

Research on the Balance Between Commonweal and Commerciality in the Development of Social Enterprises

Xiaobao Peng Guofang Liu* Jia Zhang

School of Public Affairs, University of Science and Technology of China, No.96, Jinzhai Road, Baohe District, 230026, Hefei, Anhui Province, China

Abstract

Since social enterprise in our country began to appear and expand on the amount and type of industry, the discussion about its identity orientation, characteristics, operation model and future development emerges constantly and becomes a hot topic in academia. But in the emphasis on social enterprise as a kind of commonweal and commercial organization form, whether and how to balance the two sides tend to be ignored. The majority of people insist that social enterprise must exist with the goal of social interests, which makes its "business" side hard to stand out. In this state of imbalance, the development of social enterprises will face a lot of problems. So obtaining from the related cases, this article aims to explore balance problems between public welfare and commerciality in the process of development of social enterprises in our country at present stage, and proposes corresponding solutions.

Keywords: Social enterprise; Commerciality; Commonweal; Amity Bakery

1. Introduction

SEFORIS, with the full name of "Social Enterprise as a Force for More Inclusive and Innovative Societies", is a research project aimed at social entrepreneurship and innovation and is started by the European Union in early 2014. In its report of "The State of Social Entrepreneurship in China", the project team pointed out that the concept of "social business" began to appear in our country as early as 2004, which is relatively late compared with Europe, the United States and other countries. So far, there is no official definition of "social enterprise", and the laws and regulations on social enterprise are in blank. However, there are more and more researches on social enterprise in academic circles, and its concept and connotation are gradually clarified in their discussion.

After summarizing the foreign scholars' points of view, Lin Hai et al. (2011) found that the definition of social entrepreneurship is basically added with the pursuit of social value on the basis of traditional business definition. But in their opinion, to simply combine "social" with "entrepreneurship" to describe "social entrepreneurship" is a little rough. Li Linyun (2012) defined social enterprises as the ones that aim at social interests and can be self-sustaining by making profits. Li Xiaonan (2015) pointed out that social enterprises are the contemporary innovation of non-profit organizations and emphasize the consistence of economic and social benefits. Liu Zhen et al. (2015) compared traditional business to social entrepreneurship from the aspects of nature, opportunities and resources and pointed out that social entrepreneurship is a new form of entrepreneurship. It is more distinctive in its social aspect and more effective and direct for the creation of social values. It can be seen from the definitions of scholars that social enterprises are very different from those of traditional enterprises and non-profit organizations. We can conclude that social enterprise is the product of the new historical background. On the one hand, the development of enterprises increasingly emphasizes the commitment of social responsibility; On the other hand, nonprofits are weak in meeting the growing social needs and are difficult to survive and sustain themselves. As a new form of social organizations, social enterprises take advantage of business model and means and make use of the profits as the main support to innovatively solve social problems. It can satisfy their own development while also take the public interest as the highest pursuit. No matter how we define it, we can't deny that public welfare and commerciality are the most prominent features. It is a better choice in the face of increasing social contradictions while the government, the market and the third sector can't respond to social demands effectively. Carrying out relevant research on social entrepreneurship will enrich the theory as well as providing guidance for practice.

2. The connotation of the balance between commonweal and commerciality

Social enterprises should integrate commercial and commonweal elements, so as to be in a productive and balanced state which contains both social value and economic value. Liu Zhiyang (2015) pointed out, there are three types of paths of social enterprises' business model evolution: access to economic value first, creation of social value first and acquirement of economic and social value equally. But in the long run, the difference between obtaining social value and economic value should be in a small and manageable scope.

