

# SCALING SOCIAL ENTREPRENEURSHIP IN CHINA

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# INTRODUCTION

# A MESSAGE FROM THE SPONSOR

*If there is a problem in society, we should all be trying to find solutions. If there are needs, we should all be doing our best to meet them. Government, business, social organizations and individuals can all play a part in creating solutions to these problems or needs – whether the issue is global warming, response to natural disasters, support for people with special needs and disabilities or the general well-being of people and communities.*

*The process usually starts with a good idea. The challenge is then to make that idea work, both in how well it is able to meet the need or address the problem (social impact) but also in its ability to develop some sort of financial sustainability such that the costs of providing the service can be met, in both the short and long term.*

*But if there are problems somewhere, it is likely that similar problems will exist elsewhere. These similar problems or needs can be addressed in one of two ways: either people will create their own solution. Or they can look for something that has worked somewhere else and adapt or copy it for their country or community. And if you have created a project that works, you can try to spread it so that it creates a wider social impact.*

*A socially-minded enterprise, just as any purely commercial enterprise, will need to select an appropriate replication strategy if it wishes to scale up its operations. In order to promote the idea that socially-minded enterprises should consider scaling up and to help them find appropriate ways of doing this and to provide them with professional technical expertise to develop this, in 2011 we created the International Centre for Social Franchising (ICSF) in the UK. ICSF is*

*now creating a network of branches and affiliates across the world – already established in the USA, South America, Kenya, South Africa, Australia and now in China.*

*China presents a huge opportunity for successful socially-minded enterprises to scale up their work. The size of the country and its population require solutions to be delivered at scale if any real impact is to be made on the problems and needs. The recent economic success of the country now needs to be accompanied by “social success”, where growing wealth of citizens, businesses and government is used to address society’s needs and the well-being of people and communities.*

*Our plan is to develop support for socially-minded enterprises in China, whether they are operating for profit or not for profit and to help them plan and implement the scaling up of their operations. We will be doing this by providing training and consultancy, working closely with organisations such as the Shanghai based Non-Profit Incubator, with Chinese foundations which are supporting the social enterprise sector, such as the Narada Foundation and the LePing Foundation, and with the British Council, who have developed a social enterprise training and support programme across China, and the entrepreneurs themselves who have been working hard to create businesses, profit and non, that are solving the problems we collectively face.*

**Michael Norton**

**Co-founder, International Centre for Social Franchising**

**October 2014**

*To be a great company you need to think about what social problem you can solve.”*

**Jack Ma,**  
Founder of Alibaba

As China’s economy transitions towards maturity, where conversations of balanced growth replace growth at all cost, awareness of social entrepreneurs and enterprises is possible solutions to the environmental, societal, and economic challenges faced. A change in dynamic that will lead to increase opportunities, and markets, for scale.

In fact, as borne through our research, the first organizations are already breaking out. Organizations that were once struggling to be recognized, struggling to find traction in programming, or struggling to find funding, are now finding scale in program portfolios, organizational size, funding, and most importantly impact.

**It is a shift of mindset that is also occurring across a range of critical stakeholders:**

- Business leaders are looking at social issues as new markets, and successful social minded enterprises as potential investments

- Consumers have begun looking for safe, reliable, high value products, and more importantly they are showing that they are willing to pay a premium
- Non-profit leaders are finding that their organizations are gaining traction as service providers to the government are overcoming their fear of “profit” when planning for the future, and as a result are paying market wages for themselves and their staff
- Employees are now wiling to leave comfortable lifestyles and jobs behind for the prospect of building a new model for change
- Universities are forming new programs that move beyond research and into the classroom, with several funding centers and creating master’s levels programs
- Government agencies hiring social enterprises and creating new opportunities for entrepreneurs through the government infrastructure, be paid well for their service, and be given access to training opportunities, new programs, and the ability to advocate.

A final trend that we found to be on the cusp of scale is that of Chinese rooted organizations taking their platforms abroad. Until recently there has been very little (if any) interest in outreaching to other countries as China's own needs have been so large, but this is changing and going forward we see the potential for scaling the lesson and platforms that Chinese entrepreneurs have created into other areas of the world where job creation is a critical need. Where urbanization and settling large migrant populations will be a critical need. Where the expectations of the middle class rise, and new systems for safe food delivery, affordable education, and accessible healthcare are required.

All trends that we believe will provide the foundation for a significant amount of additional traction, and scalability, in the next 3-5 years.

As presented in this report, with opportunity comes challenges, and through our research we have come to understand that the obstacles that entrepreneurs face are often rooted in both the ecosystem that they are operating in as well as in their own business and management models.

In particular, there were 10 dynamics of scaling that we felt posed the greatest challenges, or were areas where one could look at the organization to understand better about how they were scaling:

- Did the organization have a clear value proposition?
- Were organizations localizing platforms as they scaled into or across China?
- Has the entrepreneur, or organization, proven a concept that can be scaled?
- What is the business model, wholly owned or franchised, that will serve as its medium for growth?
- Did the organization have a legal structure?
- Does the organization possess the internal processes necessary to grow?
- Does the organization have the middle management capacity necessary to manage the growth?
- Is the funding right-sized and diverse enough to support, and maintain, growth of operations?
- Is the firm's mission, and products or services, aligned with the needs of the government?

To help entrepreneurs manage these dynamics and overcome the challenges of growth, to fully realize their vision, it will take multiple stakeholders to bring a coordinated impact.

It will take intermediaries to build knowledge bases, opportunities for peer-sharing, mentorships, and bring focused support to organizations when they are in need, and it will take customers who are not only willing to pay, but do pay, for the products and services that these entrepreneurs are bringing to the market.

For us, we remain hopeful and optimistic about the prospects for socially minded entrepreneurs and enterprises to find opportunities to scale, and we hope that through this report you find ways in which you are able to participate in the process.

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# ABOUT THE AUTHORS



Richard Brubaker

Collective Responsibility, Founder

China Europe International Business School, Adjunct Professor of Sustainability

Driven by the belief that change begins with a single step, Richard Brubaker has spent the last 10 years in Asia working to engage, inspire, and equip those around him to take their first step. Acting as a catalyst to driving sustainability, Brubaker works with government, corporate, academic and non-profit stakeholders to bring together knowledge, teams, and tools that develop and execute their business case for sustainability.



Fan Li

Global Links Initiative, Co-founder and Executive Director

Fan is co-founder and Executive Director of Global Links Initiative. Established in 2003, GLI is a nonprofit organization that aims to foster practical links among social entrepreneurial people around the world. In 2004, GLI first brought the concept of social entrepreneurship to China and continues to play a key role in promoting the practices of social innovation in China as well as East Asia. Fan is founding member of the China-US Strategic Philanthropy Partnership, a leading network promoting research, exchange and collaboration between the philanthropic sectors of China and the US since 2010. She also serves as an advisor for many leading nonprofit organizations and social enterprises in East Asia.

# GOALS & METHODOLOGY

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## GOALS OF PROJECT

- Conduct research into the social enterprise landscape in China to understand the needs and opportunities for organizational support in scaling up Chinese enterprises
- Capture the present situation of and scope for developing social franchising in China as a means of spreading successful social enterprise and non-profit projects in response to need

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## PROJECT TIMELINE

### **Phase One: Landscape Survey**

Identify up to 50 organizations, in Greater China, that have succeeded in stabilizing and scaling operations

### **Phase Two: Internet Profiling**

Create a basic profile of each organization to be used in final report, as well as, to identify targets for face-to-face interviews

### **Phase Three: Interviews**

Interviews were conducted with 24 organizations, with the goal to learn more about the organizations, their founders, vision for growth, and the mediums by which they see their organizations growing

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## IDENTIFYING TARGETS

While the fact that there has yet to be a commonly accepted working definition for what a social entrepreneur is globally, and the effect of regulatory restrictions providing added confusing, we identified and narrowed down candidates by looked at the following:

### **Core Mission:**

- Entrepreneur led
  - Impact of organization
  - Funding/profit Models
  - Potential for scale
  - Medium of replication
-

# WORKING DEFINITIONS

As mentioned in the methodology section of this report, when identifying firms to interview we have taken a wide definition of what social innovation, entrepreneurs and organizations are. For us, and for the purposes of this report, we believe it best to take a definition that would allow for the greatest possible cases and lessons to be leveraged from.

**Social Entrepreneur:** someone who establishes a social-purpose organization

**Social Enterprise (SE):** businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community (SEUK reference)

**Social Franchise:** the adaptation of commercial franchise techniques for the aim of maximizing social impact whereby independent organizations, groups of people, or individuals are enabled to act as the franchisee to deliver their proven model or solution under a license agreement for a set time-period.

**Social Impact:** the consequence that moves us closer to or further away from the conditions of an ideal society and world.

**Social Need:** the gap between reality and ideal conditions, as defined by human society.

**Social-Purpose Organizations:** non-profit, for-profit, or hybrid organizations that seek to create social impact for human society, animals, or the natural environment in the form of value not limited to economic wealth for owners or consumption benefits for customers.

**Social Replication:** replicating a successful social purpose organisation, project or approach in a new geographical location.

**Scaling Social Impact:** the process of increasing positive social impact to better correspond to the magnitude of the identified social need.

# GROWTH AND SCALABILITY

# GROWTH AND SCALABILITY

## ICSF's Five Stages of Social Replication

### PROVE/ PROMOTE

1

- Prove: Validate business model and social impact
- Promote: funders and others to promote replication and provide support

### DESIGN

2

- Design social replication system for scale
- Prepare business plan/funding proposal
- Identify internal strengths and weaknesses

### SYSTEMATIZE

3

- Package up all collateral required from brand to systems to create a "business in a box"
- Create legal documents
- Develop marketing materials

### PILOT

4

- Pilot replication in 3-6 varied locations
- Monitor and evaluation
- Feedback to improve systems

### SCALE

5

- Rapid roll out of replications
- Ongoing support for network
- Continued learning and innovation

# SCALABILITY IN CHINA

When considering the potential for scale of social innovations, and the opportunities that should be and will be available for socially minded entrepreneurs, all one needs to do is look at a map and ask themselves how one person or team could organically grow to China's need in China's time.

China is a country with a population of 1.35 billion people spread across a land mass larger than the United States or the European Union. It's economy has grown more than 10% for most of the last 25 years, and by 2030 more than 300 million residents will have moved into the city from the countryside. It is a country that moves at a scale and speed like no other, and that is also true of the social, environment, and economic challenges that are faced.

NPI, one of China's largest social enterprise, has multiple operating units in 20 cities. Yet, they are only scratching the surface of China's needs. HandsOn China, an organization that engages young professionals in community-based volunteering events, has established operations in Shanghai, Chengdu, and Hong Kong, with projects in 12 other cities. They are currently engaging more than 50,000 volunteers per year through 200 monthly events focused on the elderly, education, environment, and other needs of the community. A fraction of the opportunity that serves to highlight that scale here has a different definition, and to scale, it is going to take a different model.

A model where entrepreneurs learn to grow at a pace that they can manage internally, and then to develop systems that would allow for other entrepreneurs to take their platform to areas that they neither understand nor have time for. A model which only a few years ago would have been impossible as organizations struggled to build and stabilize a single footprint.

To have an opportunity to fulfill this mission, organizations will need to have and do the following:

1) Clarity of Vision and Value Proposition

A clear understanding of the problems that one wishes to solve, a strategy for bringing a solution, and a value proposition recognized by clients and stakeholders.

2) Proof of Concept

Proof that their vision has the ability to solve or alleviate the issues face the opportunities offered to make the scaling of idea growth easier.

