

Social Entrepreneurship Opportunities in China: A Critical Realist Analysis

by

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Abstract

Social entrepreneurship (SE) has become a rapidly advancing domain of enquiry and holds a place in policy makers' consideration around the globe. Opportunities have been regarded as critical in SE, but are often portrayed in abstract and unspecified ways. Research on this topic remains relatively scarce, theory building is not yet established and integrated, and the dearth of empirical studies further constrains theoretical development in SE. Researchers have thus called for more exploration and a comprehensive theoretical understanding of SE opportunities. The purpose of this study is to explore SE opportunities through empirical investigation and theoretical development. As an exploratory study, this study addresses two broad research questions: (1) What are SE opportunities? And (2) How do they emerge? To answer these questions, I draw on the broader entrepreneurship literature which provides two main alternative explanations: opportunity discovery (nexus theory) and opportunity creation (effectuation theory). While the discovery/creation debate is still ongoing, recent theoretical advancement has shown a possible path of forwarding entrepreneurial opportunity research, suggesting that research should incorporate structure and agency simultaneously in studying opportunities.

Following this path, this study contributes to SE opportunity research by providing a comprehensive understanding of SE opportunities, it also helps address the discovery/creation debate in the context of SE. To make this contribution, this study first adopts critical realism as a research philosophy as well as methodology. Critical realism incorporates the effects of both structure and agency through its ontological assumptions of three domains of reality, while providing an explanatory framework to assess competing theories. Second, this study selects China as a context for empirical study. As a relation-oriented society, China provides a useful context for studying the causal relations between the social structure (guanxi) and SE opportunity. China's institutional context and fast growing social enterprise sector also provides a promising setting for exploratory research on SE opportunities. Based on critical realism, I used a three-step qualitative multi-case study to develop an explanatory framework in which guanxi and social capital theory provide theoretical explanations of the social structure and its causal powers, which lead to SE opportunity emergence in China. Data were

collected from 45 interviews with Chinese social entrepreneurs, their employees and other key stakeholders in 36 organisations in Beijing, Hunan Province and Shanghai.

My research findings show that SE opportunities develop in all of the three domains defined by critical realism. In the domain of empirical – a world of human experience of social events – a SE opportunity can be described as discovered, created, or as both discovered and created. In the domain of actual – the social events under study – a SE opportunity consists of three internal and necessary constituents: unjust social equilibrium (USE), social entrepreneurs' beliefs (SEB), and social feasibility (SF). In the domain of real – deeper structures, causal powers and mechanism that produce the social event – the emergence of SE opportunities can be seen as the result of a resource acquisition and mobilisation mechanism whereby USE, SEB and SF are identified or formed through social entrepreneurs' social capital embedded in guanxi. Building on these findings, this study concludes with a theoretical framework that offers a comprehensive explanation of SE opportunity emergence in China.

This study is the first attempt to apply critical realism to the study of opportunities in the context of SE in China. It contributes to the SE and general entrepreneurship literature by developing a theoretical framework of SE opportunity emergence that provides an alternative explanation for the existence of discovery and creation opportunities, and by extending our theoretical understandings of some key concepts of SE. This research further provides an example of the use of qualitative methods to apply critical realism in SE and general entrepreneurship research, which contributes to the development of relatively rigorous research design and research methods in studying complex social events.

Key words: social entrepreneurship, entrepreneurship, opportunity, opportunity discovery, opportunity creation, critical realism, social capital, guanxi, China

Dedicated to Xiao Yu
My Wife, Companion, Inspiration, Best Friend and Soul Mate
You Make the Journey Worthwhile
It's All About Yu

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Abbreviations

SE	Social Entrepreneurship
NPO	Non-profit Organisation
NGO	Non-governmental Organisation
CSR	Corporate Social Responsibility
USE	Unjust Social Equilibrium
SEB	Social Entrepreneurs' Beliefs
SF	Social Feasibility

CHAPTER 1: Introduction

1.1 Research background

“The capitalist system is under siege” (Porter & Kramer, 2011: 64). This statement reveals some fundamental problems confronting the business world. Indeed contemporary businesses and management methods can be sometimes seen as being one of the major causes for the social and economic problems we are facing today. Examples are environmental issues like the ecological disaster caused by the BP oil spill, the increasing gap between rich and poor, and especially the recent financial crisis. Porter and Kramer (2011) believe one solution to these problems is to create “shared value businesses” which integrate companies’ competitiveness, economic contribution and community benefit together as their fundamental strategies. Pless (2012: 317) argues that innovative and dedicated entrepreneurs who aim to address these social needs and set their primary goals to help others, are “a source of hope” when the capitalist system is struggling to rebuild its legitimacy. The logic behind these ideas is for businesses to consider both short-term and long-term benefits, as well as balance economic and social outcomes, in other words, engage in social entrepreneurship (SE).

The world has seen an increasing number in social enterprises or socially entrepreneurial ventures, especially in the last few decades. Social entrepreneurship has also become a rapidly advancing domain of enquiry and also holds a place in policy makers’ consideration around the globe (Martin & Osberg, 2007; Defourny & Nyssens, 2010; Domenico et al., 2010; Choi & Majumdar, 2014). As an emerging field of research, much of the effort has been made to define and describe the SE phenomenon (Corner & Ho, 2010; Choi & Majumdar, 2014). The notion of opportunity is frequently mentioned in these descriptions. For example, SE opportunity stands at the core of the SE process (Peredo & McLean, 2006; Weerawardena & Mort, 2006; Monllor, 2010). It is also considered as one of the key features separating SE from its commercial counterpart (Austin et al., 2006; Zahra et al., 2008). However, there are surprisingly few recent studies that explore the nature of SE opportunities *per se*. Most of the literature simply takes the SE opportunity as a given or uses it as a unit of analysis even without specifying its meaning (e.g. Mair & Mart í 2006; Perrini et al., 2010; Desa & Basu,

2013; Hockerts, 2015; Muñoz & Kibler, 2015). Research on this specific topic remains relatively scarce (Monllor, 2010), theory building is not yet established and integrated (Short et al., 2009), and the dearth of empirical studies further constrains the theoretical development in SE (Zahra et al., 2014a). This is a gap I am trying to close in this study.

This study is based on the broader entrepreneurship literature which has produced a significant body of knowledge explaining the existence and importance of entrepreneurial opportunity (Dutta & Crossan, 2005; Venkataraman et al., 2012). Existing literature broadly suggests two streams of thought which have generated considerable debate in the field, namely the “discovery opportunities” and “creation opportunities” (Dutta & Crossan, 2005; Alvarez & Barney, 2007; McMullen et al., 2007; Vaghely & Julien, 2010; Venkataraman et al., 2012; Garud & Giuliani, 2013; Alvarez & Barney, 2014). On one side of the debate is the opportunity discovery view, mostly referred to as individual/opportunity nexus theory, which suggests that entrepreneurial opportunities are objective situations resulting from structural changes, and alert individuals can discover them to generate profits (Shane, 2000; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010; Shane, 2012; Eckhardt & Shane, 2013). On the other side of the debate is the opportunity creation view, mostly referred to as effectuation theory, which provides an alternative explanation to the entrepreneurial process. Researchers who hold this view tend to suggest that entrepreneurial opportunities do not pre-exist but are created as a result of entrepreneurs’ ideas, beliefs, actions, and interactions between stakeholders (Sarasvathy, 2001; Sarasvathy et al., 2001; Sarasvathy, 2003; Sarasvathy et al., 2010; Venkataraman et al., 2012).

The discovery/creation debate is embedded in a larger philosophical debate in social science about the relations between social structure and agency. Although discovery opportunities and creation opportunities are often considered as based on conflicting realist and social constructionist ontological positions (Dutta & Crossan, 2005; Vaghely & Julien, 2010), both views implicitly include both structure and agent in the whole entrepreneurial process. However, the discovery view tends to understate the role agency in explaining the existence of opportunities, while the creation view emphasises agency over social structure. Despite some effort made to conceptually reconcile these conflicting views (Chiasson & Saunders, 2005; Sarasvathy et al., 2010; Shane, 2012;

Venkataraman et al., 2012; Martin & Wilson, 2014; Davidsson, 2015), little empirical research has been conducted. Furthermore, the nature of an entrepreneurial opportunity and the internal relationship between its substituents are rarely made the object of explicit analysis and discussion. Researchers therefore call for more attention to the nature of opportunity (Companys & McMullen, 2007; McMullen et al., 2007; Blackburn & Kovalainen, 2009). Appropriate perspectives to inform and develop a more complete understanding of the phenomenon are still needed.

1.2 Research focus and research questions

Considering that SE opportunity is a particular type of entrepreneurial opportunity located in the context of SE (Santos, 2012), I argue that by researching SE opportunities, we will not only learn more about the context of SE, but such research will also enrich our theories and understandings of general entrepreneurial opportunities in an unconventional context. The intention of this study is therefore to empirically explore and theoretically explain SE opportunities through a reconciling approach that may potentially help address the discovery/creation debate in the broader entrepreneurship literature. However, rather than exploring all of the opportunity-related entrepreneurial activities, this study adopts a relatively tight focus on the “nature” of opportunities which is concerned with the *meaning* and *emergence* of opportunities *per se* (Short et al., 2010), while disregarding other activities in the whole processes (e.g. opportunity exploitation) and outcomes which act upon existing opportunities (e.g. firm performance). As an exploratory research, it will address two broad research questions which also reflect the key points of the discovery/creation debate:

- (1) What are SE opportunities? (Are they objective or subjective?)
- (2) How do SE opportunities emerge? (Are they discovered or created?)

1.3 Research philosophy and methodology

1.3.1 Theoretical and empirical challenges of studying social entrepreneurship opportunities

In addition to the discovery/creation debate, studying opportunities in a social context presents a set of theoretical and empirical challenges. First, the meaning of SE opportunities is difficult to catch, partly because of the fuzzy boundaries of the notion of

social entrepreneurship itself (Dacin et al., 2011; Pless, 2012; Santos, 2012), and because social values created through exploiting opportunities are relatively intangible and hard to capture (Mair & Mart í 2006; Zahra et al., 2008). Second, the activities forming opportunities in a social context are likely to be complex and dynamic. Located in a social context, SE opportunities are highly likely to be influenced by various social and institutional factors (Robinson, 2006). Third, an opportunity in a social context is seldom the work of a single social entrepreneur. Opportunity emergence is likely to be a collective process, including not only the social entrepreneur, but also various social, political and economic actors, such as governmental agencies, NPOs, private companies and citizens (Robinson, 2006).

In order to deal with these challenges, this study firstly addresses the ambiguous meaning of the notion “social entrepreneurship”, which helps to clarify SE as a context of opportunities before discussing what these opportunities are. The discussions are presented in Chapter two. Second, critical realism is selected as the research philosophy and methodology as it is useful for explaining complex social events such as opportunities (Blundel, 2007). Third, this study positions the empirical research in the Chinese context, a context characterised as highly relation-oriented, uncertain and resource constrained (Yu, 2011; Zhao, 2012), which may offer significant insight into the collective process of SE opportunity emergence. The following sections further explain my choice of research philosophy and context.

1.3.2 The choice of critical realism as a research philosophy

Critical realism as a philosophical position originated in the natural sciences and has been increasingly applied in various fields of social science, such as entrepreneurship, organisation science and information systems, to provide comprehensive explanations of complex social events (Leca & Naccache, 2006; Volkoff et al., 2007; Allen et al., 2013; Delbridge & Edwards, 2013; Matthyssens et al., 2013; Mingers et al., 2013). While Chapter four will introduce the principal features of critical realism in detail, here I just outline the theoretical and empirical significance that critical realism has for this study.

First, critical realism helps to address the research questions in this study. While the nature of an entrepreneurial opportunity has rarely been made the object of explicit analysis and discussion (Companys & McMullen, 2007), critical realism holds that the description and explication of social events are the foundation of any research analysis (Wynn & Williams, 2012). Furthermore, in studying the nature of a social object, critical realism has placed emphasis on explicit analysis and conceptual abstraction, which provides a useful methodological approach to empirically examine the nature of opportunity in SE.

Second, critical realism incorporates the effects of both structure and agency without taking conflicting philosophical positions. As mentioned earlier, both discovery and creation views acknowledge the importance of structure and agency, which cannot be fully explained by either the realist or social constructionist ontologies. But in critical realism, it is necessary to acknowledge the ontological importance of both structure and agency (Leca & Naccache, 2006). Critical realism can therefore provide an alternative paradigm to explain the co-existence of structure and agency in opportunity emergence.

Third, critical realism adopts a stratified ontology based on its “three domains of reality” assumption (Bhaskar, 1978), which helps this study to explore the complex social event – SE opportunity – in a holistic manner (Wynn & Williams, 2012). Critical realism suggests that reality exists in three domains, the domain of “empirical” that consists of human experiences of events, the domain of “actual” that consists of actual events, and the domain of “real” that consists of structures, causal powers and generative mechanisms. Adopting such an ontology urges me to go beyond individuals’ experiences and existing theories of opportunities, and to explore the hidden structures, causal powers and mechanisms. It therefore gives this study ontological depth to provide in-depth and comprehensive causal explanations for SE opportunities.

Finally, critical realism provides an explanatory framework to assess competing theories such as the discovery and creation theories. In fact, critical realism insists that “it is possible, indeed necessary, to assess competing scientific theories and explanations in relation to the comparative explanatory power of the descriptions and accounts that they provide of the underlying structures and mechanisms that generate observable patterns of events and outcomes” (Reed, 2005: 1630). This is the approach I follow in this study.

1.3.3 The choice of China as an empirical research context

The basic methodological argument in critical realism is that the choice of research methods should be consistent with the nature and objectives of the study (Danermark et al., 2002). The same principle can be applied to the selection of research context. In this study, China is selected as my geographic context for empirical study for two reasons. First, from a critical realist perspective, the main objective of study is to uncover the hypothesised existence of structures, causal powers and mechanisms to explain why a SE opportunity as a social event is likely to occur. China, as a highly relation-oriented society, provides a useful context for studying the causal relations between the social structure and SE opportunity. Guanxi has a long tradition in China and is deeply embedded in ancient Chinese philosophy of Confucianism where human beings are relation-oriented (Park & Luo, 2001). Therefore, guanxi can be seen as a system of concrete social relations at an individual level (Granovetter, 1985) and one of the most durable social structures in China. Guanxi influences people's social attitudes and business practice (Zhang & Zhang, 2006), reduces uncertainties (Xin & Pearce, 1996; Puffer et al., 2010), facilitates partnership building and cooperation between companies (Peng, 2002), provides surviving conditions and improves firm performances through resource allocation, knowledge sharing, technological transfer, market expansion, trust building and exchange of favours (Park & Luo, 2001). In other words, guanxi affects every person's social life and every aspect of business practice, and it is therefore likely to influence SE opportunity emergence. Second, China's institutional context and fast growing social enterprise sector also provides a promising setting for exploratory research on SE opportunities. The institutional context is shaped by China's economic transition since 1978. While the economic transition nurtures entrepreneurial activities, it also triggers traumatic social changes in China. The social and institutional contexts have nurtured an emerging and active social enterprise sector, and also create favourable social norms and social needs for the emergence of SE opportunities. Chapter two will discuss the research context in greater detail.

