

How to Realize the Blended Value of Social Enterprise Resource Integration?

-- Based on the Investigation of Organizational Legitimacy

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Abstract: In recent years, social enterprises have developed by leaps and bounds, involving more fields with a profound social impact in the sector of national non-governmental public welfare. However, the development of social enterprises in China is still in the initial stage, encountering the challenges such as legal legitimacy, moral legitimacy, and cognitive legitimacy. The purpose of this paper is to review the concept of social enterprises, analyze the implementation of the “New Citizen Plan” which is an activity of the Nandu Public Welfare, and the problems faced by the development of domestic social enterprises from the perspective of blended value and the triangular relationship of social enterprises. Finally, referring to the development models of social enterprises in other countries, this paper puts forward some suggestions for future development from the aspects of government and social enterprises. On the one hand, the government should optimize the environment, integrate resources, and provide normative legal support in a macro manner to promote the sustainable development of social enterprises in China. On the other hand, social enterprises should accurately identify the environment from a micro perspective and carry out precise positioning. Through in-depth cooperation and innovation, a win-win result for public welfare and commerce will be achieved, offering more ideas for the growth of social enterprises.

Keywords: Social Enterprise, Resource Integration, Blended Value, Legitimacy.

1. Introduction

In the past two years, the cognition of social enterprises in the public welfare sector has developed rapidly, with concepts of “social enterprises” and “social entrepreneurs” widely accepted. However, scholars are still engaged in a fierce “debate between justice and benefit” regarding commercial interests and public welfare morality. For example, what are the basic features of social enterprises? What is its future development goal? Therefore, it is necessary to conduct an in-depth study on the definition and evolution of social enterprises to provide strong support for jumping on the bandwagon of commercial public welfare and realizing the great advance.

1.1. Social Enterprises

Although scholars’ explanations of social enterprise are not all consistent, with its development all over the world, abundant entirely different concepts have existed. According to Wikipedia, social enterprises are slightly different from other private ones because of their business purpose, which is not only to seek more benefits for owners or enterprise holders, but also to solve social problems. This definition is very similar to that provided by the British government.

The definition of social enterprise is still controversial worldwide. American social enterprises emphasize the integration of social and economic goals, which can be divided into two categories, that is, Enterprise Nonprofits and Social Investment. Besides, European enterprises pay more attention to the combination of policy, economic, and social benefits, which can be divided into Work Integration and Social Innovation to achieve higher social development and economic growth. In short, social enterprises should be

regarded as a new market service subject. Apart from supplementing the public services provided by government departments, trading companies, and private non-enterprises, they can also realize self-development and sustainable operation, thus promoting the sustainable and healthy development of society. In nature, social enterprise is a kind of non-profit organization, which is oriented by social value and devoted to solving social problems. For example, different from the model of traditional pollution control, social enterprises put more emphasis on taking the initiative to assume social responsibility and launching some campaigns to solve social problems. Therefore, social enterprises can integrate the resources of their non-profit organizations, and industrial and commercial enterprises, so as to provide the necessary support for groups in need, offer higher remuneration to public welfare practitioners, and ensure their autonomy and high independence. Some researchers believe that business enterprises with social responsibility can be deemed as social enterprises, while others hold that business organizations can be regarded as social enterprises by setting up fund committees to guide non-profit organizations and embody their values. Supporting the first definition, this paper believes that social enterprises can maximize the blended value through resource integration. However, the presence of industrial and commercial enterprises also leads to the discussion of three problems in theory and practice, namely, inadequate registration and supervision, questioning of the “double bottom line”, and unclear positioning cognition.

1.2. Social Entrepreneurs

According to *How to Transform the World*, the author David Bernstein defines social entrepreneurs as a group of

people who have the driving force of ideas and creativity, question the status quo, refuse to give up, and build an ideal society. He believes that social entrepreneurs are not only seeking benefits, but also handling social problems from a commercial perspective with commercial rules, so as to realize social development. Social entrepreneurs are mostly sponsors and operators of social welfare organizations, such as Jerew, who created a 24-hour rescue hotline for street children in India. Grameen Rural Bank in Yunus is a well-known case of social enterprise, which helps poor Bangladeshis earn their first income by providing small loans. In the end, these recovered credits will mitigate social problems in reality. This method has been implemented in more than 100 countries all over the world.

Social entrepreneurs have two important and respectable characteristics. First, they are committed to realizing their ideals and willing to work for a better society. Secondly, they believe that commercialization is also helpful to achieve wider social values. These characteristics decide that social enterprises are not traditional commercial enterprises but have essential differences from non-profit organizations. The goal of social enterprises existing as non-profit organizations or industrial and commercial enterprises is not only to obtain profits but to bring more social value returns to shareholders through reinvestment. Guided by the spirit of enterprise, they firmly follow the path of social innovation, nurture their ability to operate independently and get rid of restrictions of external funds, which is in sharp contrast with traditional non-profit organizations.