Model of Replication

3) Whether it is through organic, wholly owned, growth or through developing a franchising system, organizations need to have a model for scale that will provide the best chances for success and the lowest risk profile.

Legal Structure

4) While an academic debate may still be taking place about how to define a social enterprise, one of the toughest decisions a socially minded entrepreneur has to take is how they will register their organization as a for-profit entity, or as a non-profit entity. It is a decision that can enable or inhibit growth in China through funding, partnerships, and access to government support.

## 5) Funding

One of the issues that entrepreneurs consistently report as being their most serious is their inability to access and stabilize funding sources, for enterprises to grow.

## 6) Leadership Capacity

Whether it is an experienced entrepreneur feeling overstretched, understaffed, and unable to focus on the critical business issues needed to scale, or being young and lacking the basic business and management skills to build a value proposition, core team, or brand, many leaders feel that they are lacking the capacity to achieve their mission.

## 7) Management Capacity

For many organizations, profit and non, one of the hardest parts about growing as an organization is maintaining focus. But, even for those that do there is another problem. Maintaining the culture of the organization, and ensuring that the teams are working together for the same mission.

## 8) Government Alignment

With the government significantly increasing the resources that it has to devote to working with, and supporting, socially minded enterprises, understanding and aligning to the governments needs is critical for any enterprise, profit or non, to scale.

## 9) Desire to scale

For many entrepreneurs, the ultimate determinant of whether or not they scale, will be in how they define scale and whether or not they are committed to the process of scaling.

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# KEYS TO SCALE

## Clarity of Vision and Value Proposition

*“A brand needs all the stories behind it to support it. The social enterprise is easy to build a brand because you have so much real genuine content. It’s just how you capture the content and convey it to the public in a way that doesn’t sound like a charity.”*

**Carol Chyau**  
Shokay

One of the early issues that was faced in China was that having a clear idea of what an organization did or what its value was seemed to be of secondary importance to the need to find ways to engage individuals to “do well by doing good”. It was a time that was known more for donors investing in platforms they “believed” in, even if were unsure of how to support the entrepreneur or measure impact. Entrepreneurs who had ideas, but lacked capacity to scale into an organization, struggled to gain traction in the market.

This is where the first level of separation began to occur, with entrepreneurs understanding that the most important step after finding their mission was finding those who would benefit from (and value) their efforts.

For us, there are a few determinants that are important to finding, and proving ones value proposition:

- **Knowing what the problem is** – For an entrepreneur who is passionate about doing something, sometimes the hardest step to take is to narrow down on an issue that will be the focus of the organization. An issue that is both tangible, and to some degree solvable, and will serve as the organizations anchor going forward.

For FoodLink, an organization focused on delivering food that would otherwise be wasted to those in need, the founder’s understand that their mission is to alleviate hunger, not solve poverty, yet they still ask themselves why after for 4 years the statistics still the same. “Why is 1 in 5 people still under the poverty line? Or how much impact have we really made? I don’t think our job is to end poverty or alleviate it. We alleviate hunger but why is it that 1 in 5 people is still vulnerable to hunger.”

- **Knowing how to best help** — the last piece of creating an effective value proposition is to have a clear idea for how the organization will most effectively deliver its impact, be it through a for-profit or non-profit enterprise, via product or service.

This can be just as difficult for inexperienced entrepreneurs who have a clear vision, but are not sure how to execute it, as experienced entrepreneurs who have a technology, but do not understand how to commercialize it. Both can make gaining traction difficult as the development of the platform, or market, struggles to gain acceptance or is too difficult to bring to market.

For James Chen, an entrepreneur focused on bringing affordable eyecare to the bottom of the pyramid, they were immediately challenged when commercializing the technology that would bring adjustable eye wear to developing nations. In the words of Mr. Chen, “the developing world was a different model, and tough to understand”. He thought that the application would be obvious, and that developing world would embrace it because the developing world is driven by evidence-based benefits.

- **Knowing where to start** — returning to the idea that China is a large country with 31 provinces, and provincial capitals with populations of 5 to 8 million, it is important to first look at the fact that China will have a range of franchising opportunities across the country, and that many of them may go to scale unnoticed at first. So, while many of the more recognized brands may be found in the cities of Shanghai, Beijing, and Guangzhou, it may actually be in the cities of Chengdu, Wuhan, and Xi’an where the best markets exist for franchising.

For Xiezhi, an organization focused on supporting college graduates looking for employment, their first hostel was in Hangzhou in 2008 because Hangzhou is a magnet for out-of-town college graduates seeking jobs, and next to getting a job, finding a cheap and comfortable place to live is second priority. Had Xiezhi started in Shanghai or Beijing, the organization may not have grown as quickly.

# KEYS TO SCALE

Proof of Concept

*“Initially [I] saw this as disruptive product/IP that could change the world and had commercial/social balance, potential for success. [I] immediately saw the social benefit via the prototype. I thought that the application would be obvious, and that developing world would embrace it because the developing world is driven by evidence based benefits.”*

**James Chen**  
Adlens

Moving from idea to impact is a tough road for any entrepreneur, but for those that are able to prove that their vision has a value proposition, the opportunities offered to scale the idea forward grow easier as long as the entrepreneur can prove:

- 1. Measurable success**  
One of the most difficult aspects of proving success is being able to measure it, but the ability to do so and understand the impact of one's organization can offer the insights needed that will allow the entrepreneur to take their ideas from pilot to scale.
  - 2. Proving the pilot can be scaled**  
Something that goes beyond the need for funding and customers, and speaks to the organization's own capacity to grow with the resources they have.
  - 3. Flexibility in application**  
Whether seeing an opportunity to cross geographical borders, or to scale through the development of a more robust/stronger portfolio of services. A key to scaling is to be able to make adjustments to the model after initial pilots and investments have proved successful.
-

The HandsOn Chengdu 'Community Flowers' project was born from a simple idea – that shipping containers are strong, sturdy, and easily transported, and can be fitted out easily to provide secure facilities that support community based redevelopment programs. A departure from HandsOn's own model where they do not invest into physical assets, it was a project that began with a conversation between members of HandsOn Shanghai and architects from SPARCH. For HandsOn an organization at its core is one that manages volunteers, this was a huge departure from their model, but one that was successful for the following reasons:

1. The project aligned with the work that HandsOn was doing in Chengdu prior to the earthquake, and served as a site for their volunteers to help the community through the rebuilding process.
2. The design and build partners were themselves acting as volunteers to bring the project to fruition, which was aligned with HandsOn's own mission to promote skilled volunteering.
3. The location was suitably close to Chengdu to allow for frequent visits and programming by their Chengdu based volunteers.
4. The activity center of Xie Zi Village was always a gathering place, and thus were comfortable knowing the facility would be fully used.
5. Shortly after the installation of containers, operations were transferred to the village committee to run and maintain.

# KEYSTO SCALE

## Models of Replication

In China, where the replication structures and processes are still in the earliest phases, the sophistication of replication models has largely been lacking. In part, this is due to the fact that only in the last few years have socially focused organizations been allowed to scale, while at the same time there was a gap in the legal structures available to those who wanted to entrust another to take their brand forward without their (full) control.

Using the last 5 years of growth in the non-profit industry as a turning point for the sector's potential, we see this evolving quickly to the point where we fully expect to see a wide range of structures being deployed across China, for the betterment of the organizations and society.

For us, through our interviews, what was clear was that most entrepreneurs are still highly risk averse, are (overly) concerned about their brand, and are struggling to trust

others to protect the brand or vision. As such, in the next few years it will likely be the wholly owned approach that will remain the most popular. It is the structure that allows entrepreneurs and enterprises to manage their risk best, even if it comes at the cost of quicker growth. This will of course change over time, particularly as legal structures for franchising social enterprises become available, but more importantly, as the awareness of external stakeholders rises about the industry and the role of franchising in increasing benefits.

A step down from franchising, there are already a number of partnerships and coalitions that are forming that are providing opportunities for players to learn how to work together, which could, and should, be the gateway towards deeper collaborations, but as there are so few cases of this occurring and the given legal and political complexities of socially focused organizations aligning in China, there are a number of key forces inhibiting the opportunities for scaling within domestic borders.

Dissemination structures are gaining popularity in China as they offer organization's the ability to move more quickly through the dissemination of training platforms, programs in a box, and technology transfers. However, given the political and legal issues that exist, and inhibit many from growing physically through other structures, dissemination structures do offer a "below the radar" means to scale. For foreign organizations looking to expand into China though, the conditions are different. In fact, if one were to look at China, one would find that some of the most successful groups in China are franchises of foreign groups:

HandsOn, Dialogue in the Dark, Raleigh China. For each, their entrance into China was established by someone based in China reaching out to the organization directly and working with HQ to own the expansion into China. As will be mentioned in more detail later, these entrepreneurs each felt that they greatly benefited from having the brand association and access to materials and support from HQ, but once the first franchise was established in China they were themselves subject to the same questions over the right model of expansion.

# KEYSTO SCALE

## Legal Structure

With the core of China's social entrepreneurship industry operating as non-profit entities, finding the right legal structure has been an ongoing issue that entrepreneurs have struggled with.

A by-product of a system where getting registered was all but impossible for China's early socially minded entrepreneurs, the last several years the restrictions around registration have loosened as various cities have come to understand the value that these organizations can bring as a service provider.

For those looking to build a socially-minded, for-profit enterprise, the challenges are different. The actual process for registering a for-profit entity in China is a well-trodden path, but Western foundations cannot give money to for-profit enterprises. As such, many for-profit social enterprises are finding that they are unable to access traditional pools of funding that would help their organizations build, stabilize, or scale their operations.

For Chinese entrepreneurs and enterprises, being registered as a Chinese entity offers several distinct advantages when looking to scale the organization's impact. First and foremost, the benefit of being able to access various forms of government funding and programming that is not available to foreign organizations.



While regulation and legal status has become less and less of a problem for local organizations and enterprises, it still remains a noticeable challenge for foreign organizations. This was the problem that troubled Embrace when they came to China. The mission of Embrace is to help save the lives of low birth weight and premature infants by distributing an inexpensive and effective infant warmer. “We wanted to do it ‘in a legitimate way’, which means to register either as a nonprofit or a for-profit”, recalled Linus Liang, co-founder and former China director of Embrace. For foreign organization, to register as a nonprofit is VERY difficult in China while “...the latter requires 1MU\$ for registration as a medical company. The HQ and the board don’t think it will bring enough value in return to justify such a big investment.”

Key to success requires transition of the ownership to the locals, something that HandsOn China has built into its operation model, an organization founded by a group of foreigners, it is an organization whose entire board and management team are entirely local. Through this approach, they believe that even though it has been difficult to identify and prepare the staff for the level of responsibility afforded to them, it is by being committed to this process that they have been able to succeed at the level they have.

All of which means that finding the right legal structure is still highly dependent on the organization, their previous work in China and support of partners, and goals. If they are interested in staying small, and operating as a non-profit, then a locally registered NGO may be the right vehicle. But should that organization want to scale up across multiple cities, then this structure could prove restrictive and bring additional risk to the organization.

# KEYSTOSCALE

## Investment in Process

*“People treat every part of the manufacturing process like art, but it’s actually science. The process goes by many factories, if there’s not a set method and everyone does it by their feeling, products come out all different. That infrastructure isn’t there so it’s a lot of little battles.”*

**Carol Chyau**  
Shokay

When speaking with entrepreneurs who had imported a model, or were franchisees, one of the greatest benefits they received came in the form of process. Investments made by headquarters, over the course of years, that helped the entrepreneurs build their first programs, partnerships, websites, funding models, and training packages. All of which needed to be localized and smoothed out to find the right balance between replication and modification.