1.3.4 Research methods

In order to explore opportunities in a largely unexplored context, this study adopts a qualitative multi-case study approach based on a three-step retroductive research design informed by critical realism, including "explication of events", "retroduction" and

“empirical corroboration” steps. First, a multi-case study approach is particularly useful in the explanatory research which addresses the “how” and “why” questions (Yin, 2009). Case studies are often considered as the best research approach to conduct critical realist research (Easton, 2010; Wynn & Williams, 2012; Kessler & Bach, 2014). Second, semi-structured interviews are selected as the main data collection method in this study. Semi-structure interviews are “ideally suited to examining topics in which different levels of meaning need to be explored” (King, 2004: 21), they are therefore suitable for this study which aims to explore the different levels of realities of SE opportunities. Third, the data is collected from 45 interviews with Chinese social entrepreneurs, their employees and other key stakeholders in 36 organisations in Beijing, Hunan Province and Shanghai. The three-step retroductive research design is described in detail in Chapter five.

1.4 Structure of the thesis

Following this introductory chapter, the thesis will take the following format:

Chapter two clarifies some of the fundamental issues regarding the research context for studying SE opportunities. Although the SE opportunities are the social events of interest in this study, it can be better understood and more rigorously studied within its context (Low & MacMillan, 1988; Zahra, 2007; Welter, 2011). This chapter examines the context for SE opportunity from two perspectives: the concept of social entrepreneurship which conditions opportunities (Dacin et al., 2010), and the context of China which nurtures SE and general entrepreneurial activities (Ahlstrom & Ding, 2014). Key SE definitions and relevant literature on the Chinese environment are presented and discussed in this chapter.

Chapter three provides an overview of the current literature on SE opportunities and general entrepreneurial opportunities. It begins with a literature review of existing studies on SE opportunity, including its definitions and current explanations of its emergence. It further investigates the notion of opportunity by introducing the opportunity discovery and creation theories from the general entrepreneurship literature. To frame the study, this chapter specifically examines the discussions on the nature of opportunities in nexus theory (Shane & Venkataraman, 2000; Shane, 2003) and

effectuation theory (Sarasvathy, 2001, 2008) which represent the discovery/creation debate in the literature. To facilitate comparisons between the two theories (as well as to help structure the following empirical chapters), the examination focuses on three aspects of opportunity: opportunities as happening, as expressed in actions, and as instituted in market structure (Dimov, 2011). Finally, this chapter suggests that critical realism can provide an appropriate philosophical stance to reconcile the seemingly conflicting theories.

Chapter four introduces some of the principal features of critical realism in the context of social and general entrepreneurship research, and further explains why critical realism can be seen as a suitable vehicle for studying SE opportunities. This chapter comprises a brief account of the origins and basic assumptions of critical realism. It also highlights the ontological and epistemological positions that are potentially useful in explaining SE opportunities, including a critical realist view of reality, stratified ontology, the open system perspective, emergence, abstraction and causation. It concludes that critical realism as a coherent and rigorous research philosophy can be helpful for the analysis of SE opportunities.

Chapter five describes and justifies the research methodology, research design and specific research methods adopted in this study. To uncover the structures, causal powers and mechanisms to explain why a SE opportunity as a social event is likely to occur, this study develops a comprehensive retroductive qualitative case study research design which involves three steps of research: explication of events, retroduction, and empirical corroboration. The “explication of events” step focuses on the description of SE opportunities based on the participants’ experiences, and the theoretical re-description and abstraction of SE opportunity as an abstract social event. The “retroduction” step involves hypothesising the possible mechanisms or structures capable of generating the experienced SE opportunities. A preliminary hypothetical framework is presented where guanxi and social capital are selected to represent the social structure and its inherent causal power, respectively. The “empirical corroboration” step further tests, develops and refines the hypothetical framework. In order to reveal the generative mechanisms, this step of research examines and comparatively analyses the effects of different dimensions (structural, relational, cognitive) of social capital on SE opportunity emergence. The research design also

integrates multiple sampling strategies, data collection methods and data analysis techniques which are used at different step of the research. A detailed description and justification of these methods are also included in this chapter.

Chapter six presents findings and data analysis from the “explication of events” step of my research design, which addresses my first research question: what are opportunities in the context of SE in China? This chapter provides detailed descriptions of experienced and observed SE opportunities located in the domain of empirical. Informed by nexus theory and effectuation theory, the experienced SE opportunities are generally identified and categorised as discovered (discovery case), created (creation case), and both discovered and created (organic case). This chapter identifies and presents three constituents of SE opportunity through critical realist abstraction: unjust social equilibrium (USE), social entrepreneurs’ beliefs behind actions (SEB), and social feasibility (SF), which are located in the domain of actual.

Chapter seven presents findings and data analysis from the “empirical corroboration” step of my research design, which addresses my second research question: how do opportunities emerge in the context of SE in China? This chapter discusses the structures, causal powers, generative mechanisms and conditions of SE opportunities which are located in the domain of real. It firstly describes the role of social capital as the causal power embedded in the Chinese social structure - guanxi - in forming SE opportunities by addressing the relations between its three dimensions and the constituents of SE opportunities (USE, SEB, SF). The chapter then summarises and discusses the generative mechanisms which lead to emergence of SE opportunities, the mediating conditions which lead to different SE opportunities (discovery or creation) across cases, and certain moderating conditions which affect the strengths of the mechanisms.

Chapter eight further synthesises the findings presented and discussed in the last two chapters and offers an overall comprehensive explanation of SE opportunity emergence in China. With reference to the literature, this chapter highlights the benefits that a critical realist perspective has provided in this study. It also discusses how the empirical findings address the research questions and contribute to the relevant literature. Finally,

this chapter concludes this thesis by summarising the research contributions, limitations and implications for future research.

CHAPTER 2: The Research Context: Social Entrepreneurship and the Chinese Environment

2.1 Introduction

Social and economic phenomena can be better understood and more rigorously studied within their context (Low & MacMillan, 1988; Zahra, 2007; Welter, 2011). Although SE opportunities are the social events of interest in this study, it is important that we consider *where* it emerges before we explain *what* it is and *how* it emerges. The purpose of this chapter is therefore to clarify some of the fundamental issues regarding the research context for studying SE opportunities. In business and management research, context is generally defined as “circumstances, conditions, situations, or environments that are external to the respective phenomenon and enable or constrain it” (Welter, 2011: 167). With this understanding, the context for SE opportunity in this study is examined from two perspectives: the concept “social entrepreneurship” which conditions opportunities (Dacin et al., 2010), and the context of China which nurtures SE and general entrepreneurial activities (Ahlstrom & Ding, 2014). Relevant literature on SE definitions and the Chinese environment is presented and discussed in this chapter.

First, this chapter addresses the ambiguous meaning of the concept “social entrepreneurship”, which helps to clarify SE as a context of entrepreneurial opportunities. It reviews extant definitions of SE, including the relevant historical and theoretical context of SE research. While there is still considerable debate on the exact meaning of SE in the current literature (Choi & Majumdar, 2014), this chapter proposes that SE can be seen as a concept which consists of three integral elements: social change orientation, market orientation and sustainability orientation. SE is considered as a broad range of entrepreneurial activities and processes that can achieve all of the three orientations simultaneously. Opportunities in turn are those situations that can, when exploited, generate these entrepreneurial activities and processes. These understandings also inform my case selection criteria in Chapter 5.

Second, this chapter describes the Chinese environment as a particular context for studying SE opportunities. Current management literature suggests that the Chinese

environment offers unique social and institutional context for entrepreneurial activities, and for theoretical advancement in the field entrepreneurship (Tan, 2007; Su et al., 2015). The economic and social transition in China has also created favourable social norms and needs for the emergence of SE opportunities (Yu, 2011; Zhao, 2012). It therefore provides a relevant setting for research into the nature of SE opportunities. But in SE research, China as a research context is largely overlooked by international academia. This literature review therefore identifies studies in management and public administration which can most usefully be applied to the study of SE opportunities. The discussions focus particularly on China's business, social and institutional context (Welter, 2011). These discussions can contribute to a better understanding of the empirical findings in Chapter 6 and 7.

2.2 The concept of social entrepreneurship

Over the last three decades, there has been a boom in the SE literature. Early development of SE research mainly focused on defining the term "social entrepreneurship". Academics, practitioners and policy makers from various backgrounds were involved in exploring the meanings and benefits of social entrepreneurship, which in turn compounded the difficulties in explicitly defining the term (Bacq & Janssen, 2011). Even to date the concept of social entrepreneurship still has various meanings (Dees, 2001; Lepoutre et al., 2013), and its boundaries remain fuzzy (Dacin et al., 2011; Pless, 2012; Santos, 2012). In order to clarify the meaning of social entrepreneurship in this study, the literature review starts with a discussion on the terms "social enterprise", "social entrepreneur" or "social entrepreneurship". It then discusses four broad streams of thought in defining SE based on a review of 32 definitions (Appendix 2.A), while offering relevant aspects of the historical and geographic background of SE conceptualisation. Finally, it teases out three important integral elements of SE. But for the purpose of this chapter, I do not attempt to ultimately define SE or stereotype current thoughts, as it is unlikely that any single definition could cover all kinds of individuals-level characteristics, processes and activities (Dacin et al., 2010).

2.2.1 Social entrepreneurship, social entrepreneur, and social enterprise

The ambiguous meaning of social entrepreneurship may come from the fact that several different but closely related terms are often used interchangeably to refer to the same thing (Luke & Chu, 2013). For example, some scholars are inclined to use the term “social enterprise” (Kerlin, 2006; Defourny & Nyssens, 2010; Doherty et al., 2014), but many studies are likely to use “social entrepreneurship” in their research (Dees, 2001; Austin et al., 2006; Hill et al., 2010; Choi & Majumdar, 2014). Furthermore, some researchers argue that “social enterprise” as an activity is somehow equal to “social entrepreneurship” (Peredo & McLean, 2006). To address the conceptual ambiguity and keep the consistency of this study, I use “social entrepreneurship” (SE) as a *general* term referring to the whole social phenomenon. But also I consider SE as a multidimensional construct (Bacq & Janssen, 2011), and use the terms “social entrepreneurship”, “social entrepreneurs” and “social enterprise” to emphasize difference aspects of the construct.

First, the term “entrepreneurship” is traditionally associated with the creation of businesses (Gartner, 1985), opportunity creation (Sarasvathy, 2001), opportunity discovery, exploitation and innovation (Kirzner, 1973; Shane & Venkataraman, 2000; Busenitz et al., 2014). Along with this entrepreneurship tradition, the term “social entrepreneurship” in the literature is therefore frequently used to address a wide range of activities and processes of social value creation (Brouard & Larivet, 2010) or the impact that these activities create (Bacq & Janssen, 2011). In this study, I use the term “social entrepreneurship” to refer to socially entrepreneurial *process* or *activities* such as innovatively creating social value or drive social changes.

Second, similar to “social entrepreneurship”, the use of the term “social entrepreneurs” in the SE literature to some extent replicated theoretical development in the general entrepreneurship literature, focusing on social entrepreneurs’ personal and psychological traits (Krueger & Kickul, 2006), the particular behaviour and actions (Dees, 2001; Bacq & Janssen, 2011), or the founder of social entrepreneurial organisations (Mair & Mart í 2006). For example, Brouard and Larivet (2010: 45) define social entrepreneurs as “any individuals who with their entrepreneurial spirit and personality will act as change agents and leaders to tackle social problems by

recognising new opportunities and finding innovative solutions, and are more concerned with creating social value than financial value”. This definition reflects the entrepreneurship literature where entrepreneurs are considered as change agent (Schumpeter, 1942). In this study, I follow Bacq and Janssen’s (2011) and Mair and Marti’s (2006) arguments and use “social entrepreneur” to refer to an *individual* whose primary objective is to create social value in an entrepreneurial way, and more broadly, the *founder* of a socially entrepreneurial organisation.

Third, while the last two terms have their entrepreneurship origins, the term “social enterprise” is somewhat more ambiguous in the SE literature. The term “social enterprise” is sometimes seen as embedded in social economy and the cooperative movement (Bacq & Janssen, 2011). Luke and Chu (2013: 765) define social enterprise as “an organisation that exists for a social purpose and engages in trading to fulfil its mission, using market-based techniques to achieve social ends”. For them, “social enterprise” is not a new concept; it is just a renewed term emerging from a non-profit background, and not every social enterprise is entrepreneurial. But in this study, I use the term “social enterprise” to mean the *organisation* that a social entrepreneur creates, that is, the tangible outcome of social entrepreneurship (Mair & Marti, 2006). Following this definition, any social enterprise should be essentially entrepreneurial.

2.2.2 The emergence of social entrepreneurship research

Another reason for the conceptual ambiguity in SE research is that the conceptualisation has different origins across both sides of the Atlantic. Early effort in defining the term originated from the increasing need to address social problems, or create both social and economic value in different economic sectors. My general observations on the various definitions presented in Appendix 2.A suggests four broad defining approaches, namely the commercial non-profit approach, the social purpose business approach, the third sector approach, and the entrepreneurship approach.

In the US, the origins of the notion “social enterprise” can be traced back to 1980 when NPOs sought business solutions to the scarcity of funding from external sponsors (Dees, 2003; Zhang & Swanson, 2013). For example, Skloot (1983) suggested that NPOs could be transformed into successful “earned-income ventures” when they met five criteria.