In a word, social enterprise is a controversial concept between a non-profit organization and industrial and commercial enterprises. The first dispute rests on legal supervision. Whether it should be supervised in the way of non-profit organizations or industrial and commercial enterprises. The second is the definition of its own characteristics. As mentioned above, its definition is hazy, its characteristics, and interaction with Chinese traditional non-profit organizations need to be tested. Meanwhile, the cognitive acceptance of the masses also needs to be strengthened. The third is the problem of the policy system. Because social enterprises are still in the initial stage with diverse variables and vague future policies. Fortunately, many countries and regions are making great efforts to promote the development of social enterprises, including China. However, how to solve these difficulties needs further exploration of measures from the perspective of theory and practice.

2. Theoretical Basis

2.1. Theory of Blended Value

In 2007, Emerson founded the concept of Blended Value. He pointed out that all institutions should not simply separate certain meanings, but combine them to achieve maximum benefits. That is to say, organizations should integrate economic goals, environment, and social benefits before working out the most effective strategies to maximize the benefits of social systems. Therefore, commercial organizations should take environmental protection and social progress as assessment indicators while pursuing the maximization of economic benefits. At the same time, public welfare organizations also need to devote themselves to improving sustainability and operational efficiency when pursuing economic development.

Xu Yongguang, the Secretary-General of Society Chairman

of Nandu National Non-governmental Public Welfare, and Vice Chairman of National Charity Alliance, mentioned in his book *Public Welfare to the Right and Business to the Left* that inspired by the thought of “New Supply Economist”, he published *18 Measures for Effective Supply of Public Welfare Market in Chinese Economic Philanthropist*. As for the public welfare sector, if it does not pay attention to the supply-side structural reform, the contribution rate of national public welfare to GDP, and the responsibility for national economic growth, it will be marginalized. This also manifests the importance of the above-mentioned blended value theory.

2.2. Theory of Triangular Relationship of Social Enterprises

Corporate social responsibility, social innovation, and social effect are the first level of the triangular relationship of social enterprises, which together constitute the important role and responsibility of enterprises in society. During the incubation period, the second level of the triangle of social enterprises is established, which combines government, market, and civil society to realize influence investment. The purpose of promoting social enterprises through the government is to solve problems that cannot be directly solved by social welfare policies, while the purpose of marketing social enterprises is to develop new business opportunities. Meanwhile, civil society pursues an open, fair, and just social environment through social enterprises. Social goals can be achieved through operation, with the balance of various factors as the key to the successful “Good End Social Enterprise”. In Xu Yongguang’s opinion, the cooperation of the government, public welfare, business circles, academia, and the public is needed. Xiong Feng’e pointed out in *Research on the Use of Community Influence Investment in NPO Organizations in China* that Nandu Public Welfare Foundation is committed to solving the education problem for migrant workers’ children in China, with the new citizen plan operation mode adopted to popularize the theory of the triangular relationship of social enterprises into practice.

3. Case Review

Nandu Public Welfare Foundation established on May 11, 2007, is non-public for fundraising and is headed by the administration of civil affairs. The New Citizen Program is an important measure launched by Shanghai Nandu Group Co., Ltd., which aims to improve the growth and living conditions of migrant workers’ children, provide better education, help them explore their potential, and cultivate high-quality new citizens who will assume future civic responsibilities and contribute to national development. Nandu plans to seek more effective ways to serve migrant workers’ children in the next 5 to 10 years by subsidizing community organizations to carry out public welfare projects and donating money to build new citizen schools. The subsidy for each school ranges from 1.5 million to 2 million yuan. Besides, Nandu Public Welfare Foundation is committed to exploring a new education management mode, that is, the combination of social donation, citizen participation, and public assistance, so as to provide more support and help for the migrant workers’ children. In this project, the best public welfare project is selected through project bidding (The scope of funding includes moral and academic counseling projects, healthy growth guidance projects, employment service projects, lifestyle counseling projects, social interaction guidance projects and research,

and policy promotion projects to improve the growth environment for migrant workers' children, all of which aim to make them receive better education.) and the enthusiasm of many public welfare organizations is uplifted at first. The Management Information System developed by it in cooperation with a third party is responsible for the release of various bidding information and the review, monitoring, and funding of project applications. The evaluation of academic experts also ensures the fairness and quality of the project. What is more valuable is that the donations from the new civic schools incite the financial support of the local government, thus achieving better resource integration (Taking Yinchuan New Citizen School as an example, Nandu Foundation donated 2 million yuan, which incited more than 20 million yuan of funds from governments at all levels in Ningxia Autonomous Region. The local government will also give follow-up support to the school. Yinchuan Education Promotion Association, the organizer of the school, also raised 500,000 yuan for the school and will continue to mobilize social resources together with other social organizations.). Cooperation with government, media, enterprises, academic circles, education fields, NGOs, and other parties shows the value of deep integration. Besides, the triangular relationship theory of social enterprises has also been well applied.