### **Program/Product delivery:**

For an organization to be able to effectively and efficiency scale, processes need to be developed. For HandsOn, it was a training platform for volunteers, for FIELDS and BioFarm it was in the processes needed to source and deliver products, and for Yi future and the Library project it was in developing a product and training platform that can be delivered quickly.

With her experience in caring for her own child, Amy Zhou founded Yi Future, as a way to promote exercise in children. It is an enterprise that she built with speed of scale in mind, and she had built a process to support that.

Starting with her process for finding locations, she focuses on government agencies with whom she already has contact and knows to be aligned to her issue. Then, to speed up the process, she works with existing facilities, community centers, takes over a room, buys the equipment, and pays the salary required for one to two staff to help manage the site's programming activities.

It is a process that can be rolled out quickly by design, and for anyone looking at a similar model for their own organization, a lot of care must be taken to ensure that the process is planned, has controls, and can be corrected without extreme measures.

# KEYSTO SCALE

## Investment in Process

### Training and Development

Whether it is in the training of a program manager, a social worker, or an organic farmer, ensuring that the people who are core to the delivery and quality are trained and empowered of work is of critical importance for their retention and scalability of capacity.

For Wang Gan of Thousand Trees, creating a teacher's training program was a critical element of their scale. In 2012, with support from the Western Sunshine Foundation, they began a program to train teachers in Gansu province. A process that can be resource intensive, they realized that they needed a new model to be able to train at a large scale. What resulted was a train the trainer partnership with Provincial educational bureaus in HuBei, GanSu and Sichuan, which resulted in over 1100 teachers from 47 rural preschools received training.

### Technology

Using technology to increase efficiency or to be the delivery mechanism for going forward, technology will play a larger part in scaling social impact.

For Shokay, an organization that has developed a portfolio of luxury garments from the down of Tibetan Yaks, one of the most difficult parts of their business is the varying quality of their raw material. "We need to judge the quality to determine fair price. We don't want to buy from the herders at a higher price because we're a social enterprise. But in the field, how do you determine quality on the spot? Right now there's no scientific way to do it, we only have samples."

It is a problem that has led Carol to Australia, to study the wool industry and learn about the processes they have employed over the last 50 years to overcome the same issues. In her words, "In Australia the extent of quality control on the field was transparent and scientific." A process that Carol believes the industry needs before Yak fiber is economic and consistent enough to bring the industry itself to scale.

# KEYS TO SCALE

## Localization of Platform

Although China is a growing market that appeals to foreign investors, NGOs and entrepreneurs, only a handful of foreign social enterprises have managed to expand into China so far. However, as we found out from our meetings with entrepreneurs whose organizations have foreign roots, formal or informal, the key to surviving and success in China is not just overcoming these technical barriers, but a clear path towards localization supported by the right value proposition and strong leadership.

For an organization to scale, particularly across a geographic range, it will be required to go through a “localization” process for it to be able to penetrate the local market, establish its value proposition, and build partnerships. This is particularly true for foreign non-profits who are operating in China, and for many it is the most difficult step as it often comes with a need to release control of the brand and trust local employees to act in their best interests.

Something evidenced by the fact that most of the successful “foreign” organizations were started by locals themselves who were inspired by the model and determined to bring it back to China to solve the social issue that they care deeply about. As evidenced by the work of Shiyin Cai of Dialogue in the Dark and Garrison Lu of Raleigh. Both of whom were inspired by their experience with these organizations outside of China, and then made it their mission to bring the organization to China.

- Successful expansion to China requires a clear vision and a dedicated leader with full commitment to the process.
- Whether Chinese or foreigner, the China based leader needs to have the ability to shape and execute on the overall China strategy and programs.
- Headquarters or the place of origin needs to work together with the local leader to create a balance between replication and modification.
- A “translator” who is familiar with both cultures and the model can play an important role in making the process smoother.

There are immediate advantages to launching an organization with an existing brand, processes, and network. Particularly in the start-up phase, training packages, branding, funding strategies and contacts can all help make the set-up process for the entrepreneur far easier than if they were to go it alone.

For Social Venture Partners (SVP), who began in Seattle in 1997 and entered China in 2013, the underdeveloped environment of philanthropy and giving in China compared to the US means that donor education and engagement will become more important for SVPs in China. Unlike in the States, most partners in China have the passion to give but know almost nothing about non-profits or have very little volunteering experience. In order to shorten the process of identifying the right organizations to support, SVP China is currently working with Narada Foundation by selecting candidates from its grantees.

So, while it's assumed that it's difficult for foreign organizations to survive in China because it's harder to "gain trust", it is not necessary true. It is certainly harder for international players to justify staying in China should they look to chose to remain firm about the model in China, but for those that are flexible in their approach, China can become a leading market for the organization.

# KEYS TO SCALE

## Leadership Capacity

*“Internal talents, and finding the right people in the leadership team, is our greatest challenge. We have a very thin leadership bench right now.”*

**Shiyin Cai**

Dialogue in the Dark

While not directly discussed, what became evident through discussions was that entrepreneurs were often unable to accomplish everything they wanted. In part this was due to their nature, and setting large goals, but as described in the above, more often than not, it was from a gap in confidence or stability in the team. That, whether by nature or need, having to be so involved with the details of the daily operations, there was little time left to do anything else.

If there is one challenge that few have been able to overcome, it is the issue of building a core management team that is aligned, producing, and can be trusted to move up into the executive leadership. By and large, these organizations are still overseen by the entrepreneurs themselves, something that we believe will change in the coming years.

### Non-profit leadership

With the relatively new entrance of non-profits in China, particularly independently run, there are signs that the first generation of leaders is nearing the end of their tenure. There will be set backs in these transitions, as the recent experience of HandsOn highlights. While successful at transitioning to his successor, a failure or transition occurred later required several members of the founding team (who had transitioned to the board) to return to day to day operations to ensure the survival of the organization.

## Trust and ability to delegate

Through our discussions, one of the common themes that arose was the difficulty that entrepreneurs faced in building a management structure that was stable, could be trusted to execute, and as a result, could free the entrepreneur to focus on the bigger strategy. For those that did have a core and stable team, like NPI, this was a source of strength.

For Dialogue in the Dark, this is made all the more difficult as for Shiyin her goal is to have the entire organization run by visually impaired employees. A challenge that is both real and perceived as external perceptions of the capacity for the visually impaired are still low, but due to the fact that many of her staff have never been given a proper education, the skill sets required to running a business are still not at needed levels.

## Strength of existing team and organization

With few exceptions, when speaking with entrepreneurs, teams' stability and productivity was something reported as being a core concern. At times, this was a reason for the organization's "slower" pace.

## Bandwidth of Entrepreneur

A problem faced by entrepreneurs around the world, it is particularly acute in for socially minded entrepreneurs in China who are working with limited resources while trying to build their business, and without the support needed by teams, boards, funders, and clients, it is the bandwidth of the entrepreneur that often becomes the greatest bottleneck for those firms who have proven their models and have the potential for scale.



*“To manage growth and do it right you need the right people. You can’t run an organization on interns and you cannot expect one person to manage it all. You need a strategy and you need a team that can execute.”*

**Tom Stader**  
The Library Project

For Sherry Poon of EcoDesign Fair, this was an issue that was particularly acute as she was already managing another successful social enterprise, Wobaby Basics, when she started EcoDesign Fair and instead of hiring full time staff to help build the organization she relied on a committee of volunteers.

A committee that has been critical to its success, but the committee’s instability and lack of capacity has meant that the organization has been unable to grow beyond Shanghai. In Sherry’s words “EcoDesign fair is just held in Shanghai because the core team know well about Shanghai people. And Beijing is a totally different world for the team.”

# KEYSTO SCALE

## Team Capacity

For many organizations, profit and non, one of the hardest parts of the business is finding and building the core team that will stay with the organization, remain passionate about their work, and be able to anchor the organization as it grows.

For the library project, an organization that donates books to rural schools across China and Vietnam, the strength and stability of their team is a core reason why it has been able to install more than 1000 libraries.

The founder, Tom Stader, has spent the last 5 years building the organization, and one of the turning points he saw was through an employee who was a driving force for the organization. As such, for him to entertain any thought of replicating, a team of full time, committed, and capable staff would need to be in place:

### Attracting the right people

When asked about the biggest obstacles to date, the majority of the interviewees pointed out the lack of talented and experienced people. “We need funding too but it’s really about people. “However, we found out that the main reason behind lack of talents is still money: under market value salary has been a “common sense” in the non-profit and social sector in China: either the organizations can’t afford a decent salary, or even they can, as founder who have worked on a pro-bono base for many years. “It just doesn’t feel right.”

### Building the core team

In this industry, many entrepreneurs find it difficult to stabilize teams and achieve full productivity. Engaging new employees emotionally: for organizations whose teams are no longer confined to core founders, or are hiring past the first generation, we found that a lot of effort was spent in finding ways to align employees with the organization’s culture at the emotional level.

## Stabilizing teams and process

For those that are able to attract and develop the right teams, the next problem is keeping them and ensuring that the teams are working together for the same mission.

## Maintaining the vision of the core

“The split”, as management guru Simon Sinek calls it, occurs as a firm’s numbers grow and new members are brought on board to help with the growth. For the founders that we spoke with, this is often the most difficult time as they are forced to move into a position where they need to continually “manage” staff. Help them see the bigger picture, and when they do not, they have to find other means (carrots and sticks).

It is at this time that employee turnover increases, and where the organization slows down. Thus, this is one of the most important challenges to overcome for any growing organization.

# KEYSTOSCALE

## Right-sized Funding

*“People will donate to us one year, but the next year they look at your finance and say ‘oh you guys are quite healthy, we’re gonna fund another charity’. Yet, if we’re expected to grow, I can’t just spend every last dollar and then, oh crap what am I going to do?”*

**Robin Hwang**  
FoodLink

One of the issues that entrepreneurs consistently report as being their most serious is their inability to access and stabilize funding sources so that they feel comfortable growing. For non-profits this is made all the more difficult as restrictions exist on the amount of money available for overhead, and a cycle of constant fundraising is needed. This is where having a strong fundraising strategy that engages different sources of revenue from different types of stakeholders is required.

For those that are unable to develop and realize a successful fundraising strategy, the organization faces several issues:

- Entering a cycle that is determined by funding shortages where the organization’s core mission shifts to meet the requests and expectations of donors and investors
- Inability to stabilize the resources needed to stabilize programs or scale platforms
- Feeling that you are always running, and never building
- Organization is forced to forgo critical investments in salaries, training, and equipment needed to hire and retain the best talent

Complicating the efforts of entrepreneurs and enterprises is the fact that China's donor investor ecosystem is still relatively immature. Chinese foundations who are largely funding their own programs, and have yet to develop the capacity to fund long-term initiatives, and many of the initial impact investors and talk of impact investment have yet to translate into transactions.

For GIGA, one of the biggest challenges is to find the right investors and stay focused on software. They couldn't access foundation-based funds because the funders thought that GIGA wasn't an NGO, but for traditional investors the valuation was low because of GIGA's lower financial performance.

A challenge that James Chen identified is a lack of patient capitalists who "plant seeds for both long-term economic growth and societal well-being with a much longer time horizon than traditional investment. For patient capitalists, social impact is the goal, not simply a by-product of investment decisions".

Which is where the entrepreneur needs to create an effective strategy, in the absence of a market that is proactively looking to engage with them, to develop all manners of funding. Be it revenue based funding from sales of products and services, applying for grants from multilateral institutions, working with foundations or government agencies, or launching a Kickstarter campaign. The sources need to be many, and the strings varied, so that the entrepreneur has the foundation and flexibility they need to take the organization forward.