First, they had to provide products to serve a market niche and make assessments on possible market failures. Second, there had to be adequate managerial talent and skills to ensure a long-term return and quick adaptation in accordance with market change. Third, because of the lack of business expertise in NPOs, supportive trustees ought to play an essential role in social entrepreneurship in terms of providing business advice and education. Fourth, organisations had to blend their entrepreneurial spirit with proven business methods. Finally, financial resources had to be obtained from the private sector. The underlying significance of these criteria is that social entrepreneurship occurs when organisations in the non-profit sector employ resources from the private sector as a supplement to social missions, including financial resources, business methods and talents, to support their charitable missions rather than conversely (Boschee, 1998; Mort et al., 2003; Dart, 2004). This stream of thought was later referred to as “earned income school of thought” (Dees & Anderson, 2006), or the “*commercial non-profit approach*” (Defourny & Nyssens, 2010) which is used in this chapter. Because it is concerned with the utilisation of commercial expertise and market-oriented methods only in *the* non-profit sector, social entrepreneurship is seen as a recent innovation and a subfield of the non-profit sector activities (Austin et al., 2006; Perrini, 2006; Desa, 2010).

The *social purpose business* approach sees social entrepreneurship as originating from the private sector. In the late 1980s, some US private sector managers started to promote for-profit companies to provide “human social services” to achieve fundamental social change (Dees & Anderson, 2006). Following this trend, Waddock and Post (1991) suggested that business leaders who address certain social issues which give rise to catalytic change in the public sector should be considered as social entrepreneurs. In addition, this approach tends to be particularly influential in policy makers’ consideration. For instance, in 1998, OECD (1998: 12) defined social enterprise as “any private activity conducted in the public interest, organised with entrepreneurial strategy, but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals”. In 2002, the UK Department of Trade and Industry defined social enterprise as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners” (DTI, 2002: 7). Different from the “commercial non-profit

approach” above, this approach tended to treat social enterprises primarily as businesses or activities in the private sector which trade for social missions (Haugh, 2005). It reflects a prevailing trend in business management which is shifting from maximising shareholders’ interest on investment return in a company to considering its overall impacts on wider society by taking the interests from all sorts of stakeholders into account (Perrini, 2006).

In the rest of Europe (apart from the UK), the conceptualisation of social enterprise is historically and tightly linked with the development of the *third sector*, especially is concerned more about social economy and cooperatives (Defourny & Nyssens, 2008; Brouard & Larivet, 2010; Desa, 2012). It is therefore called the “*third sector approach*” in this study. In the 1990s, social enterprise initially emerged as one of the means and political efforts tackling serious structured unemployment and other social problems resulting from economic downturn in European countries (Kerlin, 2006). One example of these efforts is that the Italian parliament enacted a new legal form called “social co-operative” in 1991. In Europe, social enterprise is considered to be a new type of third sector organisations, in addition to other types such as NPOs, cooperatives, mutual societies, credit unions, charitable trusts and foundations, churches, and even some insurance companies (Defourny & Nyssens, 2010). In 1996, the European Commission set up a joint research program on social enterprise called the EMES European Research Network. The EMES established a conceptual framework which defined social enterprise by four economic criteria and five social criteria:

“Economic:

- *A continuous activity producing goods and/or selling services;*
- *A high degree of autonomy;*
- *A significant level of economic risk;*
- *A minimum amount of paid work;*

Social:

- *An explicit aim to benefit the community;*
- *An initiative launched by a group of citizens;*
- *A decision-making power not based on capital ownership;*

- *A participatory nature, which involves the persons affected by the activity;*
- *Limited profit distribution.” (Defourny & Nyssens, 2010: 43)*

A major characteristic of this tradition of social enterprise is the inclusion of governance structure as a defining criterion, emphasising the autonomy and the participation of various stakeholders (Defourny & Nyssens, 2008). More importantly, it provides an integrated view of social enterprise which combines market-based resources (as do most cooperatives offering goods or services in the market) and non-market resources belonging to the non-profit sector (such as volunteering), therefore social enterprises are at the overlap between the cooperative and non-profit sectors (Defourny, 2001).

The term “social entrepreneurship” emerged in the academia in the late 1990s (Bacq & Janssen, 2011), and it has become an increasingly important focus in the mainstream management and entrepreneurship literature over the last decade (Short et al., 2009; Dacin et al., 2011). Drawn from existing entrepreneurship concepts such as innovation, opportunity recognition and resource mobilisation, scholars have started to define social entrepreneurship as a domain in the field entrepreneurship (Mair & Mart í 2006; Perrini & Vurro, 2006; Martin & Osberg, 2007; Bacq & Janssen, 2011; Zahra et al., 2014a). Therefore I call it the *entrepreneurship approach* in this study. For example, Dees (2001) suggests that social entrepreneurs are one particular type of general entrepreneurs. According to him, social entrepreneurs act as change agents in the society, by:

- *Adopting a mission to create and sustain social value,*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation and learning,*
- *Acting boldly without being limited by resources currently in hand, and*
- *Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created.” (Dees, 2001: 4)*

Similarly, Mair and Martí (2006) define social entrepreneurship as an innovative process of value creation through resource combination, exploration and exploitation of opportunities. In these definitions, opportunities are seen as one of the central defining elements of social entrepreneurship, and SE opportunities are considered as a particular type of general entrepreneurial opportunities. The literature suggests a wide range of opportunity-related SE activities, such as opportunity identification, evaluation and exploitation (Weerawardena & Mort, 2006; Martin & Osberg, 2007; Tracey & Jarvis, 2007; Bacq & Janssen, 2011), opportunity recognition (Peredo & McLean, 2006; Hill et al., 2010), opportunity discovery (Zahra et al., 2009), and opportunity creation (Nicholls, 2006). In chapter 3, relevant literature on SE opportunities will be discussed in greater detail. Furthermore, earned income or exchange activity of goods and services are no longer defining characteristics of social entrepreneurship (Dees, 2003; Peredo & McLean, 2006). As a result, social entrepreneurship could occur in organisations ranging from NPOs which do not involve business exchanges to for-profit companies addressing certain social outcomes, or cross-section collaboration (Austin et al., 2006; Dees & Anderson, 2006; Chell et al., 2010; Desa, 2010). This approach therefore disengages itself from the sector debates – disregards whether social entrepreneurship occurs in the third sector, the private sector, or the public sector – but lays great emphasis on its core elements and its impacts on the society.

2.2.3 The meaning of social entrepreneurship in this study

Because the concept of SE is deeply rooted in the various origins described above, it is difficult to give a universal definition which can cover all kinds of individual-level characteristics, processes and activities (Dacin et al., 2010; Choi & Majumdar, 2014). However, a tighter focus is still needed when studying SE as the defining approaches leave the concept so wide open that SE can be studied from a variety of disciplines and theories and so can easily become an “umbrella construct” (Martin & Osberg, 2007; Mair, 2010; Santos, 2012; Luke & Chu, 2013). Therefore, this study does not attempt to suggest another definition of SE, but it considers SE as a construct which comprises three most important integral elements discussed in the above literature: social change orientation, market orientation, and sustainability orientation. These integral elements give the study a clear focus on the key elements of understanding the concept of SE, and in turn form the basis of my understanding of the SE context for studying opportunities.

Specifically, this study considers SE as a broad range of entrepreneurial activities and processes that can achieve all of the three orientations simultaneously. Opportunities in turn are those situations that can, when exploited, generate these SE activities and processes. Here “social entrepreneurship” is seen as a context which conditions opportunities. Furthermore, although the three integral elements do not directly explain the emergence of SE opportunities, they inform my case selection criteria in Chapter 5 and help to better understand empirical findings in Chapter 6 and 7.

2.2.3.1 Social change orientation

It is generally accepted that a social mission is at the core of SE, regardless of the defining approaches discussed above (Seelos & Mair, 2005; Mair & Mart í 2006; Tracey & Jarvis, 2007; Bacq & Janssen, 2011; Dacin et al., 2011; Lepoutre et al., 2013). However what “social” actually means remains fuzzy in the literature. First, the social mission has been expressed in terms of “social value creation” (Dees, 2001; Mort et al., 2003; Austin et al., 2006), “social transformation” (Alvord et al., 2004; Brouard & Larivet, 2010), and “social impact” (Nicholls, 2006; Robinson, 2006), and “social change” (Mair & Mart í 2006). These terms are frequently used in the literature without clear distinction. Second, it has been argued that all economic value creation activities are inherently social as they improve social welfare through optimising resource allocation and job creation (Santos, 2012). In this sense, “there is no such thing as ‘non-social’ entrepreneurship” (Seelos & Mair, 2005: 243).

In this study, I follow Mair and Mart í (2006) who suggest that SE has a distinctive social element, which is that social enterprises creatively combine resources to “address a social problem and thereby alter existing social structures” (ibid: 38) rather than creating social value in general. Following their argument, I use the term “social change orientation” to refer to the social element as it occurs in a spectrum. At the lower end of the spectrum, social change can be achieved through resolving a certain problem such as poverty at the community level (Defourny & Nyssens, 2010). Social enterprises provide social products or services to directly serve “basic human needs that remain unsatisfied by current economic or social institutions” (Seelos & Mair, 2005: 244). The higher end of the spectrum goes beyond the solutions of particular social problems, but focuses on achieving fundamental social changes and catalysing social transformation at the institutional level (Dees & Anderson, 2006; Perrini, 2006). Social entrepreneurs can

either challenge an existing “stable but inherently unjust equilibrium that causes the exclusion” (Martin & Osberg, 2007: 35) and/or reproduce a new equilibrium which releases the suffering through SE. Furthermore, unlike other profit-driven entrepreneurial activities, SE gives priority to the social change orientation (Austin et al., 2006; Dacin et al., 2011). Although it is true that commercial entrepreneurship also creates social changes, these social changes are likely to be a by-product of the whole process of value creation (Seelos & Mair, 2005; Mair & Mart í 2006). For commercial entrepreneurs, their above all targets are to create economic value to increase the return on investment, and to survive and gain competitive advantages in the market (Dacin et al., 2010). By contrast, the social change orientation is fundamental and embedded in social entrepreneurship (Austin et al., 2006). Economic value creation and earned income only provide a means to an end in order to assure sustainable development (Mair & Mart í 2006).

2.2.3.2 Market orientation

The second integral element which is identified in the literature is market orientation (Nicholls & Cho, 2008; Choi & Majumdar, 2014). For several researchers, understanding the entrepreneurial aspect of SE starts with a market logic that social entrepreneurs follow (Peredo & McLean, 2006; Lepoutre et al., 2013). The production and exchange of goods and/or services is an essential defining characteristic widely included in the definitions following every defining approach. As one of the most important income generation strategies, market exchange is not only a vital part of any entrepreneurial process, but it is crucial for social enterprises to be financially independent and self-sustainable, thus being able to continuously fulfil their social missions (Haugh, 2005; Choi & Majumdar, 2014). This is particularly important for social enterprises in the UK where mature social enterprises are expected to be completely self-funded in the government policy disclosure (DTI, 2002). Market orientation is also seen as an important way to improve the efficiency and effectiveness of social services/products provision in social enterprises (Choi & Majumdar, 2014). Furthermore, one of the key aspects differentiating a social enterprises from a NPO is its involvement in business trading in the market (Dart, 2004; Nicholls & Cho, 2008). However, although the involvement in market exchanges is essential for SE, it is not enough. Dees (2003) points out that many public sector organisations, such as public schools, hospitals and museum, can charge fees for their services but are not at all

socially entrepreneurial. A fundamental feature that distinguishes market orientation in SE from other activities in the market is innovation. SE requires innovative delivery of social services or products (Mair & Mart í 2006; Peredo & McLean, 2006; Chell et al., 2010; Lepoutre et al., 2013).

2.2.3.3 Sustainability orientation

There has also been a broad consensus that SE should meet its social ends in a sustainable manner (Sud et al., 2009). SE is not about one-off or short-term philanthropic activities, pursuing sustainability is vital for social enterprises to survive, develop and scale up their social impacts in the long run (Dees & Anderson, 2006; Weerawardena & Mort, 2006). In general there are four types of sustainability: environmental, economy, society, and all together (Wallace, 2005). Environmental sustainability in social entrepreneurship is “based on the realisation that the depreciation of natural capital cannot go on forever” (Wallace, 2005: 80). Economic sustainability in social entrepreneurship is often expressed as financial self-sufficiency (Mair & Mart í 2006) or financial sustainability (Doherty et al., 2014), that is, the pursuit of self-sustaining flow of financial resources. As Perrini and Vurro (2006: 75) state: “(the) key to sustainability is constantly pursued through combining low costs with efficiency, quality and profitability”. Social sustainability is two-fold: organisational and societal. At the organisational level, social sustainability is regarded as social enterprises’ aim to achieve sustainable solutions to their social missions (Santos, 2012). It includes not only social entrepreneurs’ continuous effort of providing social goods or services (Defourny & Nyssens, 2010), but also “continuous innovation, adaptation and learning” that drives social changes (Dees, 2001: 4). As Santos (2012: 345) suggests, by providing sustainable solutions to social problems, social enterprises “either permanently address the root causes of the problem or institutionalize a system that continuously addresses the problem”. Failing to create self-sustainable social orders possibly leads to “disruption or loss of service to the populations they serve” (Martin & Osberg, 2007: 35).

2.3 The Chinese context for social and entrepreneurial activities

China offers a unique setting for studying social and general entrepreneurial activities (Tan, 2007; Su et al., 2015). In SE research, the social context can be essential for the

emergence of SE opportunities (Corner & Ho, 2010). Social, community or institutional contexts can facilitate or constrain social entrepreneurship engagement and social problem solving (Sud et al., 2009; Dorado & Ventresca, 2013). China's social and economic transition since 1970s provides a dynamic institutional context with a fast growing social enterprise sector (Yu, 2011; Zhao, 2012). It has favourable social norms and faces significant development problems within some communities, thereby providing a relevant and suitable context for understanding the emergence of SE opportunities. In addition, SE opportunities similar to those in China are very likely to be present in other emerging or transition economies where such social and economic changes are taking place. Despite the importance of context, I found no research that specifically examines the Chinese context for SE opportunities or even on SE (of which SE opportunity is a part). Only a few studies in SE in China are published in English language, while there is still a lack of research published in mainstream entrepreneurship and management journals, such as the *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *International Small Business Journal*, *Entrepreneurship and Regional Development* and so on. Because of this, my review of the literature on the Chinese context for SE opportunities is informed by China-related entrepreneurship research, which has gained much more attention by academia internationally (Yang & Li, 2008; Ahlstrom & Ding, 2014; Su et al., 2015).