To achieve balance between commonweal and commerciality of social enterprises, it should have the following characteristics: first, in the long-term development planning of social enterprise, not only does it emphasize the social welfare as the ultimate goal, but it also has clear and complete business development plan, which attaches great importance to its organization structure, product research and positioning, market

development, etc. Second, in terms of funding sources, the initial stage of external support can be large, but it should be gradually shifted to self-supporting, at least more than half. Moreover, on the talent allocation, social entrepreneurs are generally those who have good experience for many years in public welfare and most of the staff are volunteers. With this kind of unbalanced talent structure, it should be equipped with some more commercial talents. In terms of profit distribution, in addition to contributing to the society, the commercial development funds of enterprises should be reserved, and the distribution ratio between public welfare and business should be relatively reasonable. Finally, when a social enterprise is growing stronger, what accompanies it should not only be the public's rising influence, but also its influence in the business and market position should be expanded, such as the synchronous expansion of the enterprise's scale, stronger capital operation ability, more market share of its products and so on.

3. Analysis of a typical case of Chinese social enterprises

So far, the field of industry sectors covered by social enterprises in China has been very extensive, including business activities and services, education, community and social services, health and social work, trade, catering, transport, etc. The size and the number of social enterprises also have a big increase, emerging with Gold Sun, Worker Ants' Workshop, One-Kilogram Box, Angela's Home, Amity Bakery, Buy42.com and other well-known and influential social enterprises. But at the same time, many social enterprises are struggling in the process of development, and it is difficult for them to continue to support their own development or even collapse and disappear. Although the reasons are complex and varied, the failure to grasp the balance between public welfare and commerciality is often the important reason for its development difficulties. Even among the well-developed social enterprises, the problem still exists. Amity Bakery is a typical social enterprise in our country. It has a good momentum of development, a high reputation and contributes a lot in the field of social welfare. However, it also has many problems. Taking it as the typical case in this paper, we will discuss the balance between commonweal and commerciality in the development of social enterprises in China, and find out the reasons and propose solutions on the basis of finding problems.

Amity Bakery was founded in 2007 and is affiliated to Nanjing Amity Foundation, which was originally used by the foundation to train people with mental disabilities to mimic the workplace. In 2009, Amity Bakery was registered as a social enterprise and opened its first entity store in 2012. Its products are directly aimed at consumers. Contrary to common bakeries, Amity Bakery's staff has nearly one-third of intellectual disabilities, of which the purpose is to provide mentally retarded teenagers with professional vocational skills training and help them to go on work successfully. The enterprise makes profits by producing snack products such as bread, cookies and selling in the market. In addition to its own operation costs, the profits are mainly used for recruiting students and providing training for them as well as providing subsidies for mentally retarded teenagers who are in sheltered employment.

In today's market, the fast food industry develops rapidly, the competition is fierce, and the bread and pastry enterprises are numerous, especially in metropolises such as Nanjing. Since the transformation of Amity Bakery, there has been a lot of pressure to survive. Moreover, some factors of itself make it difficult to develop. Unlike ordinary bread pastry shops, Amity Bakery uses the highest quality ingredients and does not add any artificial flavors and colors, so the cost is higher than the average level. What's more, with only manual production, it is inefficient compared with machine production. In addition, although Kuang Zhenzhong, the vice president of Hong Kong Bakery Association, has been the technical director of the store since 2009, it is still very short of talents, especially high-end bread technicians. In the first year of market operation, Amity Bakery basically maintained its balance of payments. But its operating income was very limited, mainly supported by foundations and external donations. By 2011, although the turnover reached 1 million yuan, it was still losing money. So far, Amity Bakery is also difficult to make both ends meet, while Amity Foundation and Nanjing Disabled Federation have given a great help in such aspects as start-up capital, rent, employee wages and so on. It can be seen that, as a social enterprise, Amity Bakery is still not capable of standing firm in the market competition and supporting its own development.

4. Analysis on the causes of commerciality insufficiency in the development of social enterprises

The development of social enterprises in China started late, and is still in the exploratory stage. Various problems will emerge, and the commerciality shortage is a common problem faced by many social enterprises. To sum up, the reasons are as follows:

4.1 Lack of core competitiveness

For an enterprise, its core competitiveness is the most valuable and indispensable weapon to survive in a competitive market. The core competitiveness of enterprises can also be understood as the innovation ability. Most scholars generally believe that social mission -- solving social problems and meeting social needs, obtaining economic benefits and innovation are the three characteristics that distinguish social entrepreneurship

from traditional commercial entrepreneurship. However, in the case of typical social enterprises such as Amity Bakery, their commercial competitiveness is still very weak, which fails to form their core competitive advantage.