# KEYS TO SCALE

## Government Alignment

One of the more interesting areas of development has been the interest and involvement of government agencies as “clients” to social enterprises. While initially starting with the development of city-level funds, and increased licensing opportunities at the district level, the government has significantly increased the resources that it has to devote to working with, and supporting, socially minded enterprises.

It is this dynamic, and the fact that the government has grown open to supporting enterprises (profit and non), that entrepreneurs need to be keenly aware of and align to when possible. For with alignment will come resources that can help bring a organizations mission to scale, or it may result in the end of a business model for those who fail to find alignment.

The US-based organization Embrace were unable to gain the support of government agencies to help distribute a product they felt was needed in China. They had the product, and China had the need, but without the ability to find a government agency to champion or sponsor their organization, the orders never came, funding for R&D could not be accessed, and users remained out of reach.

By contrast, HandsOn Shanghai worked early on to indirectly support the government’s programs by managing volunteer programs within Shanghai’s various elderly care centers, children’s hospital, migrant schools, and sunshine homes. This strategy proved successful after 5 years when they were asked to partner with the Minhang district youth Federation and Ministry of Civil Affairs to open a volunteer center and support the district’s own push to attract, train, and retain community-based volunteers. The program recently led to a second license in the city of Chengdu, where they have been operating since the 2008 Earthquake.

When developing government partnerships, there are a few elements that we feel are important to keep in mind:

- 1.** China's government, while represented by a single party, does not have a single need or a single entry point. Needs do, and will, vary widely depending on the city, province or region one is in, and more often than not, the value proposition will be least effective in China's tier 1 cities.
- 2.** Social issues are often local issues, and for young entrepreneurs and enterprises, sometimes the most effective way is to bypass the city or provincial level government altogether and work with the agencies who are already tasked with the responsibility of carrying out policies on the issue. Quite often these agencies are poorly funded, open to partnerships, and are small enough that a small program aligns to their needs and capacities.
- 3.** Small partners, who see the benefit of a product or service, have the ability to carry the message up the chain through various means. Means that can bring introductions to others they feel would have similar needs, as well as into funding mechanisms that are controlled at the local level.

# REPLICATING THROUGH FRANCHISING



# REPLICATION

## Overview

*“How does the licensor continue to add value to the licensee that makes the brand worthwhile. When licensees don’t see lot of value coming, they question why they are paying.”*

**Shiyin Cai**  
Dialogue in the Dark

As previously mentioned, with the size and speed of China’s challenges growing, the need to scale solutions is growing as well. A challenge in the environment, as it was only a few years ago that the majority of social entrepreneurs were struggling to build and stabilize their first footprints.

Fortunately, more and more entrepreneurs are now able to say that they are ready to take their ideas to scale. They have successfully piloted their ideas, built a platform that is scalable, and have thought through various strategies for going forward. Now all that needs to be done, is for the entrepreneurs to chose the right model for their next stage of development.

When an entrepreneur is looking for the right model to take their organizations to scale, be it through a wholly owned model or through an asset light discrimination model, the entrepreneur’s mindset is a critical factor.

# MODELS OF REPLICATION

## Overview

### Three models we will explore:

#### Wholly Owned

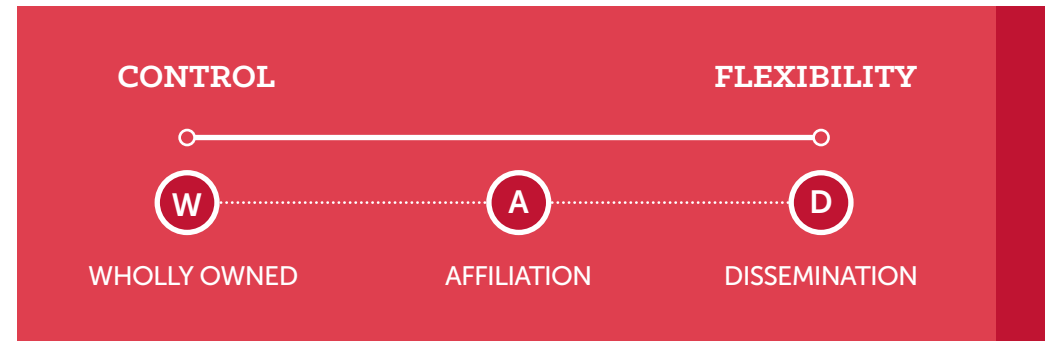
Occurs when the remote sites implementing the innovation are legally part of one large organization.

#### Affiliation

Occurs when an ongoing agreement exists between two or more parties to be part of an identifiable network. Affiliation agreements can be more or less restrictive or prescriptive on many dimensions, including things such as the use of a common brand name, program content, funding responsibilities, quality control, and reporting requirements.

#### Dissemination

Involves actively sharing information. The originating organization has at most a short-term agreement to provide technical assistance to those who would use this information to bring the innovation to a new locale.



# REPLICATION

## Wholly Owned

Whether due to challenges of ecosystem, regulation, or building (and protecting) the organization, our research has shown us that wholly owned expansionary strategies are by far the medium that the vast majority of entrepreneurs see as the right model.

It is a mindset that is largely shaped by their efforts to create a value proposition that others understood, teams that could execute on the vision of the organization, and efforts to build and manage the development of programs, brand, and funding. For many, simply surviving was a sign that they had succeeded, and the idea that someone else could replicate that process, at the same level of quality, is still inconceivable for many.

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Q: If you had the opportunity to establish a franchise in Singapore, how would you do it?

**A: Besides moving to Singapore and doing it myself?**

- Robin Hwang, FoodLink Foundation

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With respect to why entrepreneurs are looking at wholly owned models as the primary medium by which they prefer to scale, we feel there are several key issues:

### 1. Interest in Scaling Slowly

With many organizations and entrepreneurs we spoke with coming from the non-profit sector, it should come as no surprise that leaders are highly risk averse. It is a psychological barrier that has deep and legitimate roots, but is a key reason for why so few organizations have scaled. They are afraid to that, should they grow, or grow too big too fast, they will draw the attention of stakeholders who they feel will take a negative view of their increased size.

### 2. Management Capacity

Through our interviews, it is clear that many as leaders are micro-managing large aspects of the operations, they have not been able to develop a system that would allow them to manage anything but a wholly owned operation. In part this is rooted in the belief that no one but them could execute on their vision, but it is also rooted in the fact that entrepreneurs are risk averse. Which translates into staff and management structures that are inefficient, disengaged, and unable to support the growth of the organization

### 3. Brand Protection

Another issue that is tied to the high risk aversion of the entrepreneurs is the belief that their “IP” and brands needs to be protected, and that the only way to do that is through ownership. That, to trust another organization, or entrepreneur, with representing their brand is risk they prefer not to manage.

To overcome these constraints, we feel that it requires a combination of successful case studies where one of their peers has been able to successfully manage the process of releasing control to another group, and that the brand is protected. To date, that has not happened.

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# MODELS OF REPLICATION

## Affiliation

*“Sure, we can have franchise models. We can share the branding, we can share the experience, we have an overseas consultation plan already and would be happy to work with entrepreneurs who are (1) VERY like-minded (2) have done the research and (3) have the financing ready. I can offer the support to you, come to your country and give you training.”*

**Dorothy Chan**  
Diamond Cab

With respect to the potential of various affiliation themselves:

### Franchising

When considering the potential for franchising in China, it is important to look at this from two different segments. The first is from the Chinese segment where the entrepreneurial mindset is still maturing, is highly risk averse, and believes their model can only succeed at scale as a wholly owned operation. For these organizations, scaling through franchise agreements is still a dim prospect as there has yet to be a widely recognized Chinese domestic group that has franchised.

However, for foreign based organizations, the franchise option is something that has already proven successful as “Chinese entrepreneurs reach out to these brands and are bringing them to China. A few reasons why we feel this has happened is that this is a popular model in the “traditional” business, the foreign brands have experience and structures for franchising, and for some of these brands, franchising is a core mean through which they believe they should scale their impact.

*“I thought of recruiting partner for future development, but it’s very difficult. My partner needs to share the same set of value with me as well as to share the risks of running an organization like this. This organization can’t survive without me so far.”*

**Wang Yanrui**  
LeLing Elderly Care

## Partnerships

Similar to franchising, while we have seen a large number of cross border partnerships between foreign and Chinese organizations, as well as China based foreign founded partnerships with Chinese organizations, the number of formal partnership or coalitions between Chinese organizations has yet to see the same growth.

As with franchising, we attribute this to a few key reasons:

1. Foreign organizations interest in scaling into China, and difficultly entering as a wholly owned operation.
2. Foreign organizations having wider levels of experience with partnerships, and feeling more confident when the partnership is structured.
3. Chinese firms being averse to partnerships or coalitions as a function of brand or political risk.
4. Chinese firms being less experienced in developing partnerships, particularly in a highly competitive market.

To overcome these challenges, we expect that it will not only require a change of mindset, but will also require a wider change in the ecosystem where both NGO leaders, government agencies, and donors learn how to more effectively work together for scalable impact.

# MODELS OF REPLICATION

## Dissemination

*“If we give the teachers access to a how-to guide, a properly written but in Chinese, all these are in Chinese, these are the books that big schools get, these are government managed books, so their programs are improved, education is improved, teachers will be more literate, the education is improved.”*

**Tom Stader**  
The Library Project

For entrepreneurs who are looking for a lighter touch to their scale, or who have a scalable process that they believe can be embedded into other organizations, employing a dissemination model can be a very effective tool.

In China, at present, this is an area where a number of organizations, profit and non, are now focused. One of those is Yi Future, founded by Amy Zhou, where she has developed a program that creates a branded room within government community centers to promote activities and exercise for children in the community.

It is a model where she has developed a platform where one to two staff members are given training in their method, a small investment is made into equipment. In 3 years of operation, baby gyms have already spread to more than 30 communities in 17 cities and serve over 30,000 families (100,000 people).

For Dissemination models to become a popular medium for scale, we see that there are a few critical success factors in need:

### 1. Scalable mindset

For an entrepreneur who is building a model where dissemination is the focus, a mindset of trusting others with mission, vision, and brand is needed. In the case of Amy Zhou, her goal is to scale her model to every community in China. Something that she cannot do on her own, and will require trusting many others to execute on her vision.

### 2. Strong Hosts

For a dissemination model to effectively scale, there must be a strong host. One that is able to understand the value of the product or service to their organization, and is willing to make the investment necessary to ensure the organization is able to derive benefit. Given the fact that China's market is still maturing, if the requirements for the host are rigid, then it may be difficult to find a suitable number of hosts. But, if the tolerance is too wide, then the long term impact measurements may fail to impress.

### 3. Commitment to Quality

One of the most difficult aspects of a dissemination model is to ensure that partners are not only using the tools and systems that have been embedded into their models, but that they are being used correctly and having the highest measure of impact. This is why it is imperative that entrepreneurs have a commitment to quality, a systems to measure quality, and are willing to take corrective action when needed.

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# SUPPORTING REPLICATION

# SUPPORTING REPLICATION

## Role of Government

*“We have had so many supermarkets and restaurants turn us down because they are so scared of liability, and so by not participating they’re protected to a certain extent. Were the laws around food safety and donations of food to change, they won’t have an excuse to turn us down anymore.”*

**Robin Hwang**  
FoodLink

As the government’s pressure to solve social needs increases, we expect that they will continue to seek opportunities to engage socially minded entrepreneurs and enterprises as service providers. Be it financially supporting the development costs of an elderly care facility, or engaging an organization to increase the quality of migrant educators through a teacher training program.