In the entrepreneurship literature, Welter (2011) suggests that context can be studied from four dimensions: spatial, business, social and institutional. The spatial context refers to geographical environments such as countries, the business context refers to the influence of industry and market, the social context refers to social networks, household and family, and the institutional context concerns culture, political and economic system. Zahra et al. (2014b) offer a similar framework to study entrepreneurial context from its temporal, industry and market, spatial and social dimensions. While the spatial context in this study is China, my discussions on the Chinese context for SE opportunities focus mainly on the other three dimensions: the status quo of SE practice in China as a general SE "sector" or "industry" (business context), the social networks in China (social context), and the economic, political and social welfare systems in China (institutional context).

2.3.1 The business context

Social entrepreneurship is relatively new to China. According to Ding (2007), the concept “social enterprise” was formally introduced to Chinese academia in 2004 when an article “The Social Enterprise” was published in a Chinese journal *China Social Work Research*. In 2006, the concept “social entrepreneurship” was introduced to China in a thesis “What is Social Entrepreneurship” published in another Chinese journal *Comparative Economic & Social Systems*. Since 2004, Chinese scholars, practitioners, the media have begun to explore the potential of combining western social enterprise notions and Chinese traditional culture in social management (Ding, 2007; NPI, 2008). However, the research is dominated by scholars from social science disciplines such as social policy, public administration, and NGO management, paying little attention to business and management issues of social entrepreneurship in China. Although recent studies have shown a growing trend in identifying and exploring theoretical issues in social entrepreneurship such as the morality in social entrepreneurship engagement (Yiu et al., 2014), the theoretical advancement in social entrepreneurship in China is still underdeveloped.

Although the concept of social entrepreneurship may be new to most people in China, innovative activities for making sustainable social changes may not. Social entrepreneurship in China may take different forms from what we know in the west. Several studies have explored the organisational forms of Chinese social enterprise. Yu (2011) and Ding (2007) suggest that at least four types of organisations can be classified as social enterprise or quasi-social enterprise in China: civilian institutions, cooperatives, social welfare enterprise, and community service centres. Firstly, civilian institutions, which can be broadly understood as non-governmental associations, consist of social organisations, civilian-run non-enterprises, and public institutions. While social organisations and civilian-run non-enterprises perform as NPOs in other countries, the public institution is a special type of organisation unique to China. According to Ding (2007), public institutions are state-owned organisations conducting educational, scientific and technological, cultural, sanitary activities and providing other social services for the purpose of social welfare. Some public institutions have to compete in the market and be self-financing and therefore have some characteristics of social enterprises. The second type of social enterprise in China is the cooperative. But unlike

those in Europe, Chinese cooperatives are primarily established by, and provide support for, farmers in rural areas, including supply and marketing cooperatives, specialised cooperatives, associations for agricultural technology, associations of agricultural economics, and so on. Thirdly, China still retains some organisational forms that come from the socialist regime, such as the Social Welfare Enterprises (SWEs) scheme. Similar to the Social Firms in the UK, SWEs are tax-exempt enterprises employing disabled people and therefore can be considered as a type of social enterprise. And the last type of social enterprise in China is the community service centre. Normally advocated by local governments, community service centres provide social services covering almost all aspects of residents' life, and have become an important part of the social security system (Ding, 2007). However, due to the lack of rigorous research, it remains largely unknown that to what extent these organisations could be classified as social enterprises based on academic definitions. A number of researchers and practitioners, such as NPI (2008), point out that there may be only a "handful" organisations that can be classified as social enterprises in China.

2.3.2 The social context

The term "guanxi" is often used in the management literature to refer to social networks in China (Gold et al., 2002; Barnes et al., 2011). I follow Park and Luo (2001: 455) and define guanxi as "an intricate and pervasive relational network that contains implicit mutual obligations, assurances, and understandings". Guanxi has a long tradition in China and is deeply embedded in ancient Chinese philosophy of Confucianism where human beings are relation-oriented (Park & Luo, 2001). As interpersonal connections and an underlying philosophy, guanxi dominates every person's social life and every aspect of Chinese society (Zhang & Zhang, 2006). In this study, guanxi is therefore seen as a unique social context (Su et al., 2015) as well as the basic social structure (Gold et al., 2002) in China. More detailed discussions on the meaning and use of guanxi in this study will be presented in Chapter 5.

It is generally recognised that guanxi plays a central role in business in China (Bruton & Ahlstrom, 2003). Peng (2002) suggests that Chinese managers tend to rely heavily on guanxi to reduce uncertainty in decision making. It strongly influences people's social attitudes and business practice (Zhang & Zhang, 2006), regardless whether in a state-

owned enterprise, private firms or other organisations. Guanxi is also used to access critical resources, develop entrepreneurial opportunities (Yang & Li, 2008), and to tackle institutional uncertainty resulting from the absence of effective formal institutions (Xin & Pearce, 1996; Zhang & Zhang, 2006; Puffer et al., 2010).

For entrepreneurial organisations, guanxi is concerned with providing surviving conditions by creating opportunities and allocating resources for knowledge sharing, technological transfer, market expansion, trust building and exchanging favours (Park & Luo, 2001), even between companies and NPOs (Webb et al., 2010). This is particularly important for the emergence of SE opportunities in China, because for social enterprises, “the ability to attract and maintain resources is a key element in the search for legitimacy” (Sud et al., 2009: 203). Guanxi also facilitates partnership building and cooperation between companies, which has implication for SE opportunities as SE often involves cross-sectoral interactions. For example, Peng (2002: 257) suggests that inter-organisational guanxi allows managers to engage in “reciprocal, preferential, and mutually supportive networking” with customers, business partners and competitors. Based on good guanxi, managers can obtain reliable market information, improve product or service quality and reduce uncertainty in the decision making process. Existing literature also suggests that keeping good guanxi with government officials can help firms to improve performance (Peng & Luo, 2000). Retaining strong control over the economy, Chinese government plays an essential role in legitimising private businesses and entrepreneurship via informal schemes like the power to approve projects (Estrin & Prevezer, 2011). In addition, while the power of government in China is “the most influential, most complex, and least predictable” (Peng & Luo, 2000: 488), good relationships with government can help firms and organisations better understand government’s expectations, thus avoiding risks in decision making (Yiu & Lau, 2008).

Overall, given the turbulent environment in China’s economic transition, guanxi as a social context to some extent provides consistency and predictability by substituting ineffective or underdeveloped formal institutions (Peng, 2002). Moreover, by establishing networks or strategic alliances with organisations and their customers, business partners, stakeholders and government officials, guanxi helps organisations to obtain resources and legitimacy, improve performance and get access to information, technology and knowledge to make suitable decisions.

2.3.3 The institutional context

Defined as the “rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction”, the institutional context includes formal institutions such as policies, laws and regulations, and informal institutions such as social norms and culture (North, 1990: 3). It is generally accepted in the literature that the emergence of social entrepreneurship is shaped by institutional factors at the country level (Defourny & Nyssens, 2010; Estrin et al., 2013; Doherty et al., 2014). More specifically, Doherty et al. (2014) and Tracey et al. (2011) suggest that social entrepreneurship responds to two types of institutional demands: the market logic to achieve business ends, and the social welfare logic to achieve social ends. Starting from this understanding, I discuss the formal and informal institutional context for SE opportunities in China from two major aspects: the economic transition in China which nurtures the market logic of entrepreneurial activities, and its consequences on social norms and the Chinese social welfare system which nurtures the social welfare logic of social needs for SE.

2.3.3.1 The economic transition

Since 1978, China has shifted from its centrally planned economy to a “hybrid” model of what is called “socialist market economy with Chinese characteristics”, a new economic system which is neither typical socialist nor capitalist (Tan, 2005). Although the two contradictory ideologies co-exist, compete and counteract in the new system, it allows Chinese government to promote economic freedom while maintaining a tight political control over the economic development (Tan, 2007). This hybrid model brings about advantages in terms of stability, continuity and robustness in economic development (Tan, 2007). The economic reform is accompanied with significant change in the economic structure and general business environment. Unlike other transforming countries, China’s economic transition begins with a “gradual liberalisation of the economic structure and the enlargement of the production and management autonomy of state owned enterprises (SOEs)” (Leung, 2003: 74). SOEs retreated largely from most competitive markets like consumer goods market (Saunders & Shang, 2001), leaving large room for private or collectively owned enterprises. In line with the changing economic structure is the shift in business environment. In their study, Tan and Tan (2005) find that before the transition, the business environment in China was

characterised by the lack of information transparency, capricious policies and government regulations, and hostile attitudes against entrepreneurial activities. But when the transition went further, the environment was gradually changed towards lower levels of complexity, dynamism, and hostility. In other words, compared with the early phase of the economic transition before 1990, the business environment in China has become more predictable, dynamic and favourable for entrepreneurial activities.

The impacts brought about by the economic transition on entrepreneurship are significant. Before the transition, entrepreneurship was legally suppressed (Ahlstrom & Ding, 2014). But after the transition, China's economic growth has been accompanied by a large, dynamic and rapidly developing private sector where millions of small and medium sized enterprises have been established. Statistics from the State Administration for Industry and Commerce shows that the number of Chinese private small and medium businesses has increased to approximately 11.7 million in 2013, that is, 94.15% of the total number of Chinese businesses. The fast growing private sector contributes to 60% of the GDP and 70% of the employment opportunities in China, leaving the traditional state-owned enterprise sector in a less prominent position. As the private sector grows, especially after mid-2000s, various regulations and laws were created to facilitate entrepreneurial growth, including changes in ideology, which created a welcome environment for entrepreneurial activities (Zhou, 2011; Su et al., 2015).

2.3.3.2 The social transition

China's economic transition has its social consequences, too. This includes increasing public awareness of CSR, flourishing not-for-profit activities, and changes in China's traditional socialist welfare system, which open up doors for social entrepreneurship. First, with a growing private sector, CSR has gained increasing momentum in recent years. Yu (2011) reports that under the ideology of creating a "Harmonious Society", Chinese government have amended laws and regulations to encourage commercial companies' involvement in voluntary CSR practice. As a consequence, the growing awareness of CSR in the private sector has started to contribute to the resolution of some social issues such as social inequality, education, health care and environmental protection. This growing awareness of CSR was well exemplified during the massive

Wenchuan earthquake in 2008, when corporate donations reached a historical high of 107 billion yuan (10.7 billion pounds).

Second, the economic transition and related political changes have also formed favourable conditions for not-for-profit activities in general, and for SE in particular. These conditions include mobility of resources, room for free activities and reduction of government interference in social affairs (Ding, 2007). One of the major resource providers for not-for-profit activities are foundations. Accompanied by the CSR movement, a large number of private foundations have been established which provide reinforcement for social enterprises and NPOs in terms of financing sources, business mechanisms and managerial talents (Yu, 2011). According to Liu (2014), an average of only 37 new foundations were established every year before 2004, but this number increased to 238 after 2004. By the end of 2012, there were 2961 foundations in China – a 15.89% increase compared to that of 2011. In addition, the Chinese government has also been opening up new opportunities for the development of not-for-profit activities through more favourable policies and regulations in the last 20 years (Ding, 2007; Zhao, 2012). A recent example of these changes in policies is the legal registration of NPOs. Before 2011, the legal registration of NPOs was under close state control. The government operated a policy which required NPOs to obtain a supervisory body, normally a government department or government-funded organisation, before they could register at the Ministry/Bureau of Civil Affairs. This policy is seen as one of the major institutional barriers to the development of non-profit activities, as the supervisory body usually rejects these affiliation request (Yu, 2011; Zhao, 2012). As a result, social enterprises and NPOs have to register as commercial companies even when they do not earn sustainable incomes. This situation has been gradually changed since 2011, when the central government announced that three types of social organisations would be allowed to register without supervisory bodies. This is seen as a step towards the abolishment of the old policy, which means that thousands of grassroots NPOs could finally obtain their legal status (Zhao, 2012).

The third social impact of the economic transition is the institutional change in China's social welfare system. Business and management researchers tend to hold a very positive view about China's transition. For example, Tan (2007: 79) claims that the transition in China "has not involved the degree of pain, upheaval, and economic

dislocation associated with the reform in other transitional economies”. While it is true that the economic transition has led to positive social outcomes such as income generation (Leung, 2003), its impact on the social welfare system should not be neglected. In fact, a number of scholars in the fields of economic and social policy have pointed out that the economic transition has had side effects, as it has resulted in some formidable social problems such as unemployment and urban poverty (Liu et al., 1998; Khan et al., 1999; Saunders & Shang, 2001; Wu, 2004). Yu (2011) further points out that the economic transition, and the privatisation of SOEs in particular, has led to dramatic challenges to China’s social welfare system in terms of the public service provision and social equality. First, before the transition, the socialist welfare system in China was characterised by high coverage, welfare and lifetime employment, it was tied up with SOEs and the social welfare expenditures were seen as part of costs of production (Saunders & Shang, 2001). But in the 1980s, this system was replaced by the introduction of contract work, dismissal schemes, bankruptcy law and unemployment insurance, which resulted in large-scale urban unemployment (Leung, 2003). Second, the economic transition also triggered other social problems, such as an aging population and decreasing family size due to the one child policy, and the explosion of rural-urban migration and rural poverty due to the inequality in economic development (Yu, 2011). Finally, SE opportunities may emerge as a result of these institutional factors caused by economic and social transition whereby “the role of the socialist state as social welfare provider has significantly shrunk, the market economy has grown dramatically and civil society organisations have achieved an expansive development” (Yu, 2011: 9).

2.4 Chapter summary

This chapter aims to clarify the research context for studying SE opportunities in order to better understand them in the following chapters. Drawing upon existing literature on social entrepreneurship, general entrepreneurship and management studies, discussions in this chapter mainly focus on two types of context: social entrepreneurship and the Chinese environment. First, SE is seen as a research context which conditions opportunities. In order to clarify the meaning of SE in this study, this chapter summarises four broad approaches to defining SE based on a review of 32 definitions. Following the entrepreneurship approach, this chapter further proposes that SE consists

of three integral elements: market orientation, social change orientation, and sustainability orientation. SE is considered as a broad range of entrepreneurial activities and processes that can achieve all of the three orientations simultaneously. Opportunities in turn are those situations that can, when exploited, generate these SE activities and processes. Although the three integral elements do not directly explain the emergence of SE opportunities, they inform my case selection criteria in Chapter 5 and help to better understand empirical findings in Chapter 6 and 7.

