Beijing authorities issued a *Social Construction Plan for the Twelfth Five Year Period of Beijing City*, highlighting the importance of "bolstering social enterprises." However, the definition of social enterprise is quite unclear, which poses a vital obstacle to the government making more concrete policies subsequently. [58]

Secondly, in order to fully employ SE as a solution to alleviating the scarcity of financial resources, grassroots NGOs need to develop their entrepreneurial spirit and business skills, which are crucial to enhancing financial viability and ensuring organisational sustainability. Very recently, innovative initiatives have been launching SE incubating institutions to meet this demand. For instance, in 2009, the Cultural and Education Section of the British Embassy in China launched a Social Enterprise Programme that provides aspiring and existing social entrepreneurs with skills training, mentoring, and access to UK expertise. Up to the present, the programme has trained around 3,200 social entrepreneurs, and has distributed 29 million *yuan* in funding from partners to 91 social enterprises. [59]

Thirdly, the flourishing of SEs depends heavily on the development of the social investment sector, which provides the prominent funding pool for SEs. In recent years, experimental instances of social (impact) investing have emerged in China, providing a new source of investment to fuel the development of SEs. Private foundations (most of them corporate foundations raising funds from individual enterprises or entrepreneurs) are becoming the most important players in the field of impact investment in China. Several corporate foundations are playing a leading role in supporting SEs in China, such as the Narada Foundation, China Social Entrepreneur Foundation, Leping Social Entrepreneur Foundation, and Live Foundation. [60] Meanwhile, international investment institutions are also employing the approach of impact investment to provide funds to SEs in China. For instance, LGT Venture Philanthropy invests in three SEs in China: Driptech, which provides low-cost, effective drip irrigation system for small plot farmers, Shangrila Farms, which provides market access to farmers, and the Institute of Public & Environmental Affairs, which discovers and eradicates the root causes of massive pollution. [61] Moreover, several foreign foundations, such as the Ford Foundation and SOW Asia, which is based in Hong Kong, also take an active role in supporting SEs in China. Although most of these impact investment initiatives remain relatively small in scale, they suggest a promising trend for the future development of SEs in China.

To summarise, these new initiatives may help to improve the ecosystem for SE in China, presenting grassroots civic groups engaging in SE practices with new possibilities to diversify sources of income (a mix of self-earned income, government funds, and charitable donations) in order to strengthen their financial viability and to prevent the over-dependency on government for legitimacy and resources.

Conclusion

The last few years have witnessed the emergence of SE in China's non-profit sector, where the development of grassroots civic organisations has long been constrained by financial and institutional hurdles stemming from an authoritarian political-social regime. The new phenomenon raises the question of whether SE will inject vitality into grassroots NGOs in China, as previous studies have found that SEs have emerged as "stronger alternatives" to conventional non-profits in many Western societies. The post-disaster construction after the 5.12 Wenchuan Earthquake provides an appropriate research context to inquire into this question, as a variety of SEs have been initiated by grassroots civic organisations in quake-ravaged areas to pursue greater impact in post-disaster reconstruction.

Based on an in-depth study of a typical case of SE, the authors draw several preliminary conclusions on the developmental dynamic of SE and its potential to overcome the development pains of China's grassroots NGOs. First of all, the way socially entrepreneurial non-profits have participated in post-

57. Guowuyuan bangongting (General Office of the State Council of China), *Guowuyuan bangongting guanyu zhengfu xiang shehui liliang goumai fuwu de zhidao yijiang* (Circular of the General Office of the State Council on Government Procurement of Services from Social Forces), 26 September 2013.

58. Xiaojing Yu, "Shehui qiye zhengce de bentuhua lujin" (The localised route of policy on social enterprise), *Gongyi shibao* (Philanthropy Times), 22 July 2015.

59. British Council, "Social Enterprise Programme," www.britishcouncil.cn/en/programmes/society/social-enterprise-programme (accessed on 19 February 2016).

60. Social Enterprise Research Centre, Centre for Civil Society Studies of Peking University, 21st Century Business Herald, 21st Century Social Innovation Research Centre and School of Social Policy & Practices of University of Pennsylvania (2013), "Zhongguo shehui qiye yu shehui yingxiangli touzi fazhan baogao" (China social enterprise and social impact investment development report), March 2013.

61. LGT Venture Philanthropy, "Portfolio Organizations," www.britishcouncil.cn/programmes/society/social-investment-platform (accessed on 19 February 2016).

disaster reconstruction apparently differs from the approach of conventional non-profits, manifested in multiple innovations in terms of defining objectives, organisational structure, operational model, resource base, partnership, sustainability, governance, profit-distribution, and scaling up of social impact. Secondly, still in its infancy, SE in China's non-profit sector has not evolved into an effective solution to the development hurdles confronting grassroots NGOs. However, the past years have witnessed a new trend of strengthening the ecosystem for SE in China. For instance, new laws and policies have been promulgated to promote the development of SE, SE training programs have been launched to enhance entrepreneurial spirit and business skills among grassroots NGOs, and social (impact) investment practices have been initiated to provide desirable financial capital for SE. Arguably, all these new initiatives may jointly create a more favourable institutional environment in which more grassroots civil groups in China can take on SE as a promising approach to overcoming the stubborn ailments that have hampered performance in China's social sector for decades.

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