It is a trend that will help the government itself become more efficient at identifying best practices, and create better tools to support those who are still struggling to build their value proposition, teams, and funding. This trend is one the best opportunities for scalable impact in China, and perhaps in other regions.

In our opinion, there are several ways that governments, local and otherwise, could help foster social innovation:

### 1. Awareness & Advocacy

Creating a higher level of awareness of new business models (profit and non) that are bringing a positive contribution to society, inspiring others to get involved.

### 2. Incubation

Opening of incubators that are dedicated to supporting entrepreneurs with socially and environmentally minded enterprises. Where networks of entrepreneurs can be intertwined with investors, advisors, and experts who would help the entrepreneurs bring their ideas to reality.

### 3. Program partnerships

Providing opportunities for organizations to align and partner with government agencies to improve the capacity and quality of services provided by the government.

### 4. Funding

Increased funding of social enterprises, profit and non, who are providing local level services in alignment with government needs and capacity.

## 5. Regulatory Changes

Expanding on the reformations that removed the need for partnering agencies, by allowing non-profits to create branch offices would remove the onerous processes that some are now required to expand outside of the organizations city of registration. Separately, to support a pure franchising model, new regulations would support the franchising organizations manage risk and take action to terminate franchisee agreements.

## 6. Capacity Training for entrepreneurs and organizations

Training sessions meant to help develop capacity around the needs of the government, through issue specific training, as well as those meant to improve the quality of leadership of organizations that are now working with the government as service providers on the issues that are of mutual interest.

## 7. Capacity training for government

Whether it's a 3-day workshop on how to communicate with local residents of a community, or a lecture on the concept of social enterprise, these all help to improve government understanding of and willingness to work together with non-profit organizations.”

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# SUPPORTING REPLICATION

## Role of Intermediaries

*“More than money, what I want is 16 hours of support from a senior accountant or accounting firm to help us do our processing, project management, and train our employees financial planning skills.”*

**Tom Stader**  
The Library Project

Entrepreneurs are the soul and driving engine of the social enterprise. Leading foundations and supporting organizations globally such as Ashoka, Schwab, UnLtd have developed a variety of different methods to support the growth of social entrepreneurs at different stages.

Without considering how to effectively manage the scale of organizations, one of the big opportunities that we see is for intermediaries to take a leading role and provide the help organizations need to become stable enough to scale.

## Supporting the Ecosystem

### 1. **Events & Awareness:**

Whether it is hosting roundtables, writing articles, or taking successful entrepreneurs on tour to college campuses around China, there is still a gap to be filled in creating more awareness. Particularly awareness that is grounded less in storytelling, and more in practical applications, outcomes, and a vision for the future.

### 2. **Coordination:**

While there is a large number of intermediaries in and around China looking to support the industry, a lack of coordination has meant that efforts are duplicated, overlapping, and are often seen as low value. This is a condition that will need to change over time, particularly if intermediaries have a long term view for the Chinese market.

## Supporting Start-ups/Early Stage

### 1. **Start-up tool kits:**

With one of the key benefits to franchising being the tool kits provided to franchisees by the parent company, intermediaries who are interested in helping entrepreneur and early stage organizations grow, should look at developing a tool kit that could be used to support organizations as they scale.

### 2. **Case study development:**

Borrowing from the business school model of leveraging businesses cases as a medium of learning, the development of a case study library could provide entrepreneurs with insights into the work that others did to build their own platforms.

### 3. **Peer sharing/learning sessions:**

With the opportunity to learn from the steps of others is considered valuable, the development of a structure that promotes peer to peer learning would be invaluable.

### 4. **Mentoring:**

Working with the entrepreneurs on a one on one basis to help them work through critical issues of organizational strategy, and providing introductions to networks of partners and donors.

### 5. **Fundraising strategy and advocacy:**

For more early stage organizations, options for external sources of funding, debt or equity, are often constrained, but for advisors working with start-ups, this is perhaps the best time to work with the entrepreneurs to help them understand what their options are and will be.

## Supporting Established/Growth Stage

With any growing organization, as the number of employees increases, the complexity of programs does also. Equally with increased diversity of funding sources, entrepreneurs and organizations need a different level of support.

Support that will help them understand how to better develop strategies, and execute tactics, when there is too much for the core leadership team to manage and a reliance on teams to take the organization to the next level is required.

It is a higher order of commitment, and here are several areas where we feel intermediaries can assist:

**1. Leadership development programs:**

Send fast track managers and executives to attend 3 day classes and/or to attend master's level programs is one way that an organizations capacity can be supported over the long term.

**2. Overseas practicums and internships:**

Build programs where the management of growing enterprises are able to serve in extended overseas secondments and create lasting ties that improve the wider ecosystem.

**3. Skill-volunteer placements:**

Arrange for local skilled volunteers, or for the placement of an overseas volunteer for an extended period of time. This acts to help the entrepreneurs and organization to gain extra specialized capacity.

**4. Fee-based consultancy:**

While considered a valuable service in the “traditional” economy, and one that is established in many Western markets, fee-based consultancy in China is still in its earliest phases (foundations and investors). However, with the rapid development of the sector over the last few years, and continued growth over the next 5 expected, the opportunities for professional consultants to charge for services is growing.

**5. Board representation and training:**

Create opportunities for intermediaries to support the organization through board representation and training where intermediaries can work with the founder(s) to develop a board that is well positioned to offer active advice and assistance as the organization develops.

# SUPPORTING REPLICATION

Role of Donors & Investors

*“Due to the underdeveloped environment of philanthropy and giving in China compared to the US, donor education and engagement is more important. Most donors in China have the passion to give, but they have no previous experience in philanthropy or volunteering, and are challenged to find meaningful engagement.”*

**Jingjing Wang**  
SVP China

Over the last 2-3 years, one of the more interesting developments in China’s philanthropic landscape has been the explosion of foundations. Created by celebrities/CEOs who believe in their ability to improve the mechanisms for giving transparency and impact.

However, even as the number of interested private foundations and investors increased, many of these investors still remain idle as they are unable to find projects that they are comfortable investing in.



Here are some areas where we feel they can offer the most support:

**1. Supporting research:**

While many donors and investors are more interested in finding deals to invest into, an opportunity to fund issue focused research is an area that could lead to higher deal flows through increased awareness of issues, the skill to assess platforms, and an ability to assess the risks associated with funding a particular deal.

**2. Incubation:**

Moving beyond a mindset of short term deal execution, donors and investors need to be more involved with helping the ecosystem and entrepreneurs develop at the core level. This is both an issue for the entrepreneur who is unable to get the support they need, but also an issue for the investor as they struggle to understand the needs of the entrepreneurs.

**3. Collaboration:**

With many investors still in their earliest phases of investing there is great opportunity for improved collaborations between them. This comes through co-investment structures, sharing of case studies, and development of due diligence structures to be leveraged by many.

**4. Make different investments:**

While many investors and donors are looking for the disruptive idea there is a lot to be said for investors who are making investments in proven areas that are developing at a slower pace. This is particularly true for first investors who could use such a strategy as an opportunity to learn via investments, and gain an understanding of how to best aid socially minded entrepreneurs and enterprises.

# SUPPORTING REPLICATION

Business Leadership

*“We did a lot of exploratory work to get into Chinese supermarket, but selling products in supermarkets there has historically not made money. But, getting our products in was a achievement because it showed that Chinese (local) buyers are interested. Which is important because that catches the attention of traditional investors.”*

**Jeni Saeyang**  
Eco & More

While not traditionally considered a key stakeholder in the social innovation space, we believe that the role of “traditional” business is an important one. Particularly those who are looking for ways to create commercial models for their sustainability, social responsibility, and shared value strategies and products.

In China, we are already seeing a lot of corporate activity in organic products, education, and healthcare, and with this trend likely to continue as the growth of challenges is matched by the size of opportunities, we see several role for firms to play:

**1. Validation of markets:**

One of the first things that will come from the entrant of a brand is the validation of the market.

**2. Awareness of issues:**

As more corporate entities enter these markets, they will have to drive awareness of the issues as part of their promotional strategies. A benefit to social innovation as every dollar they spend in building awareness will relieve social organizations from having to spend multiples.

### 3. Economies of scale:

As “traditional” firms look to develop economies of scale, sources of supply, in marketing campaigns, training programs and distribution of products/services all become more cost-effective at the industry level. These economies of scale will offer significant knock-on effects that social enterprises can capitalize on as they scale.

### 4. Profit:

“Do well while doing good” is something that will only benefit everyone. That, with corporate profits, will come many knock-on benefits that will help entrepreneurs raise the capital they need through donations or investments that help bring their platform to scale.

### 5. Exit opportunities:

As the economic model for socially innovative organizations becomes more profitable, the leaders of traditional businesses will look to identify and acquire leading niche players in the market as part of their own go-to market strategies. A trend that will help generate greater investor interest, particularly with investors who were unwilling to make investments without a clear vision for exits and the return on their investment.

# CONCLUSIONS

# CONCLUSIONS

Under the big background of China settling into “the new normal”, with a growing shift of mindset on social problems and social changes, as well as development of public private partnerships, social enterprises in China that were once struggling to survive and grow are now finding scale in program portfolios, organizational size and most importantly, impact.

However, with opportunity comes challenges, as we have identified in this report. Challenges that were common themes in our interviews with founders and CEOs of social enterprises.

In particular we found that:

- Both structures and processes are still in the early phases, with lack of sophistication models, highly risk averse, and fear of trusting others to protect the brand or vision. Wholly owned approach will likely to remain the most popular in the next few years.
- There are growing number of good examples of partnerships and coalitions that are providing chances for players to learn how to work together. Dissemination structures are becoming very popular since it allow organizations the ability to move fast and reach further.
- Although China is a growing market that appeals to the outside world, only a handful of foreign SEs have managed to expand into China. At the same time, it was interesting to find out that some of the most successful examples of social franchising in China are also foreign models that introduced and established by China-based social enterprises. The greatest benefits came in the form of investment in process, the key of successful localization is to find the right balance between replication and modification.
- Given the size of China and the social issues that social enterprises are addressing, to help social enterprises scale to the next level it will take multiple stakeholders to bring together a collective impact.
- We remain optimistic that the potential and opportunities for social innovation through enterprises, profit and non, will continue to grow and scale in the coming years as the challenges faced continue to grow and scale in the coming years.