Second, SE opportunities are seen as situated in the Chinese environment which offers a unique context for social and general entrepreneurial activities. This chapter examines three dimensions of the Chinese environment: the business context, social context, and institutional context. First, the Chinese business context for social entrepreneurship is still in its infancy. Although there were SE-like practices before the concept was introduced to China, it is still far from establishing a social enterprise “sector” or “industry”, and both SE practice and research are still lagging behind that of in western countries. Second, *guanxi* as pervasive relational network provides a constant and reliable social context in China’s turbulence economic environment. It plays a central role in Chinese business, and provides surviving conditions for entrepreneurial organisations through resource access and allocation. Finally, the institutional context is shaped by China’s economic transition since 1978. While the economic transition nurtures entrepreneurial activities, it also triggers traumatic social changes in China which create favourable social norms and social needs for SE. The business, social and institutional context may nurture SE opportunities in China. However, given the lack of literature on SE opportunities and SE in China, the question of how SE opportunities emerge from the Chinese environment is still unanswered. The next chapter moves on to review the literature on SE opportunities, supported by a review of the literature on general entrepreneurial opportunities.

CHAPTER 3: Opportunities in Social and General Entrepreneurship

3.1 Introduction

“To have entrepreneurship, you must first have entrepreneurial opportunities” (Shane & Venkataraman, 2000: 220). In the context of SE, however, “opportunity” still remains relatively unexplored empirically (Corner & Ho, 2010) and a unifying theoretical framework is yet to be established. In the broader entrepreneurship field, debate concerning the nature of entrepreneurial opportunities is still ongoing (Alvarez & Barney, 2012; Eckhardt & Shane, 2013; Garud & Giuliani, 2013) and the field is yet to come together around a particular paradigm or theory, complicating empirical research into this field. Against the background, the objective of this chapter is therefore to find means within such research to enable empirical explanation of SE opportunities.

This chapter begins with a literature review of existing studies on SE opportunities, including its definitions and current theoretical explanations of its emergence. I further investigate opportunities by introducing theories from the broader entrepreneurship literature, which has accumulated considerable work and knowledge to explain the existence and importance of opportunity. Existing literature on general entrepreneurial opportunities suggests two broad streams of thought, namely (1) opportunity discovery and (2) opportunity creation, which have generated considerable debate in the field. Specifically, I look at two contrasting theories representing this debate: the individual/opportunity nexus theory (Shane & Venkataraman, 2000; Shane, 2003) and effectuation theory (Sarasvathy, 2001, 2008). To enable empirical investigation into these two types of opportunities, I draw upon the three premises suggested by Dimov (2011): opportunities as happening, as expressed in actions, and as instituted in market structures. These premises allow the enacted nature of SE opportunities to be identified through enabling observation of the complex paths under which opportunities unfold, and allow the comparison of empirical findings between discovery and creation opportunities in Chapters 6 and 7.

Finally, I suggest that this discovery/creation debate reflects a long-standing philosophical debate about the relations between structure and agency in social science. I argue that critical realism provides an appropriate philosophical stance and methodology to reconcile the seemingly conflicting theories, which I will discuss in Chapters 4 and 5.

3.2 Opportunities in social entrepreneurship research

3.2.1 An overview of the research on social entrepreneurship opportunities

The importance of opportunities to SE has been widely acknowledged within theory (Monllor, 2010). As discussed in Chapter 2, opportunity is recognised as a central defining element of SE, particularly for scholars who follow the entrepreneurship approach. For example, Dees (2001) and Mort et al. (2003) suggest that the ability to recognise opportunities is one of the defining characteristics that a social entrepreneur should have. Mair and Martí (2006) define SE as an innovative process of combining resources to explore and exploit opportunities to create social value. Opportunity is also seen as the core of SE processes (Peredo & McLean, 2006; Weerawardena & Mort, 2006; Monllor, 2010). For example, Bacq and Janssen (2011: 376) define SE as a process of “identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities”. Similarly, Zahra and his colleagues suggest that SE process consists of the recognition, formation, evaluation, and exploitation of opportunities (Zahra et al., 2009; Zahra et al., 2014a). With regard to the central role of SE opportunities, Chell (2007) goes further, suggesting that social entrepreneurs do not simply follow a linear process from opportunity recognition to exploitation, but develop opportunities in a recursive manner. She affirms that social entrepreneurs persistently create and pursue opportunities without regard to adequate resources under control, while the wealth created by them may be reinvested in the social missions in order to achieve sustainability. But for the purpose of this thesis, I do not intent to explore the whole SE process such as opportunity recognition, evaluation and exploitation. Instead, I focus on the very nature of SE opportunity with which the SE process begins (Perrini & Vurro, 2006; Murphy & Coombes, 2008; Monllor, 2010). Given the importance of SE opportunity, however, it has received surprisingly little attention by SE scholars (Murphy & Coombes, 2008). Even to date I found very few studies published in mainstream entrepreneurship and management journals specifically

addressing the nature of SE opportunity. Most of the literature takes the SE opportunity as a given or uses it as a unit of analysis without specifying its meaning (e.g. Mair & Mart í 2006; Perrini et al., 2010; Desa & Basu, 2013; Zahra et al., 2014a; Hockerts, 2015; Muñoz & Kibler, 2015). In addition, existing research on SE opportunity remains fragmented, and a comprehensive and integrated understanding of SE opportunity is not yet established. In the following sections, I summarise the current literature on SE opportunity from two aspects: the definitions of SE opportunities (what they are), and the explanations of SE opportunity emergence (how they emerge).

3.2.2 Existing definitions of social entrepreneurship opportunities

Perhaps the biggest obstacle for developing a comprehensive understanding of SE opportunity has been complicated by the already ambiguous meaning of SE itself (Dees, 2001), and by its merger of different bottom lines (Zahra et al., 2008). There are only a few attempts to define SE opportunity in the SE literature. For example, Perrini and Vurro (2006) define SE opportunity as a cognitive process by which social entrepreneurs intentionally identify solutions to specific social needs or problems, due to various motivations. Guclu et al. (2002: 1) define a SE opportunity as “one that has sufficient potential for positive social impact to justify the investment of time, energy, and money required to pursue it seriously”. More broadly, Monllor (2010) conceptualise SE opportunities as whatever could generate social value. However, these definitions have led to an incomplete understanding of what SE opportunity means. First, as SE is located in a social or community context, the traditional view of return of investment is hardly applicable to SE opportunities (Robinson, 2006; Engelke et al., 2015). It is often difficult to quantitatively and directly measure social return of the investment of time, energy and money (Zahra et al., 2008). Second, while these definitions are right in terms of considering social value creation as the primary goal in SE opportunities or SE in general, it is wrong to see social value creation as the only outcome of SE opportunities. As discussed in Chapter 2, social value creation is not the only defining characteristic of SE as commercial entrepreneurship and non-profit activities also generate social value to some extent. Third, these definitions are misleading as they use the outcome of a social object to define the meaning of the social object. I argue that SE opportunity should be defined as what it is rather than what the result of it is.

Despite the limited effort in defining SE opportunity, SE scholars maintain that SE opportunities are likely to have their own distinctive features, which separate SE opportunities from traditional entrepreneurship opportunities (Austin et al., 2006; Dorado, 2006; Zahra et al., 2008; Corner & Ho, 2010). First, SE opportunities are different because of the social change orientation in SE. SE focuses on fulfilling social needs, solving social problems and leveraging social changes (Perrini & Vurro, 2006; Murphy & Coombes, 2008; Corner & Ho, 2010; Zahra et al., 2014a). These social needs and social problems are often not considered as opportunities by commercial entrepreneurs (Santos, 2012). Although both social and commercial entrepreneurship opportunities can create social value when they are realised, social objectives are embedded in SE opportunities (Austin et al., 2006). Second, SE opportunities are different because they are located in a particular social sector market where governmental agencies, NPOs, private companies and citizens all participate (Robinson, 2006). Social sector markets are “geographical areas (neighbourhoods, communities, regions, or states) where a particular social problem or issue is prominent” (ibid.: 99). Robinson suggests that not everyone is able to see a SE opportunity as it is highly influenced by social and institutional factors, such as the lack of access to local networks and knowledge. Someone may perceive entry barriers to a market or community whilst others may not, depending on their personal experiences and the characteristics the specific market or community they enter. In addition, Corner and Ho (2010) argue that SE opportunities are different because the organisational forms used to address the opportunities are unique, too. Social entrepreneurs can take business, non-profit, or hybrid organisational forms to address opportunities and fulfil their social missions.

3.2.3 Existing explanations of social entrepreneurship opportunity emergence

Existing SE literature suggests three explanations regarding the emergence of SE opportunities: SE opportunities are formed by *external* (objective) factors, by *internal* (cognitive) factors, or *both* external and internal factors.

The first explanation given by SE scholars is that SE opportunities emerge from objective social, economic, and political situations, waiting to be identified or

discovered (e.g. Hockerts, 2006; Robinson, 2006; Zahra et al., 2008; Perrini et al., 2010; Engelke et al., 2015). It has been broadly suggested in the SE literature that SE opportunities, understood as social problems, derive from institutional voids (Zahra et al., 2008) and social disequilibria (Martin & Osberg, 2007; Cajaiba-Santana, 2010). These institutional voids and social disequilibria can be defined as “the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own” (Martin & Osberg, 2007: 35). Murphy and Coombes (2008) expand this view and suggest that SE opportunities not only come from these emergent needs and social problems, but also derive from innovative solutions to meet these needs, from new technologies such as online platforms, and from complex environmental changes such as nature disasters. Furthermore, Hockerts (2006) identifies three external sources of opportunities: activism, self-help, and philanthropy, which can be seen as the social forces of SE opportunity emergence at the societal level. First, activism is the activist interference in the market where activists aim to influence policies and business practice through social movements, such as the fair trade movement. Second, the beneficiaries who social enterprises serve are also seen as an important source of SE opportunities. Hockerts (2006) suggests that although beneficiaries are often considered as powerless, they often have their own power to improve their living conditions, which can provide valuable self-help resources for social enterprises. The third source of SE opportunities is philanthropic venture capitalists. For social enterprises, philanthropic venture capitalists are an important source of funding, valuable advice and potential networks for partnership building.

Regarding the external factors of SE opportunities, Austin et al. (2006) attribute the emergence of SE opportunities to social-market failure, i.e. that the conventional market does not meet social needs in public goods provision. They suggest that because those needing the public goods do not have sufficient ability to pay, commercial entrepreneurs may not be interested in the social-market of public goods provision, hence the opportunity for social entrepreneurs. Monllor (2010) further develops this idea, and suggests that SE opportunities emerge from both economic and political imperfections, namely the market and government failure. Specifically, he identifies five primary elements of market failure: imperfect information, monopoly power, public goods, externalities, and market pricing. According to him, information about

certain social trend, such as “child-labour-free” or “fair trade”, could help social entrepreneurs who obtain this information to create social goods or services for ethical consumers. This information helps them to develop competitive advantage over their competitors who do not obtain such information. The second market failure is monopoly power where market competition is limited. However, social entrepreneurs could use this as an advantage to develop new technologies, such as solar technology, and create organisations which could operate more efficiently in a small market and match specific needs in communities. The third market failure is the abuse of public goods such as water and other natural resources. Social enterprises could help tackle these imperfections in consuming public goods and resources by providing innovative solutions, such as affordable water filters, to serve those who need it. The fourth market failure is externalities, meaning that traditional commercial business have not been taking responsibilities for others and society. But with the help of social enterprises, commercial companies can now create projects or social products to increase their CSR performance. Finally, due to a flawed pricing mechanism, commercial companies may ignore those consumers who are less able to pay. Social enterprise can develop opportunities to serve those being ignored. Monllor (2010) also identified three elements of government failure: self-interests, short-term solutions, and imperfect information. He suggests that governments and politicians may be sometimes pursuing their own interests and focuses on short-term goals. When government failure takes place, social resources may not be efficiently allocated, and the society would suffer the consequences. However social entrepreneurs may see them as opportunities.

The second explanation given in the current literature is that SE opportunities are created by internal and cognitive factors, which departs from the first explanation that SE opportunities are created by external contextual factors. In their research note about the SE process, Guclu et al. (2002: 1) argue: “attractive entrepreneurial opportunities do not come knocking at the door fully formed. Nor are they out there, like lost treasures, simply waiting to be discovered by the lucky or observant. Rather, they have to be conceived, developed, and refined in a dynamic, creative, and thoughtful process.” Guclu et al. (2002) further suggest that SE opportunities can be created through two major steps. First, the creation of SE opportunities begins with the development of promising ideas. Social entrepreneurs generate promising ideas based on their personal experiences, the recognition of social needs, social assets and social changes, and

mostly importantly, an opportunity-oriented mindset looking for new possibilities to create social impact. Second, social entrepreneurs further develop the promising ideas into attractive opportunities. This step of SE opportunities creation requires social entrepreneurs' constant actions and research activities, including rigorous analysis, testing, adjustment and refinement of their social missions, business models, operating models and resource strategies.

SE scholars have identified a number of internal or cognitive factors which may affect opportunity creation. Strongly addressed among these factors are social entrepreneurs' desire and personal experiences that are particularly important for the existence of SE opportunities. First, social entrepreneurs are motivated by the desire to make social changes and to deal with unsatisfied social needs (Perrini & Vurro, 2006). Here social needs are not seen as objective social disequilibria discussed above, but are understood as "the gaps between socially desirable conditions and the existing reality" (Guclu et al., 2002: 3). Guclu et al. (2002) suggest that social entrepreneurs may have visions of a better world which are deeply rooted in their beliefs and values. These beliefs and values can provide moral imperative that allow social entrepreneurs to be more sensitive than others in recognising social needs and finally creating opportunities (Perrini & Vurro, 2006). Second, personal experiences form the basis of social entrepreneurs' motivations, inspirations, and perception of SE opportunities (Guclu et al., 2002; Robinson, 2006). Specifically, Robinson (2006) suggests two types of personal experiences that are relevant to SE: business and social. Business experiences are experiences in owning, managing or working in commercial organisations, while social experiences relate to life experiences gained through family, education and other social networks. He argues that social entrepreneurs can benefit from relevant business and social experiences and overcome economic, social and institutional barriers in perceiving SE opportunities. However, relevant experiences are not necessarily in the same field that social entrepreneurs operate in, experiences in other fields can also help social entrepreneurs to create new means to an end (Guclu et al., 2002). In addition, Chell (2007) suggests that technical and professional experiences can also help social entrepreneurs to develop intellectual capacity, idea generation and imaginations in creating SE opportunities. Finally, personal experiences can also inform social entrepreneurs about which ideas have better chances of success, therefore they can be seen as a filter and guide in SE opportunity creation (Guclu et al., 2002).