The New Citizen Program of the Nandu Foundation is only a microcosm. While insisting on the strategy of public welfare venture capital, bidding, and cooperation, the foundation needs better planning and constantly filling up the shortcomings, such as perfecting and publicizing the brand, mobilizing resources, etc.

4. Existing Problems

From the theoretical and practical point of view, we can find that implementing this method can bring higher economic and social benefits. However, it should be noted that the development of social enterprises in China is still in its infancy and is not mature in macro-legitimacy, institutional establishment, micro-positioning, and incubation, with problems about various legitimacy exposed more frequently in its development.

Under the dual promotion including the sustainable development of social organizations and corporate social responsibility, social enterprises have become a vital option for traditional organizational change. They deal with problems by commercial means with creativity. However, laws have not given them exclusive legal person status, they can only exist in the name of a "commercial company" or "social organization". With the change in the market and institutional environment, many social enterprises are faced with the challenging demand of dual resource acquisition, so they have to register twice at the same time to cope with the complex environment. Most community companies are encountering the challenges such as their small scale, weak foundation, new emergence, and insufficient funds, which are caused by their novel structure, institutional conflicts, and short-term development in China. As a new organizational form, social enterprises not only bear the mission of social responsibility, but also provide an important way for non-profit organizations to achieve sustainable financial development and alleviate the resource shortage. However, from the perspective of management, the compliance of social enterprises needs attention. Legalization not only refers to whether their legal status is reasonable, but also includes their

evaluation by organizations, the public, and their stakeholders. On the whole, this paper will analyze all kinds of legitimacy problems exposed in the development of social enterprises in China from three aspects, including law, morality, and cognition.

4.1. Legitimacy of Laws—Insufficient Registration and Supervision

As the basis for the survival of organizations, the legitimacy of laws is significant, with their lack directly leading to the questioning identity of social enterprises, which makes it difficult to develop continuously. At present, the main way for social enterprises in China to obtain legal compliance is through registration. If the institution is registered as a private non-enterprise, it is guaranteed and restricted by the *Interim Provisions on the Registration and Administration of Private Non-enterprises*. At this time, if the profit-making operation mode is adopted, it will be questioned by laws. However, if it is filed as a commercial company, it is not eligible for tax exemption, losing the policy advantages of other non-profit organizations. But there is no policy or system to further regulate this phenomenon.

4.2. Legitimacy of Morality—Questioned "Double Bottom Line"

As an organization with dual identity characteristics, social enterprises should not only achieve economic development, but also contribute to social development. This double bottom line endows them with differentiated identities. Thus, there may be differences in understanding the two identities between internal and external groups. During the internal operation of the organizer, it is difficult to comprehensively consider and determine the organizer's concept, the priority of the goal of business development, and the emphasis on professional skills and literacy of different organization members, so as to ensure moral legality. Because the internal and external members of the organization are facing obvious conflicts in understanding the realization of economic and social goals, which leads to the dilemma of legitimacy and great challenges.

According to Xu Yongguang, the marketization of public welfare is restricted by two forces, including "public welfare administration" and "public welfare moralization". As for the traditional public conception, public welfare is to do free good deeds. Once having something to do with business, public welfare is no longer pure. Faced with such doubts, he responded with an example that "a mother's great love for her children is the greatest selfishness", which caused public reflection on its marketization. "Would you like more goods with higher quality and cost performance to circulate in the market?" It just needs a little reward for producers, so let more of them circulate and let donations benefit a wider group of people, so as to avoid the effect of "bad money drives out good".

4.3. Legitimacy of Cognition—Unclear Positioning Cognition

Since the 1990s, international research on social enterprises has made great progress, with the related research being relatively mature. However, the research on social enterprises in China is still in the primary stage and the cognition of social enterprises is not comprehensive and in-depth at present. In practice, social enterprises often lack clear positioning goals and even do not know whether they can be called social

enterprises. In this regard, the most common words are still social organizations and corporate social responsibility, which often appear in Hong Kong and Taiwan. Most cities and regions still know little about social enterprises. Therefore, social enterprises should strive to enhance their social influence and win the trust of the public to realize greater social value.

5. Development Proposals

After clarifying the shortcomings of social enterprises in the legal system, policy support, moral support, and public recognition, this paper will put forward relevant suggestions for their sustainable development from the perspective of the government and themselves.