It features high quality ingredients, but it does not spread that advantage. On the one hand, many people are not familiar with the selling point of this product because of the lack of publicity. On the other hand, when fully without adding artificial fragrances, to achieve the taste of the ordinary bread cakes, it requires higher technology. However, it is weak in technology, talent, and it has not enough money to cover the high cost caused by high quality raw material.

4.2 Problems existing in business model

As a social enterprise, it also needs to have an efficient business model like a for-profit enterprise. However, many social enterprises have big problems in business model.

The whole production process of Amity Bakery is done in the stores by artificial. The purpose of pure handmade is to make more intellectual disabilities get training and work experience, but it also leads to inefficiency and is unable to compete with factories' machine production. Moreover, there is nothing new about its product category, which only produces traditional bread, mooncakes, cookies and so on, and it is slow to launch new products. On the personnel management and division of labor, although it has established the management structure consisting of executive director and general manager, and they are responsible for the public welfare and business direction respectively, both of them are only experienced in public welfare undertakings. So their business thinking ability needs to be improved since the logic of thinking between social entrepreneurship and business entrepreneurship is obviously different.

In addition, Amity Bakery still focuses on arousing the love of others when marketing to customers. For example, the prototype of its logo is designed as "mentally disabled". Such propaganda is feasible, but it should also take into account the sustainability of kind shopping and love marketing. Why many charitable foundations and nonprofit organizations can't survive? The main reason is that, it's hard for most people to stick to kindness.

4.3 Talent is scarce and hard to keep

Social enterprises will not appear without the efforts of social entrepreneurs. Chen Jing and Wang Haobai (2007) pointed out that social entrepreneurs are those with the right values, can combine great and forward-looking vision with practical problems, and with high sense of responsibility for the target group. It can be seen that social entrepreneurs need to have a strong sense of social responsibility and dedication in addition to the qualities required by common entrepreneurs. In the context of market economy, people are self-interested individuals, and the first thing to seek is the satisfaction of self-need. Therefore, the shortage of talents is a common problem faced by social enterprises.

First of all, it's hard for them to attract talented people to join. All the directors in Amity Bakery are almost voluntary, without receiving compensation or subsidies from the bakery, let alone sharing dividends. Unlike those who are passionate about social entrepreneurship, ordinary people put their personal interests first, and they are not willing to join in when their work is not paid for. Social enterprises can't provide high salaries for their employees, so they can't attract more professionals. Second, social enterprises also face the risk of brain drain. Social entrepreneurship is a long-term business, while many people can do it only for a period of time but not for a long time. The lack and loss of talents then leads to technical problems. That's why the new products of Amity Bakery come out so slowly.

4.4 The unsustainability of money

For social enterprises, the reserve and circulation of funds are also crucial. In the initial stage, their funding is mainly from external donations, foundation's support, or founding team's input. In the first year of Amity Bakery's transition, Amity Foundation invested and paid four hundred thousand yuan to purchase the corresponding equipment and paid the main part of the rent and the staff's salary, which greatly reduced the money pressure of the bakery. At the same time, there were donations from social caring people. By April 2016, more than 1.6 million yuan has been raised.

When these social enterprises are too dependent on the donations and support from the society and foundations, their own momentum of development will be insufficient and they will not be able to grow rapidly. More importantly, financial support from the outside world is ultimately unsustainable. The biggest difference between social enterprise and non-profit organization is that the former has the ability to self-supply. So if it has been always depending on the support from all walks of life, it is out of the nature of social enterprise and will be unsustainable.

Amity Bakery's annual income can only maintain balance. When money from outside support is unsustainable, its business development will be affected a lot and its commercial operation ability will be further weakened.