The third explanation suggests that SE opportunities emerge as a balanced result of both external and internal factors. For example, Perrini and Vurro (2006) argue that the formation of viable SE ideas and opportunities can be seen as the result of both critical-oriented (external) and vision-oriented (internal) factors. External factors include changes in laws, technology, market, unsatisfied social needs, new resources, and the possibility of partnership building with unexpected actors. Internal factors consist of personal and previous experiences such as living abroad, dealing with a social problem and education. Cajaiba-Santana (2010) suggests that external factors, like social needs, are necessary but not sufficient conditions in SE opportunity emergence. SE opportunities exist only when social entrepreneurs think they will be able to mobilise resources and use their abilities to develop an entrepreneurial means to a clearly defined social end.

Despite the above academic effort in advancing research on SE opportunities, there is still a lack of consistent theory to explain the nature and emergence of SE opportunities. The lack of theoretical advancement in SE opportunity research unfortunately reflects the current status of SE research as a whole, which is still at an nascent stage (Pless, 2012). Given the little knowledge about opportunities in the SE literature and the importance of the topic, this study draws on theories used in the broader entrepreneurship literature, which has accumulated considerable work and knowledge to explain the existence and importance of opportunity (Dutta & Crossan, 2005; Venkataraman et al., 2012). Theories about traditional commercial entrepreneurial opportunities can help to better explain SE opportunities because they share some similar theoretical roots. As Murphy and Coombes (2008: 327) suggest: “Entrepreneurship, whether traditional or social, begins with opportunities”. As a particular type of entrepreneurial opportunities, SE opportunities follow a similar process with their commercial counterparts (Bacq & Janssen, 2008). For example, both social and commercial entrepreneurship opportunities arise from unsatisfied needs (Perrini & Vurro, 2006), and both “social and business entrepreneurs uncover or create new opportunities through a process of exploration, innovation, experimentation, and resource mobilization” (Dees, 2007: 26). In addition, Chell (2007) suggests that SE and commercial entrepreneurship have similar social and cognitive aspects of opportunity creation, such as the ability to realise opportunities, the ability to mobilise resources,

and the ability to utilise their social and personal networks. In research practice, there is also increasing effort made to extend SE opportunities research through applying and empirically examining general entrepreneurial process theories in the SE context (e.g. Corner & Ho, 2010; Monllor, 2010; Alvarez & Barney, 2014). Following this trend, this study examines two theoretical perspectives regarding general entrepreneurial opportunities, namely the discovery view and the creation view, in the context of SE.

3.3 An overview of opportunity discovery and creation in entrepreneurship research

As described above, SE scholars have discussed whether SE opportunities are formed by external or internal factors. In these studies, it has also been argued that SE opportunities may be discovered/uncovered or created by social entrepreneurs (Dees, 2007; Zahra et al., 2008), or a mixture of both discovery and creation (Corner & Ho, 2010). These arguments mirror the ongoing debate in the general entrepreneurship field about entrepreneurial opportunities between two dominant views, namely the discovery opportunities and creation opportunities (Dutta & Crossan, 2005; Alvarez & Barney, 2007; McMullen et al., 2007; Vaghely & Julien, 2010; Venkataraman et al., 2012; Garud & Giuliani, 2013; Alvarez & Barney, 2014). Based on different ontological positions, the debate focuses on a fundamental question: are entrepreneurial opportunities objective realities or enactment of entrepreneurs' subjective visions (Dutta & Crossan, 2005; Alvarez & Barney, 2007; Alvarez et al., 2010; Short et al., 2010; Suddaby et al., 2015)? Table 3.1 below provides a brief comparison of the main arguments between opportunity discovery and creation.

Existing literature on the discovery/creation debate however has shown some inconsistency in the use of some key terms. First, the use of the terms “opportunity discovery” and “opportunity creation” is rather inconsistent in the literature. Some studies use different terms to refer to the same debate, such as opportunity recognition and construction (Vaghely & Julien, 2010), opportunity recognition and formation (Chiasson & Saunders, 2005), or opportunity discovery and enaction (Dutta & Crossan, 2005). Second, current research on the nature of entrepreneurial opportunities are often accompanied by the studies on different entrepreneurial *activities* and *processes* which opportunities are only a part of, such as opportunity discovery, creation, recognition and

exploitation (Sarasvathy et al., 2010; Short et al., 2010). Furthermore, similar to the SE literature, most of the entrepreneurship research on opportunities just uses “opportunities” as given, while the phenomena of opportunities *per se* are rarely subject to clear explanation (Sarasvathy, 2008).

To avoid the inconsistency, this review focuses on “the nature of opportunities” which is concerned with the meaning and emergence of *opportunities per se* (Short et al., 2010), while disregarding wider exploitation processes and outcomes which act upon existing opportunities. This focus is also consistent with the research questions in this study. Second, I use the terms “discovery opportunity” and “creation opportunity” (Alvarez & Barney, 2014: 163) to refer to the phenomena of opportunities examined by the discovery and creation views. Finally, I use “opportunity discovery” and “opportunity creation” to refer to the two broader views and theories involved in the debate mentioned above, which are not only concerned with the nature of opportunities, but also with other activities and processes associated with opportunities. The rest of this section gives a brief review of both views, which is followed by more detailed discussions on the nature of discovery and creation opportunities in section 3.4.

Table 3.1 The Discovery and Creation Views Compared		
	The Discovery View	The Creation View
Theories	Individual/Opportunity Nexus	Effectuation
Central Question	How should entrepreneurs act to exploit pre-existing opportunities?	How do entrepreneurs act to create opportunities?
Central Argument	Objective existence determined by structural changes, independent of agency but conditioned by social norms and beliefs	Created through human actions and interactions
The Role of Entrepreneurs	Alert individuals form means-ends frameworks to capitalise information asymmetry and believe the ends can be achieved via agency	Individuals start with resources at hand, form Ideas and beliefs, and act towards unspecified and vague goals
As Happening	<ul style="list-style-type: none"> • Change • Entrepreneurial alertness 	<ul style="list-style-type: none"> • Begin with existing means • Collective goal evolution • Exploiting environmental contingencies
As Expressed in Actions	<ul style="list-style-type: none"> • Decision making based on causation • Means-ends framework 	<ul style="list-style-type: none"> • Decision making based on effectuation • Trial and error process • Taking affordable risks
As Instituted in Structures	<ul style="list-style-type: none"> • Profitability • Feasibility 	<ul style="list-style-type: none"> • Stakeholder self-selection
Structure/Agency relations	<ul style="list-style-type: none"> • Social Fact Paradigm 	<ul style="list-style-type: none"> • Agency Paradigm

3.3.1 The opportunity discovery view

The opportunity discovery view (hereafter referred as the discovery view) is usually referred as a more predominant view regarding the nature of entrepreneurial opportunities (Dutta & Crossan, 2005; Suddaby et al., 2015). Grounded in economic theories and analysis developed by Kirzner (1997, 1999), Schumpeter (1934) and others, this theoretical tradition has been systematically developed in recent years by scholars such as Shane, Venkataraman and Eckhardt, namely the individual-opportunity nexus theory (hereafter referred to as nexus theory) (Shane, 2000; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010; Shane, 2012; Eckhardt &

Shane, 2013). Entrepreneurial opportunities are defined as exogenous situations where new goods, services, raw materials, markets and organising methods can be *potentially* introduced by innovatively alert individuals for profit (Shane & Venkataraman, 2000) through the formation of new means, ends, or means-ends relationships (Eckhardt & Shane, 2003). This definition contains an element of Schumpeterian innovation, and can therefore be theoretically differentiated from other market or profit-driven opportunities which seek to optimise existing means, ends or means-ends frameworks (Eckhardt & Shane, 2003; Companys & McMullen, 2007). However, the discovery view does not explain explicitly how opportunities are formed by exogenous situation. Instead discovery opportunities were seen as a tangible reality which is “out there” waiting to be found or discovered (Short et al., 2010).

Starting with opportunities as given, the discovery view mainly focuses on a *teleological* explanation of human actions towards entrepreneurial behaviour (Sarasvathy et al., 2010). These actions follow a relatively linear process which involves opportunity identification and opportunity exploitation (Eckhardt & Shane, 2010). Based on a realist ontology (Alvarez et al., 2010), entrepreneurial opportunities are seen as *objective* phenomena formed by fundamental social and economic disequilibrium which exist independently of human cognition (Eckhardt & Shane, 2010) and prior to the entrepreneurial process (Baron & Ensley, 2006; Korsgaard, 2011). However, it does not mean these objective entrepreneurial opportunities cannot be subjectively perceived, recognised, identified or exploited through human agency, particularly through *rational* decision making processes in the form of “conjectures”, “business ideas” or “means-ends frameworks” (Shane, 2003; Shane, 2012; Eckhardt & Shane, 2013). In this view, although opportunities are objective phenomena, whether or not they can be successfully identified and then exploited depends on individuals’ subjective decisions and actions.

3.3.2 The opportunity creation view

The creation view providing an alternative *non-teleological* explanation of the emergence of opportunities especially at the individual level (Sarasvathy, 2008). The central argument of this view is that entrepreneurial opportunities are not always formed by those “exogenous shocks” as suggested by the discovery view. Instead,

opportunities are created endogenously by individuals' subjective beliefs and actions such as seeking to generate economic wealth (Alvarez & Barney, 2007; Alvarez et al., 2010; Sarasvathy et al., 2010). For example, Alvarez and Barney (2014: 164) describe the emergence of opportunities as an "evolutionary process of experimentation and learning". Sarasvathy et al. (2010: 90) also suggest that opportunity emergence is a "process of interactive human action (based on heterogeneous preferences and expectations) striving to imagine and create a better world". This view is therefore based on a social constructionist ontology (Alvarez et al., 2010). In contrast to the discovery view which takes opportunities as given and focuses on *how entrepreneurs should act* in response to opportunities, the creation view represents ideas aiming to understand *how entrepreneurs do act* (Dimov, 2011). Different arguments have been developed to answer this question: an opportunity represents a set of continuous trial and error effort (Campbell, 1974; Alvarez et al., 2010); an opportunity is a stream of gradually developed creative ideas (Dimov, 2007); opportunities are created from individuals' imaginations and interpretations of their external environment (Lachmann, 1986; Klein, 2008) or how entrepreneurs behave (Krueger & Kickul, 2006); an opportunity is intertwined with individuals' beliefs and actions that entrepreneurs use to interpret and influence their world (Sarason et al., 2006; Sarason, 2010). However, unlike nexus theory, these thoughts and ideas under the umbrella title "creation view" have yet to be developed as an integrated and coherent theory (Alvarez & Barney, 2007; Korsgaard, 2011). Recently, empirical work and theoretical advancement have led to the development of a non-teleological theory, namely effectuation theory (Sarasvathy, 2001, 2008; Sarasvathy et al., 2014). The basic assumption of effectuation theory is that entrepreneurs' actions are not guided by pre-set goals or opportunities that are given. By contrast, they start with means at hand and work towards unspecified ends. In order to do this, entrepreneurs have to engage in actions and interactions with unspecified people to find out what ends can possibly be achieved, without extensive planning beforehand (Sarasvathy et al., 2001; Sarasvathy et al., 2014). In this sense, opportunities are "co-created between the entrepreneur, customers, suppliers, and other stakeholders in the context" (Alvarez & Barney, 2014: 164). In contrast to the discovery view, entrepreneurial opportunities do not exist prior to individuals' perceptions. Instead, they are created as the result of a non-linear process which involves "intense dynamic interaction and negotiation between stakeholders seeking to operationalise their (often vague and unformed) aspirations and values into concrete products, services, and

institutions” (Sarasvathy et al., 2010: 92). As a result, “opportunities cannot be fully understood until they exist, and they only exist after they are enacted in an iterative process of action and reaction” (Alvarez & Barney, 2010: 566).

3.4 Examining the nature of discovery and creation opportunities

In this section, I narrow the focus of my literature review down to the nature of discovery and creation opportunities in nexus theory (Shane & Venkataraman, 2000) and effectuation theory (Sarasvathy, 2001). These two theories are considered as two of the most widely referenced theories representing the above debate (Short et al., 2010; Busenitz et al., 2014). But they also have limitations in examining the nature of opportunities. In a nutshell, both theories are concerned with the whole entrepreneurial process, but the nature of opportunities is examined less frequently. Much of the research, particular that following the discovery view, “explicitly focuses on the chain of events that follows the initial emergence of an opportunity and ignores how such opportunities come to exist” (Sanders, 2007: 340). This problem also raises a validity question in observing discovery and creation opportunities empirically, that “whether what is observed empirically indeed constitutes or is oriented toward an entrepreneurial opportunity” (Dimov, 2011: 59). To address this problem, I examine discovery and creation opportunities based on three premises suggested by Dimov (2011: 59): “(1) opportunities as happening; (2) opportunity as expressed in actions; and (3) opportunity as instituted in market structures”. Discussing these three premises also allows me to observe complex paths under which SE opportunities unfold. It also helps in making comparisons between nexus theory and effectuation theory regarding their central positions on the nature of opportunities. Table 3.1 presented in Section 3.3 above provides an overview of the fundamental positions about the nature of opportunities in both theories based on the three premises. Discussions in this section will be used to further explain the discovery and creation opportunities in SE through qualitative description and analysis in Chapter 5, and to guide my exploratory empirical research on the nature of SE opportunities in Chapter 6.

3.4.1 Opportunity as an empirically elusive construct

Despite their significant contributions to the theoretical advancement in entrepreneurship, both the discovery view and the creation view have their own limitations in empirically examining the *nature* (not process) of opportunities. First, the discovery view has received considerable critique (e.g. Korsgaard, 2011; Ramoglou & Tsang, 2015). The central ontological assumption of the discovery view is that unobservable opportunities exist objectively, independent of and prior to, the individual perception process (Alvarez et al., 2010). However, the discovery view does not clarify to what extent discovery opportunities can be directly examined and studied at the individual level (Klein, 2008; Dimov, 2011). The discovery view assumes a “God’s eye” view of opportunities as reality (Alvarez & Barney, 2010). At a macro level, it is hard to disprove the existence of discovery opportunities because there have been numerous empirical cases of successful entrepreneurial ventures. But it is also impossible to empirically examine the existence of these opportunities without looking at individual cases, or to reliably distinguish opportunities from non-opportunities (Dimov, 2011). As Eckhardt and Shane (2010: 53) acknowledge: “Individuals perceive that they have become aware of a profitable opportunity. Whether in fact they have discovered such an opportunity is unknowable at the time of initial perception”. In other words, the empirical examination of objective opportunities cannot be entirely independent from individuals, otherwise any situation could be potentially perceived as an opportunity by certain alert individuals. Because the discovery view assumes that opportunities exist but are unknowable before the discovery, the ultimate empirical judgement of whether an opportunity exists has to be linked with its future outcomes, i.e. the human perceptions and actions such as opportunity identification and exploitation (Dimov, 2011). This therefore raises the question whether human agency should be taken into account in the empirical investigation of the nature of opportunities. Second, as the creation view emphasises the role of human behaviour in creating opportunities which is directly observable, it is relatively easier to examine creation opportunities empirically. However, the question that remains largely unanswered is to what extent actions creating opportunities can be distinguished from the actions creating other entrepreneurial outcomes (such as business ventures). The empirical application of the creation view in studying opportunities has only started very recently (Sarasvathy et al.,

2014), and existing research is still far from achieving more “tangible premises” for the nature of creation opportunities (Dimov, 2011).