# APPENDICES

# APPENDIX A:

## Target List

Organization Name (English)	Organization Name (Chinese)	URL
Adlens	Adlens	<a href="http://www.adlens.com">www.adlens.com</a>
Bambu Home	Bambu Home	<a href="http://www.bambuhome.com">www.bambuhome.com</a>
BioFarm	百欧欢有机农场	<a href="http://www.biofarm.cn">www.biofarm.cn</a>
CanYou	残友	<a href="http://www.canyouchina.com">www.canyouchina.com</a>
Dali Bars	达力巴	<a href="http://www.dalibars.com">www.dalibars.com</a>
Dialogue in the Dark	黑暗中对话(中国)	<a href="http://www.dialogue-in-the-dark.org.cn">www.dialogue-in-the-dark.org.cn</a>
Diamond Cab	鑽的	<a href="http://www.diamondcab.com/hk/en">www.diamondcab.com/hk/en</a>
Eco & More	Eco & More	<a href="http://www.eco-more.com">www.eco-more.com</a>
Ecodesign Fair	Ecodesign Fair	<a href="http://www.ecodesignfair.cn">www.ecodesignfair.cn</a>
Embrace	Embrace	<a href="http://www.embraceglobal.org">www.embraceglobal.org</a>
FIELDS	甫田	<a href="http://www.fieldschina.com">www.fieldschina.com</a>
FoodLink Foundation	FoodLink Foundation	<a href="http://www.foodlinkfoundation.org">www.foodlinkfoundation.org</a>
Fuping Micro Finance	富平小额信贷	<a href="http://www.fdi.ngo.cn">www.fdi.ngo.cn</a>
GIGA	循绿	<a href="http://www.gigabase.org">www.gigabase.org</a>
HandsOn China	牵手上海	<a href="http://www.handsonchina.org">www.handsonchina.org</a>
Included	Included	<a href="http://www.included.org">www.included.org</a>
JA	青年成就	<a href="http://www.jachina.org">www.jachina.org</a>
Kanchufeng	看处方	<a href="http://www.kanchufang.com">www.kanchufang.com</a>
LangLang Development Center	乐朗乐读学习潜能开发中心	<a href="http://www.123langlang.com">www.123langlang.com</a>
Leling	乐龄	<a href="http://www.leling.org.cn">www.leling.org.cn</a>
Library Project	Library Project	<a href="http://www.library-project.org">www.library-project.org</a>

<b>Organization Name (English)</b>	<b>Organization Name (Chinese)</b>	<b>URL</b>
Linden Centre	喜林苑	<a href="http://www.linden-centre.com">www.linden-centre.com</a>
Lohao City	乐活城超市	<a href="http://www.lohaocity.com">www.lohaocity.com</a>
Naked Retreat	裸心谷莫干山裸心酒店	<a href="http://www.nakedretreats.cn">www.nakedretreats.cn</a>
Novofibre	诺菲博尔	<a href="http://www.novofibre.com">www.novofibre.com</a>
NPI	恩派	<a href="http://www.npi.org.cn">www.npi.org.cn</a>
nuomi	糯米	<a href="http://www.nuomishanghai.com">www.nuomishanghai.com</a>
Octave	音昱听堂	<a href="http://www.livingoctave.com">www.livingoctave.com</a>
One Earth Designs	One Earth Designs	<a href="http://www.oneearthdesigns.org">www.oneearthdesigns.org</a>
Our City of Love	众社会企业	<a href="http://www.ourcitylove.org">www.ourcitylove.org</a>
Pureliving	Pureliving	<a href="http://www.purelivingchina.com">www.purelivingchina.com</a>
Redress	Redress	<a href="http://www.redress.com.hk">www.redress.com.hk</a>
Renewal Center	日新中心	<a href="http://www.renewal.org.cn">www.renewal.org.cn</a>
ShangriLa Farms	香格里拉农场	<a href="http://www.shangrilafarms.com/en">www.shangrilafarms.com/en</a>
Shokay	Shokay	<a href="http://www.shokay.com">www.shokay.com</a>
Social Venture Partners Beijing	社会创新投资伙伴北京	<a href="http://www.socialventurepartners.org">www.socialventurepartners.org</a>
TED China	TED China	<a href="http://www.tedtochina.com">www.tedtochina.com</a>
Teach Future China	为中国而教	<a href="http://www.21tfc.org">www.21tfc.org</a>
Thousand Trees	千千树	<a href="http://www.qianqianshu.org">www.qianqianshu.org</a>
Wethica	Wethica	<a href="http://www.wethica.com">www.wethica.com</a>
WuQi Training School	五齐人文职业培训学校	<a href="http://blog.sina.com.cn/u/1356056427">blog.sina.com.cn/u/1356056427</a>



# APPENDIX B:

## Organization Profiles

### Adlens

2005, Oxford U.K.

Healthcare

Structure: Hybrid

Locations: Tokyo, Boston, Hong Kong, & Oxford (HQ)

www.adlens.com



#### Overview of Organization:

Founded in 2005, Adlens's mission is to bring affordable eye care to the developed world. Products provided allow for self adjustment by users thus removing the costs associated with customized lens and frame fittings.

Currently Adlens has two product: one that has been designed for developing nations and economies, with a price point of 1.50-2.00USD pair, and the other designed for developed markets, with a price point of 700USD per pair.

#### Key Attributes:

- Have developed two separate technologies, one for each category.
- Several distinct distribution models are needed to support its growth into developing and developed markets, include government and NGOs sales.
- A 1-to-1 buy donation practice to help fund the distribution of units to developing nations.
- Growth will come through large licensing and distribution agreements.

### Bambu Home

2002, China

Bamboo Products

Structure: For-profit

Locations: China, Vietnam, and USA

www.bambuhome.com



#### Overview of Organization:

Founded by Jeff Delkin and Rachel Speth, Bambu Home started from a core of sustainability. Their products would be designed and produced with sustainable materials and in celebration of its laborers. Their products are largely manufactured in China, with renewable materials (bamboo, cork, and rattan), and are sold through 1,500 global points of contact.

Bambu home is regularly recognized by their peers and industry associations for their commitment to sustainability. They have received organic certifications for their housewares from multiple agencies, including the USDA.

#### Key Attributes:

- Core products are household kitchen and household items.
- Design and manufacturing of products are primarily done in-house, and positioned as both "proudly manufactured in China" and organic.
- Bambu Home's growth and scale of impact will come through wholesale distribution sales and scalability of owned operations.

## BIOFARM

2004, China  
Agriculture  
Structure: For Profit  
Locations: Shanghai  
www.biofarm.cn



### Overview of Organization:

A Taiwan-born farmer and entrepreneur created Biofarm in 2004 to promote sustainable farming in China and represented the first organic farm of WWOOF (World-Wide Opportunities on Organic Farms) in China.

Relying on a community supported agricultural (CSA) model to provide its primary source of income, Biofarm has always put forward its mission as looking to inspire more people to choose a sustainable life with good quality organic foods.

### Key Attributes:

- Owners have shown little interest in scaling, and have instead adopted a low growth strategy, choosing to “go it slow” and focus on the local Shanghai community.
- BIOFarm’s main customer base is foreign expatriates with a growing base of local Chinese customers.
- Uses education to help create awareness of the personal, and environmental, benefits of organic foods.
- Regularly works with other farms, formally and informally, to help them learn about how to become organic.

## Canyou

2001, China  
Industry  
Structure: Hybrid  
Locations: China, Hong Kong, Macau, and Taiwan



### Overview of Organization:

Canyou was founded by Mr. Zheng Weining, who has worked to create awareness, training, and opportunities for the disabled in China. It was a journey catalyzed by his own condition, an interest in computers, and building a website that helped others find themselves and opportunities from “behind the screen”.

Canyou is now a group company that includes 32 social enterprises including software, cartoon, E-commerce and internet-based subsidiary companies, one Charity Foundation and 8 NPOs. These combines employ more than 1200 individuals.

### Key Attributes:

- Canyou is built on a hybrid model that includes both non-profits and for profit enterprises.
- Canyou’s mission moves beyond advocacy and awareness, and looks to create opportunities for members to learn skills, find jobs, and become independents.
- It partners with large firms, multinational and Chinese, to help create placements for the disabled.

# APPENDIX B:

## Organization Profiles

### Dali Bars

2012, China

Food/Organics

Structure: For profit

Locations: Kunming Dali

[www.dalibars.com](http://www.dalibars.com)



#### Overview of Organization:

The Dali Bar was founded by Colin Flahive and Kris Ariel and the company makes all-natural energy snacks for health-conscious people across China. Dali Bars is an extension of previous ventures in café(s) and the natural food business.

Dali Bars are produced in a factory outside of Kunming, with locally sourced ingredients and only minimal processing.

#### Key Attributes:

- Founders have more than a decade of experience in gourmet, natural and organic food products in China.
- Distribution of products are primarily through online sales, with a growing number of distribution agents.
- A portion of profits are diverted to support Village Progress, the non-profit arm of the partnership.

### Dialogue in the Dark

2010, Germany

Inclusion

Structure: Non-profit

Locations: Shanghai, and Chengdu

[www.dialogue-in-the-dark.org.cn](http://www.dialogue-in-the-dark.org.cn)



#### Overview of Organization:

Dialogue in the Dark's (China) mission is to promote and increasing equal education and employment opportunities for visually impaired people in China. Through a transformation of surroundings and the design of events, DID creates jobs through which blind people can apply their talents and improve their public awareness of themselves, others, and teams. DID is trying to eliminate prejudice and to promote diversity and inclusiveness.

#### Key Attributes:

- Organization is an international franchise of a Germany based group, which the founder was COO of before opening branches in China.
- Organization has developed a corporate workshop program that brings in a significant portion of their revenue.
- Expansion options for this organization require a significant amount of investment in infrastructure.
- Copycats of this group already exist in China.

# APPENDIX B:

## Organization Profiles

### Diamond Cab

2007, Hong Kong

Handicap access

Structure: Social enterprise

Locations: Hong Kong

www.diamondcab.com.hk



#### Overview of Organization:

Founded by Doris Leung in 2007, Diamond Cab's vision is providing legal and barrier-free transportation to Hong Kong's aging society.

It is an organization born from her own challenging supporting her mother, who was bound to a wheelchair, and through the support of support Social Ventures Hong Kong, Diamond Cab now has 6 licensed taxi operating in Hong Kong.

Diamond Cab taxis are specially ordered from Japan and are equipped to offer barrier free access to more than 30,000 riders per year.

#### Key Attributes:

- Barriers to expansion (and dissemination) include the high cost of capital expenditures, licensing of cabs, and profitability of cabs.
- Organization is openly exploring opportunities to engage, and empower organizations as partners and affiliates.

### Eco & More

2010, China

Personal Care

Structure: For profit

Locations: China



#### Overview of Organization:

{Eco&More} is an Australian brand of 100% plant based, chemical free, home care and personal care products. It was founded in 2010 by Jeni Saeyang when she came back to Shanghai and was unable to find chemical free personal and home care products.

Eco & More started with a single product for laundry, but now have more than 20 products for personal, home, and baby care.

#### Key Attributes:

- Eco & More products are made from China-sourced base materials.
- Early sales were made only through retail stores, where refill stations were located, but have recently moved online through TMall.
- Eco & More products are now available in Lianhua, China's largest retail grocery chain.

## EcoDesign Fair

2008, China

Events

Structure: Non-profit

Locations: Shanghai



### Overview of Organization:

EcoDesign Fair is a grass-roots community consumer event showcasing sustainable innovations and design in Shanghai. Founded by Sherry Poon, it has become, over its 5+ years of organizing events, the leading event platform in China for sustainable product and service firms to showcase.

Each two-day event, the EcoDesign Fair hosts more than 100 exhibitors of goods and services to more than 10,000 visitors.

### Key Attributes:

- Organization is committee-led, and without full time staff.
- Revenue for operations comes from event related booth sales, without major sponsors or advertisers.
- Scalability of model is inhibited by structure, resources, and bandwidth of organizing committee.

## Embrace

2008, United States

Healthcare

Structure: Non-profit

Locations: China, India, and USA



### Overview of Organization:

The founders of Embrace believe that every woman and child deserves an equal chance for a healthy life. Their primary aim is to help save lives of low birth weight and premature infants by distributing inexpensive and effective infant warmers, whilst providing educational programs that address the root causes of neonatal hypothermia.

The device costs less than 1% of a traditional warmer, can be used up to 50 times, and allows for caretakers to incubate babies for between 4 to 6 hours.

### Key Attributes:

- Founders met while attending a class on Designing for Extreme Affordability at Stanford University.
- The Embrace product is one that works best in rural areas where access to hospitals is limited, and through government or international NGO channels.
- Embrace had been very successful in India, but ultimately pulled out from China due to an inability to find the right partner or distribution channels.