4.5 The hindrance of the traditional idea of society

In our country, due to the influence of traditional concepts, charity can only be charity, and cannot be linked to market operation and profit. The existence of social enterprises in this context is still not widely recognized. Combined with some charity scandal's exposure before, many social entrepreneurs are too conservative or even isolated from reality in expanding the business and developing the market for fear of question and opposition from the society, which hinder the development of social enterprises.

Therefore, the influence of cultural factors on social development cannot be ignored. Without breaking the shackles of traditional ideas, the development of social enterprises will be difficult.

5. The countermeasures and suggestions to realize the balance between public welfare and commerciality

If social enterprises pursue profits excessively, they will neglect their social responsibility and thus be as same as ordinary commercial enterprises. If only focusing on the public good but not their own development, they will also become non-profit organizations with no sustainability and innovation. Therefore, for social enterprises, to grasp the balance between public welfare and commerciality is not only related to their positioning but also their future survival, so its importance is self-evident. In view of the above mentioned problems, the author believes that it should be solved in the following aspects:

5.1 Integrate into market competition and cultivate core competitiveness

Social enterprises need to solve social problems creatively, and they also need innovative marketing. That's because to some extent, they are also enterprises. So they need to be integrated into market competition, provide customers with services and generate revenue. From the standpoint of an enterprise, therefore, without its own core competitiveness, it is hard to survive in the fierce market.

The core competitiveness of an enterprise is ultimately embodied in products and services, which can occupy market share only if it meets the needs of customers. Therefore, no matter what type of industry the social enterprise belongs to, its main products and services must be competitive and can compete with those competitors.

The main product of Amity Bakery is bread cookies and other western snacks. In the face of many competitors, it is important to consider how to be innovative in product variety and taste. Actually, using high quality raw materials and zero add processing way is the competitive advantage of Amity Bakery, so it should continue to strengthen the selling point. On the basis of this, it also needs to raise the level of technology and reduce cost so as to make its taste and price in line with customers' expectations and preferences. At the same time, new products should be developed while product categories and business scope should be expanded. In addition, it should advertise to customers to make them know the advantages and selling points of the products so that they are paying for the products rather than for the love.

5.2 Change the traditional operation strategy and introduce business enterprise's profit model

A lot of social enterprises maintain its operation still by arousing the love of people such as depending on the donations from foundations and charities and on purchasing out of goodwill after setting up. Obviously, this strategy does not accord with the requirements of the society's development, and will severely hampered the development of social enterprises. Only by introducing business enterprise's profit model can social enterprise be revitalized.

First of all, they can hire entrepreneurs and professionals with business acumen to advise on the development of social enterprises. Social entrepreneurs are usually the caring people who have been engaged in charity for many years. Although they have rich experience in the field of philanthropy, it is difficult to consider the development of enterprises with commercial thinking. Therefore, when conducting internal management and organizational decisions, the opinions and recommendations of these professionals should be heard and consulted. At the same time, they can invite experts in this field to train and guide social entrepreneurs to improve their business leadership and decision-making power.

Secondly, in terms of money, they should broaden the financing ways and channels, and let the government, enterprises, individuals and foundations to join in the form of investment but not just rely on donations from foundations and the society, so that the scale of financing and social influence will be expanded and the operation efficiency of funds can be improved. For the profits generated by social enterprises, their allocation to public welfare and business activities should also maintain balance. They should not only consider the short-term public input and thus overlook the funds that maintain enterprises' operation and development, but should also pay attention to the long-term and sustainable development.

In addition, social enterprises should also do good image and brand marketing. On the basis of maintaining their public goal, they can expand publicity and raise awareness through various information platforms. For example, they can participate in various kinds of social donation, charity sale activities, and cooperate with TV programs and celebrities, so that social enterprises are well known and recognized.