Given the elusiveness in examining the nature of opportunities, existing empirical studies on opportunities has paid surprisingly little attention to address the issue. For example, in Short et al.’s (2010) review of 28 empirical papers published in highly regarded journals, I found no paper that rigorously examines the nature of opportunities in individual cases. There is only one study (Shane, 2000) which conducts detailed case studies, but opportunities are assumed as pre-existing in different industries. Most of the papers use scales and indices, for example taking technological innovation as an indicator of opportunities, and scales designed to measure opportunity recognition abilities rather than the nature of opportunities (Short et al., 2010). However, these measures are inapplicable to individual cases (Dimov, 2011).

In order to rigorously examine the nature of opportunities, this study follows Dimov’s (2011) argument about three substantive premises of the empirical examinations of opportunities. As one of the few (if any) primary attempts to address the empirical elusiveness in the empirical studies on the nature of opportunities, Dimov suggests that opportunity can be studied as happening, as expressed in actions, and as instituted in market structures, and empirically examined accordingly. These three dimensions can help to “to discern and understand the fundamental positions from which the different arguments about the nature and function of opportunities are made” (Dimov, 2011: 60).

3.4.2 Opportunities as happening, expressed in actions, and instituted in market structures

Broadly referring to entrepreneurial opportunities as “what aspiring entrepreneurs do”, Dimov (2011) suggests that the notion of opportunity can be studied from three angles as a focus of empirical investigation: opportunity as happening, opportunity as expressed in actions, and opportunity as instituted in market structure.

The first premise considers the notion of entrepreneurial opportunity as unfolding from a *seed venture idea*. Using the metaphor of embryo-foetus to describe the relations between idea and opportunity, Dimov argues that an entrepreneurial opportunity could

be examined by asking why the particular idea underlying it, no matter whether it is actively pursued or gradually articulated, can be formed. To answer the question, attention has to be paid to the interactions between “an aspiring entrepreneur and a surrounding environment (as a source of information and situational stimuli) as the progenitors and an act of perception of something possible” (ibid: 65).

The second premise considers entrepreneurial opportunities as expressed in entrepreneurs’ *actions* pursuing the seed venture ideas. A seed venture idea or business idea alone cannot be considered as an entrepreneurial opportunity itself (Venkataraman et al., 2012). It remains as human’s creative thinking until the entrepreneur acts upon the real world. Therefore, entrepreneurs’ actions can be seen as the “empirical footprints” of opportunities. Dimov (2011) holds the view that, in order to better understand actions, researchers should go beyond searching for distinguishing personal characteristics which may lead entrepreneurs to act differently, but focus more on the particular forms and elements of the actions. Specifically, he points out that an opportunity can be expressed by three elements associated with actions: entrepreneurs’ *resources* which enable them to act, their *decisions* which trigger these actions, and the *purposes* that these actions lead to. Consequently an opportunity can be seen as “a momentary, symbolic blueprint for the entrepreneur’s actions, interweaving the entrepreneur’s resources, aspirations, and business templates” (ibid: 67).

The third premise is concerned with market as a structure in which entrepreneurs’ *exchange relationships* are embedded. An entrepreneurial opportunity “can be seen as a vision of a future in which the aspiring entrepreneur occupies a market niche, engaged in a set of market relationships that collectively constitute the business the entrepreneur intends to create” (ibid: 68). However, as a market position is neither readily available nor guaranteed to entrepreneurs at the beginning of their actions, researchers should look at how entrepreneurs engage in creating exchange relationships with other (potential) market participants.

Some scholars claim that discovery and creation opportunities are ontologically conflicting (e.g. Alvarez & Barney, 2007; Alvarez & Barney, 2010; Alvarez et al., 2013). However, if opportunities are studied based on the three premises, the existing literature reviewed above indeed suggests that both the discovery and creation views

include arguments on seed venture ideas, entrepreneurial actions and market exchange relationships. This allows this study to compare and contrast discovery and creation opportunities empirically. The next section further discusses the nature of opportunities in nexus theory and effectuation theory based on Dimov's three premises.

3.4.3 Nexus theory based on the three premises

Nexus theory is developed primarily to define entrepreneurship as an independent field of research where entrepreneurial opportunities are seen as the core of the entire entrepreneurial process (Shane & Venkataraman, 2000). It was then continuously developed and updated (Eckhardt & Shane, 2003; Shane, 2003; Eckhardt & Shane, 2010; Eckhardt & Shane, 2013). Regarding the nature of discovery opportunities, the central argument is that entrepreneurial opportunities are objective situations formed by fundamental social and economic disequilibria, and only alert individuals can discover and exploit them to generate profit (Shane, 2000; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010; Shane, 2012; Eckhardt & Shane, 2013).

3.4.3.1 Discovery opportunities as happening

In nexus theory, seed venture ideas are often expressed interchangeably as “business ideas” (Shane, 2012) and “conjectures” (Eckhardt & Shane, 2003; Shane, 2003). To be consistent with this terminology, I use the term “seed venture ideas” to refer to “subjective perceptions by individuals about the existence of unexploited profitable combinations of what is technologically feasible and market feasible” (Eckhardt & Shane, 2013: 161). The formation of seed venture ideas requires two types of activities. An entrepreneur needs to first identify or recognise an opportunity from a social and economic disequilibrium, and second to be able to form a means-ends framework while other cannot. The first type of activity is related to the notion of “*change*” while the second one is related to the notion of “*entrepreneurial alertness*”.

Entrepreneurs form seed venture ideas based on the information about changes they perceive (Eckhardt & Shane, 2003). Following Schumpeter (1934), nexus theory suggests that opportunities occur as a result of five types of *changes*: the discovery or creation of new products or services, new geographical market, new methods of

production, new raw materials, and new ways of organising (Eckhardt & Shane, 2010). These changes exist either on the demand side, such as new production processes, or on the supply side, such as changes of customer preferences which affect ways of organising resources. These changes can generate new information about how resources can be recombined in order to generate profit. However, the information is not equally distributed in society, and not everyone has full access to the information about every aspect of the changes they recognise. Under these circumstances, individuals have to form beliefs about how to mobilise resources better than their current equilibrium status. Because these beliefs are subjective and fallible in nature, individuals are never able to accurately predict future outcomes, and they can make mistakes about how to recombine resources (Kirzner, 1997, 1999; Eckhardt & Shane, 2010). Nexus theory suggests that some people tend to be more “alert” to such mistakes than others, and can use the information to finally discover the opportunities, depending on their circumstances (Eckhardt & Shane, 2010).

Eckhardt and Shane (2010) suggest that entrepreneurial *alertness* comes mainly from two cognitive capacities and mechanisms: the ability to access information, and the cognitive ability to form seed venture ideas in response to this information. First, entrepreneurs have the ability to access information about potential opportunities from various sources. One of the most important sources is the *knowledge corridor*, meaning that individuals obtain information from their “own circumstances including occupation, on-the-job routines, social relationships and daily life” (Venkataraman, 1997: 122). The metaphor “corridor” assumes that the accumulation process of knowledge acquisition follows a narrow and path-dependent way (Dew, 2009). Because everyone has his or her own circumstances and life experiences, it is possible that everyone has information advantages at certain times and places over others. For opportunities in this certain time and places, these information advantages therefore allow only a portion of population to form seed venture ideas before other people do. Another source of the ability to access information is *social ties*. Built on the work of Burt (1992) and Granovetter (1973), nexus theory describes social ties as “clusters of frequently interacting groups of individuals linked by weaker ties to other clusters of individuals” (Eckhardt & Shane, 2010: 60). Nexus theory suggests that the structure of social ties not only determine the quality and quantity of information to discover opportunities, but also affects how rapidly individuals can access this information. Redundant ties within a cluster of social

ties can provide all of its members with the same information, while non-redundant ties in other clusters cannot access the information. These ties are also an important part of structural social capital which will be explained later in Chapter 5. In addition, information about potential opportunities also comes from entrepreneurs' *scanning and search* activities. Alert scanning and search occur when individuals try to look for answers to pre-specified questions, it therefore lays the foundation for developing means-ends frameworks, and helps entrepreneurs to be "persistent and unconventional" in forming seed venture ideas (Tang et al., 2012: 79). Some people can search for information at lower costs and more efficiently than others, particularly when they search for information which is close to their life experiences and knowledge base (Eckhardt & Shane, 2010).

Second, the formation of seed venture ideas requires entrepreneurs' cognitive ability to deal with the information they obtain while others do not. While people in the same social cluster can receive the same information at the same time, not everyone in the cluster can discover an opportunity. Eckhardt and Shane (2010) attribute these differences to different cognitive abilities of individuals based on their *prior knowledge*. Prior knowledge comes from people's unique life experiences such as education and work experiences, therefore individuals are unlikely to have the same prior knowledge. Prior knowledge about social, technological and market changes influences "entrepreneur's ability to comprehend, extrapolate, interpret, and apply new information in ways that those lacking that prior information cannot replicate" (Shane, 2000: 452). However, nexus theory rejects the idea that entrepreneurs have a distinctive cognitive process or knowledge base which makes them different from non-entrepreneurs. Eckhardt and Shane (2010) argue that alertness is not specific to entrepreneurs. As individuals have their own prior knowledge based on their own life experiences, everyone can have the cognitive ability to recognise some market information but not other information.

3.4.3.2 Discovery opportunities as expressed in actions

"Alertness is not entrepreneurial unless it involves judgment and a movement toward action" (Tang et al., 2012: 79). In nexus theory, there are two major arguments regarding the actions, decisions and purposes pursuing seed venture ideas: the formation of a means-ends framework which enables entrepreneurs to act in the future

(Eckhardt & Shane, 2003; Shane, 2003), and the deliberate mode of decision making termed “causation reasoning” (Sarasvathy, 2001; Fisher, 2012; Maine et al., 2015).

Pursuing seed venture ideas for profit requires the formation of a *means-ends framework*. Shane (2003: 40) defines a means-ends framework as “a way of thinking about the relationships between actions and outcomes”. It is essentially an individual’s subjective *beliefs* that “they can come up with a new way of generating profit by recombining resources and selling the output for more than it costs to acquire or produce”. According to Shane, a new means-ends framework can be triggered by changes described earlier, such as changes in raw materials or technology, or through learning from other people’s mistakes, or creating shortages and surpluses of resources. In all the cases, the key characteristic of a means-ends framework is the *new* way to recombining resources for a profit, which distinguishes an entrepreneurial opportunity from other situations where profit is generated through *optimising* existing means-ends frameworks (Eckhardt & Shane, 2003).

In nexus theory, pursuing seed venture ideas involves a goal-driven and deliberate decision-making process to implement a means-ends framework such as gathering relevant information and evaluating possible alternatives (Corner & Ho, 2010). This mode of decision making is often termed “*causation reasoning*” by entrepreneurship scholars (Sarasvathy, 2001, 2008; Fisher, 2012; Maine et al., 2015). The key characteristics of causation reasoning are intentionality, opportunity evaluation, planning, resource acquisition, and goal-oriented actions (Fisher, 2012). Eckhardt and Shane (2010) suggest that an entrepreneur’s decision of pursuing seed venture ideas is likely to be based on their life choices and competitive analysis, including an evaluation of their time, wage employment, market size, profit margin, competition, and return of investment. Similarly, Maine et al. (2015) argue that the decision is based on entrepreneurs’ pre-existing knowledge and pre-specified goals. To make a decision, entrepreneurs “begin with a given goal, focus on expected returns, emphasise competitive analyses, exploit pre-existing knowledge and try to predict an uncertain future” (ibid: 55). Furthermore, causation reasoning also requires entrepreneurs not only to focus on their own knowledge and goals, but also to predict other market participants’ beliefs and actions in an uncertain environment. Eckhardt and Shane (2010: 50) suggest that the decision making context for discovery opportunities is uncertain, meaning that

it is unlikely for entrepreneurs to “identify all possible outcomes and the associated probabilities” when pursuing specific goals. Under the circumstance of uncertainty, different resource holders may have different beliefs about the value of resources which are different or not known to the entrepreneurs. In order to make an entrepreneurial profit, entrepreneurs must believe that their means-ends frameworks are not universally shared by others. As a consequence, entrepreneurs have to get involved in judgemental or normative decision making, and have to create new means-ends frameworks which are different from others (Shane, 2003). To do this, they have to rely on their own financial capital, contracting solutions, and social capital to eliminate the problems of information asymmetry and uncertainty in order to obtain resources from resource holders (Eckhardt & Shane, 2010).

3.4.3.3 Discovery opportunities as instituted in market structure

Market exchange relationship, that a new product has been sold in an existing or new market, is “the only reliable confirmation that a previously unseen or unknown valuable opportunity has in fact been discovered” (Eckhardt & Shane, 2010: 54). Entrepreneurs mobilise resources and engage in market exchange and interaction activities to exploit opportunities (ibid). However, there is little discussion on how the market exchange relationships are established in nexus theory. The main argument regarding this premise lies in the *profitability* of discovery opportunities which is embedded in successful market exchange relationships.