# APPENDIX B:

## Organization Profiles

### FIELDS

2009, China

Food/Organics

Structure: For profit

Locations: Shanghai

[www.fieldschina.com](http://www.fieldschina.com)



#### Overview of Organization:

Fields began in 2009, in response to food safety concerns in China and abroad, and has becoming one of the leading platforms for food delivery in Shanghai. Originally known for its food selection, locally sourced and imported, FIELDS now offers a wide range of food and household items on its website, paying particular attention to servicing the needs of families with young children.

FIELDS entire consumer base is online, and it is able to deliver products across the country from its Shanghai distribution center.

#### Key Attributes:

- Scale to date has come organically, and through the efforts of the founder.
- FIELDS has already closed several rounds of funding to date, and will use the money to expand its platform to new cities.
- Franchising options for this group are limited given the heavy reliance on website to drive sales. However, franchising agreements on the fulfillment end of the business could serve to increase the scale of delivery.

### FoodLink Foundation

2001, Hong Kong

Hunger and Food Waste

Structure: Non-profit

Locations: Hong Kong

[www.foodlinkfoundation.org](http://www.foodlinkfoundation.org)



#### Overview of Organization:

Working to ensure that every needy person in Hong Kong has access to a hot, healthy meal, every single day, Foodlink has built a platform to transfer food that would normally be wasted by hotels and F&B establishments to more than 80 local charities.

At present, with the support of volunteers and several trucks, Foodlink is saving an average of 2,600 kg of hot food and 15,000 pieces of bread per week which can provide more than 12,600 meals.

#### Key Attributes:

- Foodlink is a family-led organization.
- Foodlink openly collaborates with other organizations to ensure that food donations are not wasted, and organizations in need are assisted.
- Scalability of model is limited in Asia by regulatory environment.

## Fuping Micro Finance

1993, Shan'xi

Micro Finance

Structure: Non-franchise

Locations: Shan'xi, Sichuan, Beijing

[www.fdi.ngo.cn/en/what-we-do/microfinance](http://www.fdi.ngo.cn/en/what-we-do/microfinance)



### Overview of Organization:

Fuping Micro Finance started from a pilot project with 500 CNY in Longshuitou Village, Shanxi Province in 1993. It has now expanded to Yongji, Shanxi province, Dayi, Sichuan province, and Beijing. Fuping Micro Finance channels capital, technology and talents into rural areas and provides micro loans to farmer households. More than 3,000 rural farmer households have benefited from the service, with the total amount loaned at nearly 100 million CNY.

### Key Attributes:

- One of the three micro-finance companies in China who specialize in providing loan size under 50,000 CNY to low, mid-income rural households.
- There is no need of any collateral or guarantee. A household is the major borrowing unit instead of individuals.
- The headquarters and branches are located in the villages and townships to provide convenient, swift door-to-door service.
- The overall environment for rural finance has changed in the past 5 years: loans and other finance products have become much more accessible for farmers.
- Fuping's future goal is, instead of expanding physically, to provide technical support to rural community-based organizations so they can better serve the community leaders and farmers in need.

## GIGA

2008, China

Building Materials/Technology

Structure: Non-profit

Locations: China and Canada

[www.gigabase.org](http://www.gigabase.org)



### Overview of Organization:

GIGA is a building and material think tank with locations in Shanghai, Beijing and Montreal whose work with a community of designers, manufacturers, and consumers to collect, develop, and share knowledge and solutions to make regenerative design both possible and scalable.

GIGA was founded by designers and architects who were struggling to build green in China, and saw the need for a platform that helped industry insiders to select better materials.

### Key Attributes:

- GIGA's operating model leverages a database of materials, which have been ranked for their performance.
- GIGA received early recognition by the Clinton Global Initiative for their ideas, and also attracted support from impact investor SOW Asia.
- GIGA's ability to franchise is limited, but they are actively seeking licensing agreements that would allow others to leverage their database and algorithms for their own purpose.

# APPENDIX B:

## Organization Profiles

### HandsOn China

2004, Shanghai

Non-profit sector

Structure: Non-profit

Locations: Shanghai, Chengdu, and 10 project sites

[www.handsonchina.org](http://www.handsonchina.org)



#### Overview of Organization:

Hands-On China was founded in 2004 in Shanghai by a group of young foreign professionals with the primary objective to provide flexible volunteer opportunities for busy professionals in the local communities.

With three offices in Shanghai, Chengdu and Hong Kong, and regular project sites in Beijing, Guangzhou, and Shenzhen, HandsOn China designs and coordinates more than 250 monthly projects in areas of healthcare, education, environment, and community development that engage more than 25,000 individuals into service every year.

#### Key Attributes:

- HandsOn China is an affiliate member of US based HandsOn Network.
- HandsOn has official licenses in Shanghai, Chengdu, and Hong Kong.
- HandsOn China's budgets are almost entirely funded by providing services to corporate organizations.

### INCLUDED

2006, China

Education

Structure: Non-profit

Locations: China, UK, Nepal, and Bangladesh

[www.included.org](http://www.included.org)



#### Overview of Organization:

INCLUDED is a nonprofit organization founded in 2006 by Johnathan Hursh to service the needs of migrants, and their children, who have recently moved into Asia's megacities.

Core to the organization is a network of community centers that provide early childhood development and family education training to parents and toddlers. After school programs for children are also available in the community.

#### Key Attributes:

- Expansion through China and Asia has been through rental of existing properties and partnerships, as well as through the building of owned facilities (shipping containers).
- INCLUDED has successfully attracted a critical mass of donors in the financial services field.
- Founder, Jonathan Hirsch, has recently been recognized by the Schwab Foundation and is an Advisory Board Member of the World Economic Forum's Urban Development Initiative.



## Junior Achievement

1995, Beijing

Education

Structure: Non-profit franchise

Locations: Beijing, Shanghai, Guangzhou, Chengdu, Xi'an

www.jachina.org



### Overview of Organization:

JA Worldwide is the world's largest non-profit organization dedicated to educating students about work readiness, entrepreneurship and financial literacy. It achieves this through experiential, hands-on programs. JA operates in over 100 countries worldwide, and reaches over 10 million students per year.

JA China courses provide students with the basic skills and knowledge required to succeed in their future careers by implementing principle-centered, interactive business and economics education programs.

### Key Attributes:

- JA China programs have been localized significantly, reflecting the different needs of Chinese students and academic institutions.
- JA funding comes through global and local sources, with grants from multinational firms being the largest source.
- JA has developed a board of more than 20 CEOs to support and oversee the organization.
- The core leadership team has been stable for the last 10 years.

## Lang Lang Learning Potential Development Center

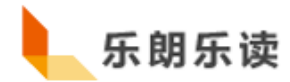
2007, Beijing

Education, Dyslexia

Structure: Franchise

Locations: Beijing + 3 cities

www.123langlang.com



### Overview of Organization:

Established in 2007, Lang Lang is the first and one of the largest professional training and support center focused on dyslexia in China. Drawing from its collaboration with the Chinese Society of Education and practical hands-on experience in Hong Kong, Lang Lang developed a new education methodology for the treatment of dyslexia, Drug-Free Multi-sensory Mental gymnastics (otherwise known as DFMM).

### Key Attributes:

- The curriculum of Lang Lang offers programs such as capacity-building classes, brain potential tests, summer and winter camps, social communication classes, parent training courses and community lectures.
- Lang Lang's main income comes from tuition fees while the rest of its income is from its franchised affiliates in Beijing, Shanghai, Dalian and Changzhou City.
- Received ISO 9001 certification in 2010. In 2011, Beijing Chao Yang District signed a three year contract with Langlang to support its efforts of working with local elementary schools.

# APPENDIX B:

## Organization Profiles

### Leling

2006, Beijing

Elderly Care

Structure: Non-profit

Locations: Shijingshan District, Beijing

[www.leling.org.cn](http://www.leling.org.cn)



#### Overview of Organization:

Leling is a registered non-profit organization with the mission to improve the quality of life of elderly from low-mid income communities unable to afford or enroll to facilities. Leling currently runs three service stations in Beijing Shijingshan district, providing day care and 24/7 care service to the elderly.

#### Key Attributes:

- Over 50% of LeLing's current income is from service fees. However, LeLing's expansion is heavily relying on government resources such as free space and facilities to open service stations.
- Founder of Leling brought back the model of daycare service from Japan in 2011. However, daycare service alone in China can not bring sufficient income. Later LeLing added 24/7 short term boarding service, responding to the short-term needs of the community.
- LeLing plans to open an additional 10 service stations in Shijingshan district in the next 3-5 years.

### The Library Project

2006, Xi'An

Education

Structure: Non-profit

Locations: China and Vietnam

[www.library-project.org](http://www.library-project.org)



#### Overview of Organization:

The Library Project donates books and libraries to under-financed rural primary schools and orphanages in Asia. Believing that education is the key motivator to breaking the cycle of poverty that exists in the developing world, The Library Project has established over 1,400 libraries in China and Vietnam and donated over a million books to schools in need.

#### Key Attributes:

- Led by the founders, Tom Stader, and supported by local staff and boards of directors in each country of operation.
- The Library Project has created three levels of donation and teacher training to ensure that libraries donated match the school's needs and remain used.
- The Library Project's funding models comes primarily through corporate donations and individuals.

## Linden Centre

2008, China

Hospitality

Structure: For-profit

Locations: Dali, Yangzhuolan

[www.linden-centre.com](http://www.linden-centre.com)



### Overview of Organization:

Occupying the Yang Pin Xiang property in Dali, Yunnan province, the Linden Centre is courtyard estate that holds up to 35 guests per night.

Located in a Bai village, the property required significant restoration which was completed by local labor, and offers guests a wide range of cultural experiences as part of their stay.

### Key Attributes:

- The Lindens had over two decades of travel, business, and networking experience throughout Asia before starting their center.
- The center has been recognized as one of the best hotels in China on Travelocity, and touts numerous writers and celebrities as its guests.
- The success of the center attracted the attention of many governments, who were interested in replicating the concept.
- Expansion into other markets was attempted, but abandoned.

## Novofibre

2009, Germany

Building Materials

Structure: For-profit

Locations: Germany, China, Korea, Australia, Russia

[www.novofibre.com](http://www.novofibre.com)



### Overview of Organization:

Believing that the materials used today in construction, interior fitting, and flooring of residential, commercial, and retail spaces will become obsolete, Novofibre has developed a product that uses wheat straw instead of wood.

A raw material that is considered a waste by many, their core technology and hot pressing process brings a significantly reduced environmental, social, and economic life cycle footprint.

### Key Attributes:

- Novofibre's core technology was developed in Germany, but their primary manufacturing facilities are in China.
- Novofibre's primary market hurdle is its price premium over traditional materials, but with scale of operations this gap should close.
- Novofibre's scale of operations will come through a larger client base, which will take place through agency and licensing agreement.

# APPENDIX B:

## Organization Profiles

### NPI

2006, Shanghai

Non-profit Sector Empowerment

Structure: Non-profit and For-profit entities

Locations: Shanghai (HQ) + 12 cities

[www.npi.org.cn](http://www.npi.org.cn)



#### Overview of Organization:

NPI is a cluster of intermediary agencies that support the emerging third sector in China. Established in 2006, the mission of NPI is to promote social innovation and cultivate social entrepreneurs by granting crucial support to start-up, small- to medium-size NGOs and social enterprises.