5.3 Attention should be paid to the introduction and retention of professional talents

In terms of talents, the main problem faced by social enterprises is the difficulty to attract and retain talents. This is mainly due to the fact that the compensation treatment and incentive mechanism implemented by them are contrary to the market rules. An enterprise can not only rely on a group of philanthropists, but also needs a professional talent team to support. Amity Bakery's lack of high-end pastry chefs is not because of the lack of talent in the market, it is because these social enterprises give too little to talents, which is not attractive enough to them to join in.

To solve the above problem, social enterprises may need to learn from business enterprises. They should attach great importance to the introduction of talents, and provide them with a better salary and promotion mechanism so as to make their effort in proportion to their reward. This is the best way to attract talents as well as retaining them. For those who pursue no returns and only care about contributing to the society, they should also guarantee their basic salary. For a full - time public welfare worker, the corresponding income subsidy and insurance should also be provided.

5.4 Speed up the legislation, strengthen and identity and transform the traditional concept

In the aspect of legislation, South Korea is the only Asian country who supports social enterprise's development in the form of law, and its "Incubation Methods for Social Enterprise" enacted in 2007 has greatly promoted the setting up of social enterprises in Korean. As a new thing in our country, there is no clear stipulations about social enterprise in law, which seriously hinders the development of them as they can't acquire both identity legitimacy and all sorts of preferential tax policies. Therefore, China should learn from South Korea and western countries where social enterprise's development is more mature. Firstly, at the legislative level, the government should enact relevant laws and regulations as soon as possible, clear the identity and status of social enterprises, and make their establishment, operation and development follow the law. Secondly, the government should encourage and support the development of social enterprises, simplify the registration and other administrative procedures, reduce or remit tax, implement policy tilt on government purchase projects, and further advertise and promote social enterprises to the society and public.

At the same time, in the field of education, we can learn from the United States and other countries to set courses related to social entrepreneurship in universities and promote theoretical and empirical studies of social entrepreneurship, and thus fostering social entrepreneurs as well as making social entrepreneurship a popular undertaking among people. In addition, the role of social media is indispensable. Some websites, newspapers and magazines which have a say on social issues and follow the mainstream ideology, should play a good role in public opinion guidance, and actively promote social enterprises and their public welfare undertakings, thus to improve the popularity and recognition of social enterprises.

In a word, changing people's prejudice against the traditional concept of social enterprise requires the joint efforts and support of government, society and academia. Although it will go through a long process, from the general trend, social enterprises will be more and more recognized.

6. Conclusion

Based on case analysis, This paper points out the shortage of commerciality that social enterprises face in the present stage, and analyzes the causes of the problem, finally gives some countermeasures and suggestions to solve this problem. Although social entrepreneurship starts late in China, its social utility is huge, and it is of great practical significance to pay attention to its current and future development. At present, due to their own problems and the influence of the environment and social ideas, a lot of social enterprises are developing conservatively and emphasizing too much on commonweal but not commerciality, which get themselves into a difficult and dangerous position. For social enterprises, developing commerciality is not simply for the sake of profits, but more importantly, it's for their long-term development as commonweal and commerciality is complementary to each other and can support each other. The stronger the profitability of social enterprises, the stronger the ability to support and promote the creation of social value. On the other hand, The stronger the ability of social enterprises to provide services, the greater the impact will be, the easier it will be to create economic value. All in all, social enterprises should attach importance to commerciality development and ultimately support public welfare, which is consistent with its fundamental goal. If lacking commerciality, social enterprises will gradually become non-profit organizations, face unsustainable risks, and will eventually move towards failure and fail to realize their social value.

Therefore, social enterprises must further develop their commerciality to keep the balance between sociality and commerciality and achieve sustainable development. Of course, the ultimate goal of social enterprises is to serve the society, therefore in the process of developing commerciality, they should also accept supervision, make their finance, business operating and report open and transparent, and hire experts to evaluate and audit, etc. The government and society should also play a role of supervision from the registration information to the organizational goals, profit distribution and other aspects of social enterprises to make their development

towards the right direction and really serve the society.

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