5.1. Government Perspective

5.1.1. Standardize Legal Orientation and Optimize Growth Environment

A stable development environment is key to promoting the survival of social enterprises. Compared with Britain, America, Japan, and South Korea, there is still a huge gap in the legislative field of social enterprises in China which has a relatively slow process. According to relevant data, currently, only a few regions have guided the identification of social enterprises. For example, the Shunde District of Foshan City has formulated standards and incentives for the identification of social enterprises; Chengdu has formulated regional guidance opinions; Beijing has formulated the certification methods for social enterprise. However, if we really want to implement comprehensive legislation on social enterprises, more efforts and investment are needed. Referring to the successful development of modern social enterprise in other countries can provide effective guidance for the system construction of regulating social enterprises in China, such as clarifying their connotations, formulating more explicit norms, and making clear their powers and responsibilities, thus changing the disordered concepts and repeated disputes of social enterprises in China. In addition, it is beneficial to learn from the American social enterprise model. Besides, the local government should formulate standards and implement them according to the actual regional situation, which can fully consider the local economic and social conditions and solve the social problems in a targeted manner. The development model of social enterprises should be further extended to all parts of the country to improve development.

5.1.2. Integrate Multi-party Resources and Build System Ecology

Constructing a perfect social enterprise ecosystem will provide more opportunities for exchanges and cooperation among all parties promoting China's social development and helping to jointly explore an effective development path. Although many people know how to run a successful profitable company, social entrepreneurs lack guidance and support. They need to master how to cope with the complex and changeable market and social development environment. As for founders and team leaders, they need to quickly master a variety of skills from designing excellent products or providing innovative services to timing market entry, and raising funds for other important issues such as recruitment, setting organizational culture, and compensation management. The development of social enterprises requires founders to embrace new challenges constantly. Therefore, in addition to mastering basic business knowledge, they also need to

provide practical skills and strategies to enhance the ability of the company and help the organization make correct decisions against complex situations. Therefore, the establishment of a diversified social enterprise support platform can offer comprehensive guidance and support for social enterprises of different types and developmental stages, including but not limited to operational strategy, personnel training, finance, media publicity, internal and external marketing, etc., which can improve the development of social enterprises in China.

5.2. Social Enterprise Perspective

5.2.1. Identify the Development Environment with Accurately Positioning

The development concept of social value for domestic social enterprises is not only directly influenced by non-profit organizations and commercial companies, but also the individual value of local entrepreneurs as well as the innovative will of enterprises, thus forming diversified social value development concepts. Therefore, it is not enough to just rely on absorbing western development experience. It is necessary to innovate and develop a more perfect view of social mission in combination with local social culture and realistic development. Chinese social enterprises should start from various perspectives, including integrating local non-profit organizations, commercial companies, and themselves, so as to determine their goals and development concepts of social value. Under the increasingly fierce global competition and various economic crises, Chinese social enterprises need to be aware of the complex domestic and international environment, actively respond to new contradictions and challenges, closely link their mission with society, and continuously enhance their sense of mission by providing various social services. In this respect, there are also some cases of introducing party-building organizations and advisory organizations for reference.

5.2.2. Deepen Multi-party Cooperation to Promote Output Innovation

The key for social enterprises to establish themselves in the market economy is to innovate their models to meet the higher development needs. Therefore, domestic social enterprises should carefully formulate business plans according to their own resource advantages and environmental conditions, select the most suitable projects serving the development and customers according to industry basic research, and closely link themselves with the company's social development goals, so as to achieve sustainable development. Through cooperation with the government, private enterprises, and non-profit organizations, we can share successful experiences, exchange information, and continuously improve the quality of products and services, so as to achieve a win-win situation.

To sum up, as for the development of social enterprises, we should give strong support, endow them with the spirit of public welfare, and guide them to embark on sound development. In addition, with the help of a "public welfare incubator", we should provide the enterprise with development concepts, management methods, resources, and talents for public welfare organizations, thus promoting the sustainable development of the whole public welfare industry. The two-way role of "enterprise-public welfare organization" ("government-public welfare organization") aims to promote the development of the "coherence plane", which can be social enterprises, public welfare venture capital, etc., crossing the boundaries of incubation and realizing the two-way energy supply. In this dynamic network and multimedia

era, we should make use of the superior resources of cross-border integration, create life and economy together, jointly solve problems, and promote social progress and development. With the vigorous development of China's social enterprises, the original pattern of "social-enterprise interaction" and "political-social interaction" has been efficiently improved, which not only constitutes a brand-new non-governmental charity service action, but also puts forward an efficient solution to the current economic and social problems in China, thus reflecting and responding to economic and social changes in a timely and efficient manner. Let's legalize social enterprises and empower the integration of economic and social values.

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