NPI has become one of the largest and most influential local NGOs in China, with nearly 250 full-time employees operating in 20 cities across the country. It has so far mobilized over USD\$300 million in funding from government agencies, corporations and foundations to support grassroots NGOs in China. NPI has initiated and operated a series of innovative programs such as the “Non-Profit Incubator”, the community Service Platform, Shanghai Social Innovation Park, Shanghai United Foundation, and Social Entrepreneur (a magazine).

#### Key Attributes:

- NPI is reorganizing its programs into three initiatives around its core strength: a platform for social entrepreneurs, a platform for community service and a non-profit consulting service. Among the three initiatives, the platform for social entrepreneurs will run as a non-profit, the platform for community service will develop as a social enterprise, and the consulting service as an LLP.

### One Earth Design

2009, Hong Kong

Energy

Structure: Non-profit and For-profit entities

Locations: China, USA

[www.oneearthdesigns.com](http://www.oneearthdesigns.com)



#### Overview of Organization:

One Earth Designs, the world’s most innovative solar stove company, was founded to pioneer the design and development of innovative solar technologies for both developing and developed markets

One Earth Designs is committed to bringing the most convenient and environmentally-sustainable household solar energy solutions to market, and began as a non-profit in 2009. It worked with nomads in the Himalayas to develop cleaner energy technologies to combat fuel scarcity and indoor air pollution.

#### Key Attributes:

- Both founders have strong academic backgrounds in engineering and environment, and have been recognized numerous times for the research, patents, and impact.
- The organization was originally created to solve the problems faced by nomads who were burning dung as fuel. One Earth Design have since developed a second product line targeted to the outdoor/adventure market as a low carbon alternative to coal and wood fired cooking.

## PureLiving China

2010, China

Environmental Services

Locations: Shanghai, Beijing

[www.purelivingchina.com](http://www.purelivingchina.com)



### Overview of Organization:

PureLiving China is China's leading indoor environmental health and safety consulting firm focused on advising clients on air and water quality, mold, and lead exposure issues. Their mission is to help residents in China live healthier and safer inside their homes and other indoor environments by providing international standards of education, assurance and remediation solutions.

### Key Attributes:

- Primary market was expatriate residential market, but has expanded into both foreign and local schools and offices.
- Marketing was done through work of mouth, customer testimonials, trade shows, and speaking engagements.
- Company is currently working on moving business from product and service based to technology based with a series of applications that will allow users to understand indoor air quality conditions.

## Redress

2007, Hong Kong

Textiles

Structure: Non-profit

Locations: Hong Kong, UK

[www.redress.com.hk](http://www.redress.com.hk)



### Overview of Organization:

Founded in 2007 by Dr. Christina Dean, Redress is an NGO with a mission to promote environmental sustainability in the fashion industry by reducing textile waste, pollution, water and energy consumption.

To achieve their mission, they have developed a series of awards, certifications, and campaigns meant to engage industry professionals and firms.

### Key Attributes:

- Redress has four programs that help to increase awareness and improve processes in the industry. It collaborates with industry stakeholders to increase scale of their impact.
- The organization relies on donations for its income, and is one of 1,100 registered partners of 1% for the Planet.

# APPENDIX B:

## Organization Profiles

### Renewal Centre

2008, Shanghai

Industry

Structure: Non-profit

Locations: Shanghai

[www.renewal.org.cn](http://www.renewal.org.cn)



#### Overview of Organization:

Founded by Jimmy McWhinney, the Renewal Center began in 2008 as a place where Shanghai's guerilla recyclers could take a shower, receive clothes, and meet. Over the last 6 years, the organization has developed an ability to provide temporary boarding, conducts life-skills workshops, and has changed its mission to be able to help those in need find a job.

While the Renewal Center has struggled to find the stable sources of resources needed for growth, several partners have provided critical guidance and are now working to develop a café model that will serve as a training base for boarders.

#### Key Attributes:

- Renewal Center is run by a small group that includes the founder, and a couple of early benefactors.
- Funding for operations comes entirely through small donations and grants.
- Franchising of this model would be possible on a case-by-case basis.

### ShangriLa Farms

2009, Beijing

Food

Structure: For-profit

Locations: China

[www.shangrilafarms.com](http://www.shangrilafarms.com)



#### Overview of Organization:

A business run by Alia and Sahra Malik and their brother Safi, the history of this organization is rooted in the work of their family in the Shangri La area to promote and protect the culture through the Yunnan Mountain Handicraft Center.

Inspired to do more, the family saw an opportunity to create a social enterprise that increased income for Yunnan farmers through the development of natural food, soaps, skincare, gift sets, and handicrafts.

#### Key Attributes:

- Family-run business with a history of work in the area.
- Largest markets for their products being in Shanghai and Beijing.
- Recently received support from leading impact investor LGT Venture.

## Shokay

2006, China

Structure: For-profit

Locations: China, Vietnam, and USA

[www.shokay.com](http://www.shokay.com)



### Overview of Organization:

Shokay began in 2006 when Carol Chyau, Marie So, and a team of Harvard students visited Western China looking for a model that would improve local Tibetans incomes. During this time they discovered that yaks have fiber that is comparable to cashmere.

To date, their organization now works with several villages of Yak herders, more than 250 combers and spinners, and 50 hand knitters on Chong Ming island to bring their products to market.

### Key Attributes:

- Organization founded by two Harvard students who visited Southwest China in search of opportunities to develop a social enterprise in China.
- Gained early success through successful campaigns, including social media, that aligned brand between Yaks, Yak herders, and their products.
- Have continually iterated their product, process, and sales channels as a way to adjust to market and increase impact to herder community.

## Social Venture Partners China

2013, Beijing

Field: Giving Circle

Structure: Franchise

Locations: Beijing, Seattle (HQ)

[www.svpchina.ngo.cn](http://www.svpchina.ngo.cn)



### Overview of Organization:

SVP China was launched in May 2013 by SVPI (Social Venture Partners International) in the US and LePing Foundation in China. Currently SVP Beijing is the only chapter of SVP China.

SVP began in Seattle in 1997 and the model has been replicated in 38 affiliate organizations, involving over 3,000 individual partners in the US, Canada, Australia, India, South Korea and Japan. SVP brings together a philanthropic community of partners who make highly engaged investments of money, resources and business expertise in local nonprofit organizations. The goal of this is to develop capacity and make their work sustainable.

### Key Attributes:

- As the officially licensed affiliate of SVPI, SVP China pays an annual fee to SVPI. SVPI provides comprehensive support to SVP China, including the provision of a business plan, a Partner Manual, ongoing mentoring, setting up a website, the recruitment of founding partners and fundraising.
- SVP China plans to expand to ten cities - 1,000 partners by 2020. SVP Chengdu and SVP Ningbo are scheduled to launch in 2015.

# APPENDIX B:

## Organization Profiles

### Teach Future China

2008, Beijing

Rural Education, Teaching Training

Structure: Non-franchise

Locations: All over China

[www.21tfc.org](http://www.21tfc.org)



#### Overview of Organization:

Founded in 2008, Teach Future China (TFC) is affiliated to the UNESCO International Research and Training Centre for Rural Education. TFC deliver and support excellent university graduates leaving for rural schools to teach for two years, offer continuous and systematic training, as well as cultivate and congregate excellent talents who care about education in order to boost the progress of Chinese society.

#### Key Attributes:

- Until 2013, TFC has supported over 100 university graduates from 40 first class universities to teach at rural schools across China.
- The establishment of TFC was inspired by the model of Teach for America. Founders of TFC were volunteer teachers of a rural school in An'Hui Province. They saw the problem of sending massive number of university students to rural schools without strategic planning and long term project management. TFA provided a good reference.

### Thousand Trees

2011, Beijing

Equal Education

Structure: Non-franchise

Locations: Beijing + 3 provinces

[www.qianqianshu.org](http://www.qianqianshu.org)



#### Overview of Organization:

Thousand Trees Equal Education Partners was established in October 2011. A social enterprise co-founded by the Beijing Leping Social Entrepreneur Foundation and the Little Oak Pre-school. It strives to provide quality pre-school education for low-income migrant and rural families, in innovative ways, and ultimately promotes equal access to quality early childhood education opportunities in China.

#### Key Attributes:

- Using the knowhow developed at Little Oak, Thousand Trees develops unique education courses and materials that fit the needs and status of children from families of local farmers and migrant workers. Their communication skills and learning ability have greatly improved.
- Thousand Trees developed partnerships with local educational bureaus in HuBei, GanSu and Sichuan Provinces to help train their employees who are responsible for local teacher training. By the end of 2013, over 1,100 teachers from 47 rural pre-schools received training that used Thousand Trees materials to teach local children.



## WuQi Career Training School

2003, Xia'men

Vocational Education

Structure: Non-franchise

Locations: Xia'men

### Overview of Organization:

Located at the provincial capital of Fujian, WuQi is a school and social enterprise for migrant workers. It aims to change their lives through comprehensive training, as well as to build positive attitudes toward life. WuQi provides computer, communication skill training and other career development courses for migrant workers who only have time to study in the evenings and weekends. In 2013, WuQi had trained over 2,000 students with its education facilities all over Xia'Men. Graduates from WuQi are in high demand among local and multi-national corporations.

### Key Attributes:

- Instead of focusing entirely on practical skill training, WuQi emphasizes more on moral development and life time learning experience. Students share the same goal with school that “whatever problems migrant workers have should be ended at our generation”.
- Students pay market price tuition fees with access to student loan offered by the school.
- WuQi is currently making big adjustments on its educational programs. WuQi has cut the contracts with government agencies. The goal is to focus on its core strength of providing the best employees for corporations. Many businesses in China don't care that much about degrees, what they are looking for is the awareness of serving others.

## XieZhi

2008, Hangzhou

Job Search Support

Structure: Non-franchise

Locations: Hangzhou

www.caocajob.com



### Overview of Organization:

XieZhi is a platform to support college graduates who are seeking jobs in Hangzhou. XieZhi started as a youth hostel that provides affordable place to young job seekers. The platform also includes a human resource company that provides skill training for job hunters as well as match-making service between students and companies.

### Key Attributes:

- The hostel charges a student around 30RMB per night to share a room with 5 other students. It offers one night for free to first time customers. The hostel doesn't provide any services other than the basics. However, it has become a community where job seekers share their learning, frustration and success stories.
- The youth hostel hosted 25,000 students in the past 5 years. XieZhi helped 5,000 students find a job.
- XieZhi is planning to strengthen its business in Hangzhou in the next 3-5 years, go deeper instead of going national. Other two initiatives under planning is a big data platform for job hunters from all colleges in China, and a Human Resource TV channel.

# APPENDIX B:

## Organization Profiles

### Yi Future

2012, Beijing

Early Childhood Education

Structure: Non-franchise

Locations: Beijing (HQ) + 3 cities

[www.yongzhen.org](http://www.yongzhen.org)



#### Overview of Organization:

Yi Future opened its first baby gym in 2012 in Nanjing. Now have 30 community based baby gyms in Beijing, Shenzhen, Nanjing, Changsha and other cities. Yi Future project is running under the umbrella of Yongzheng Foundation. The Foundation was set up in order to support the development of Yi Future.

#### Key Attributes:

- The majority of children between 0-6 in China are taken care by their grand parents and baby sitters. Yi Future's idea is to change parents through changing their children. The message is simple: Playing makes children healthier; reading makes children smarter. Parents get it right away.
- Yi Future's model of replication is one build on low investment and high speed through the identification of partners who have space, but are lacking content. Each gym can accommodate up to 20 children, and the running cost is kept very low through only having one full time and one part time staff on site, and partnering with government agencies that are willing to provide free rent



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