Profitability is increasingly recognised as one of the most important elements of discovery opportunities. For example, Eckhardt and Shane’s (2003: 336) early definition suggest that entrepreneurial opportunities are “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationship”. In their later definitions, opportunities are considered as “situations in which new goods, services, raw materials, markets, and organizing methods can be introduced for profit” (Eckhardt & Shane, 2010: 49), or “situations in which it is possible to recombine resources in a way that generates a profit” (Shane, 2012: 15). However, profitability should not be taken for granted. In these definitions, the words “can” and “possible” are used to emphasise the possibility of being profitable (Shane, 2012). Opportunities, when exploited, do not always turn out to be profitable, it depends on entrepreneurs’ circumstances. Eckhardt

and Shane (2013) suggest that opportunities should be *technologically feasible* and *market feasible*. While the technological feasibility requires adequate technology to form an opportunity, the market feasibility in nexus theory is more complicated. Whether or not discovery opportunities can be market feasible, or being possible to generate profit in the market, depends on shared beliefs and knowledge in the market structure. For a profitable opportunity to exist, market participants “must not all agree on the value of resources at a given point in time. ... If the entrepreneur’s belief is universally shared by current resource owners, this situation would preclude the focal entrepreneur from obtaining the resources at a price that would allow profitable recombination” (Eckhardt & Shane, 2010: 51). In other words, the existence of opportunities depends on shared beliefs of multiple individuals.

3.4.4 Effectuation theory based on the three premises

“Effectuation” is described as a logic of entrepreneurial decision-making and action which is used in a dynamic and interactive process that creates new opportunities, but also new ventures, products and markets (Sarasvathy, 2008; Sarasvathy et al., 2014). Effectuation theory was first introduced by Sarasvathy (2001), and further expanded by Sarasvathy (2003), Sarasvathy and Dew (2005), Wiltbank et al. (2006) and Sarasvathy (2008). More recently, studies have started to explore how effectuation can be empirically measured and applied to other research fields (e.g. Perry et al., 2012; Sarasvathy et al., 2014). Effectuation theory suggests that entrepreneurs can adopt an *alternative* logic of decision making in entrepreneurship to the more teleological and causation logic as described in nexus theory and discovery view in general (Sarasvathy, 2001; Fisher, 2012). Maine et al. (2015: 55) describe that the causation logic underlying the discovery view as a goal-driven model which “begin(s) with a given goal, focus on expected returns, emphasise competitive analyses, exploit pre-existing knowledge and try to predict an uncertain future.” In contrast, effectuation theory argues that the uncertain future may not be always predictable, entrepreneurs may also begin with vague aspirations, experimenting with ideas and alternatives, use resources within their control, take advantages of environmental contingencies and remain flexible to deal with the unpredictable future (Sarasvathy, 2001; Perry et al., 2012; Sarasvathy et al., 2014). Sarasvathy (2008) argues that effectual entrepreneurs deal with three types of uncertainties:

1. *Knightian uncertainty* – it is impossible to calculate probabilities for future consequences.
2. *Goal ambiguity* – preferences are neither given nor well ordered.
3. *Isotropy* – it is not clear what elements of the environment to pay attention to and what to ignore. (Sarasvathy, 2008: 70)

To manage and control these uncertain situations, effectual entrepreneurs make decisions and take actions through the application of five principles which embody non-predictive strategies: (1) bird-in-hand, (2) affordable loss, (3) crazy quilt, (4) lemonade, and (5) pilot-in-the-plane (Sarasvathy, 2008). *Bird-in-hand* is a principle of means-orientated rather than goal-driven actions, which emphasises the creation of new ends with existing means. The *affordable loss* principle suggests that entrepreneurs may focus on planning and control what they can afford to lose rather than predicting expected gains. *Crazy quilt* involves networking and negotiating with any and all committed stakeholders, and working together towards a goal which is not pre-specified. The *lemonade* principle acknowledges, embraces and exploits contingency and surprise through flexibility and experimentation, rather than trying to avoid or overcome them. Finally, the *pilot-in-the-plan* is an overall principle of effectuation which emphasises non-predictive control as the overarching logic underlying the other four principles, and emphasises the role of human agency as the prime driver of opportunity creation.

Starting without given goals, effectuation inverts a key argument of nexus theory that the entrepreneurial process starts with given opportunities. Opportunities in effectuation theory are seen as “created as the residual of a process that involves intense dynamic interaction and negotiation between stakeholders seeking to operationalize their (often vague and unformed) aspirations and values into concrete products, services, and institutions that constitute the economy” (Sarasvathy et al., 2010: 92). In this view, opportunities cannot be discovered or recognised as they do not exist before the entrepreneurial process. By contrast, opportunities are an outcome of entrepreneurship, a result of human experiences and actions, not what entrepreneurship begins with (Sarasvathy, 2008). The rest of this section further illustrates how the nature of creation opportunities, in conjunction with the five principles of effectual actions, can be understood through the lens of the three premises.

3.4.4.1 Creation opportunities as happening

The *bird-in-hand*, *crazy quilt*, and *lemonade* principles can be used to explain the emergence of seed venture ideas in effectuation theory. Without specific goals in mind, effectual entrepreneurs start with “a given set of means and allows goals to emerge contingently over time from the varied imaginations and diverse aspirations of the founders and the people with whom they interact” (Sarasvathy, 2008: 73). In this statement, seed venture ideas are expressed as generalised imagination and aspirations.

To form the imagination and aspirations, effectual entrepreneurs rely on three types of means at their immediate disposal: identity, knowledge, and social network (Sarasvathy, 2003, 2008; Sarasvathy et al., 2014). These means include entrepreneurs’ tastes, personal traits, abilities, knowledge that comes from their education and experiences, and their social and professional networks (Sarasvathy & Dew, 2008). Sarasvathy (2008) suggests that when future outcomes are not predictable, individuals are unlikely to form clear preferences of their actions, instead they tend to make decisions based on their identities and life experiences, such as religion, political affiliations, aesthetic pursuits. In this view, these three means are interconnected. Entrepreneurs’ identities are closely linked to, and dependent on, their personal experiences and the social networks developed from these experiences. This is very much in line with the notion of “knowledge corridor” in the discovery view, which is used to describe entrepreneurs’ own circumstances, experiences and social relationships (Venkataraman, 1997; Dew, 2009). Therefore, the means reflect an effectual entrepreneur’s unique characteristics and circumstances (Sarasvathy, 2001) and determine the resources he or she has (Sarasvathy, 2008).

The initial aspirations are abstract and ambiguous in nature (Sarasvathy, 2001), which distinguishes them from other notions such as “conjectures” or “business ideas” used in nexus theory. Even starting a business is not necessarily included in the effectual aspirations (Sarasvathy, 2008). Effectual entrepreneurs focus their entrepreneurial questions on “Given who I am, what I know, and whom I know, what can I do?” (Sarasvathy, 2003: 208). The question “what I can do” is also referred to as “effect”, meaning the operationalisation of the abstract aspirations (Sarasvathy, 2001). Unlike the discovery entrepreneurs who develop specific means-ends frameworks to achieve pre-specified effects (what I should do), effectual entrepreneurs keep their answers open

to changes and environmental uncertainties (Perry et al., 2012). The overall effects that existing means can achieve are not clearly defined by the entrepreneurs at the beginning. By contrast, they can be *co-created* and shaped through the growing networks of stakeholders who have the actual commitment and a voice to influence entrepreneurial decisions and actions (Sarasvathy et al., 2014). Based on existing means, it is also possible for effectual entrepreneurs to realise several effects (although some may not be actually implemented), which allows the entrepreneurs to make choices between them and change their goals over time (Sarasvathy, 2008). In fact, effectual entrepreneurs actually seek to expand their choices of final effects “from a narrow sliver of highly localized possibilities to increasingly complex and enduring opportunities fabricated in a contingent fashion” (Sarasvathy, 2003: 208). Therefore, the emergence of seed venture ideas in effectuation theory also requires the exploitation of environmental contingencies.

Effectual social entrepreneurs leverage uncertainty by treating contingencies as resources for their aspirations (Sarasvathy, 2008). Contingencies are defined as exogenous “events that are not logically necessary, i.e. could not have occurred. They may happen by pure chance, or without a known cause” (Dew, 2009: 739). According to Sarasvathy (2008), effectual entrepreneurs construct their plans and venture ideas through utilising contingencies as resources for their developing or changing goals in an incremental manner. In this view, uncertainty is seen as a source, even an advantage, of opportunity creation rather than a disadvantage. As Sarasvathy et al. (2014) state, “embracing new, discomfiting information allows unfruitful experiments to be abandoned and emergent possibilities to be leveraged”. By treating contingencies as sources of new opportunities, effectuation theory also includes serendipity as part of the opportunity creation process and an inclusive element of creation opportunities (Dew, 2009; Corner & Ho, 2010). Dew (2009: 735) defines serendipity as “search leading to unintended discovery¹ ... a combination of search (directed effort), contingency (favourable accidents), and prior knowledge (sagacity)”. According to him, serendipity is different from opportunity discovery because it includes contingencies as an

¹ The term “discovery” used by Dew (2009) is somewhat broader than that used in nexus theory. Opportunity discovery is described as “systematic exploration” in Dew’s theoretical framework, meaning purposeful search activities based on prior knowledge.

important element of opportunities, while acknowledging the importance of human agency in actively searching for information when contingent events occur.

3.4.4.2 Creation opportunities as expressed in actions

Opportunities as expressed in actions are concerned with entrepreneurs' actions pursuing seed venture ideas, including the *resources* that enable entrepreneurs to act, the *decisions* that trigger these actions, and the *purposes* that these actions lead to. Starting from this understanding, all of the five effectual principles are related to opportunities as expressed in actions because effectuation is essentially a logic of decision-making and action. In other words, opportunities as expressed in actions are somewhat equal to entrepreneurial actions guided by all of the five effectual principles. Like Sarasvathy (2008: 177) states, opportunities are “perhaps as much the outcomes of what entrepreneurs do as the data on which entrepreneurs base their actions”. Effectuation describes a collective, incremental and recursive process of opportunity creation where entrepreneurial aspirations, decisions, goals and actions pursuing the goals evolve simultaneously through interacting with stakeholders (Sarasvathy, 2008). It is also an adaptive process where entrepreneurs “take advantage of environmental contingencies as they arise, and learn as they go”. (Perry et al., 2012: 837). As a consequence, information and knowledge about opportunities are “never completed” and opportunities are “always-in-the-making” unless the process stops (Sarasvathy, 2008: 177).

While acknowledging the importance of all the five effectual principles in guiding actions towards the creation of opportunities, I specifically focus my discussions on the overall principle *pilot-in-the plane*, and two specific principles, namely *bird-in-hand* and *affordable loss*. These three principles are particularly useful in explaining the resources and decisions behind effectual entrepreneurs' actions of pursuing their initial aspirations. First, the pilot-in-the-plane principle uses the metaphor “putting the pilot back in the plane rather than relying on autopilot” to emphasises the role of human actions rather than exogenous changes in determining the emergence of opportunities in an uncertain environment (Sarasvathy, 2008; Sarasvathy et al., 2014). It argues that when confronted with a highly uncertain environment, effectual entrepreneurs follow a “trial and error” path in creating opportunities. Entrepreneurs firstly form actionable hypotheses, then implement or modify the most reasonable and doable ones through learning from past mistakes and confirming by experiences, and finally seek to

transform and reshape the uncertain environment (Sarasvathy, 2008; Sarasvathy et al., 2014).

Second, effectual entrepreneurs utilise resources which are determined by the three types of means under the bird-in-hand principle, namely identity (who they are), knowledge (what they know), and social network (who they know) (Sarasvathy, 2003, 2008; Sarasvathy et al., 2014). In effectuation theory, these three types of means are considered as *primitives*, while resources like capital are considered as *derivatives* of these means and artefacts created by entrepreneurs' actions based on these means (Sarasvathy & Dew, 2008). Furthermore, entrepreneurs' existing means also determine the resources at the firm and national levels. Sarasvathy (2001) suggests that the corresponding resources are physical resources, human resources and other organisational resources at the firm level, and demographics, technology regimes and socio-political institutions at the national level.

Third, in addition to the three types of means, effectual entrepreneurs' decisions of taking actions to pursue their aspirations are also influenced by their risk perception guided by the affordable loss principle (Sarasvathy et al., 2014). Effectuation theory suggest that entrepreneurs' risk perception is based on a determination of what they can afford to lose or what level of risks is acceptable (Sarasvathy, 2001, 2008). This makes effectual entrepreneurs depart from the entrepreneur in nexus theory who tries to avoid risks through normative competitive analysis and utilising prior knowledge to predict an uncertain future (Maine et al., 2015). According to Sarasvathy (2008), the calculation of affordable loss is often based on personal financial conditions and psychological estimation of the worst scenarios. Compared with calculating possible gains based on normative analyses on sales prospect, costs and risks, the information needed for calculating affordable loss is closer to entrepreneurs' circumstances. As a result, effectual entrepreneurs can calculate affordable loss relatively quickly compared to possible gains, which means less time spent on planning, and higher efficiency in decision-making (Sarasvathy et al., 2014).

3.4.4.3 Creation opportunities as instituted in market structure

Opportunities as instituted in market structure are concerned with how entrepreneurs engage in the creation of market exchange relationships. In effectuation theory, market

exchange relationships are discussed under the *crazy quilt* principle. This principle suggests that entrepreneurs build exchange relationships or partnerships throughout the entire entrepreneurial process, the creation of opportunities is accompanied by the creation of market, which consists of self-selected stakeholders (Sarasvathy, 2008). Traditionally, market is defined as social structure which involves competition and exchange between all the possible buyers and sellers (Swedberg, 1994). In effectuation theory, a market is defined as “a community of people willing and able to commit enough resources and talents to sustain the particular enterprise” (Sarasvathy, 2001: 252). In this definition, an effectual market is specific to the focal entrepreneur and to the opportunity he or she creates, rather than the aggregation of all possible actors. Effectuation theory also describes the process of creating a market as an incremental process that is specific to an entrepreneur. As Sarasvathy (2003: 208) writes, in order to create a market, an entrepreneur “should find a customer or a partner searching very locally, just someone from within their personal social network or through garbage can processes; then generalize the initial customer or partner into a segment; add segments over time in a contingent fashion; and eventually define the market for their product/firm”. This statement suggests that the creation of an effectual market requires the interactions between the focal entrepreneur and other market participants who are directly involved in shaping the business, namely stakeholders.

Effectuation theory places a great emphasis on the role of stakeholders in opportunity creation. But instead of identifying target stakeholders based on specific goals and competitive analysis, an effectual entrepreneur engages in constant conversations with a large base of people, while allowing them to make actual commitment to actively co-creating the business. This mode of action is called “stakeholder self-selection” in effectuation theory (Sarasvathy, 2008; Sarasvathy et al., 2014). Self-selected stakeholders, also called strategic alliances, are those who are self-committed to share the same risks and benefits with the focal entrepreneur (Chandler et al., 2011). Self-selected stakeholders are an central for expanding entrepreneurial resources while reducing costs in chasing target stakeholders (Sarasvathy et al., 2014). As they come from an entrepreneurs’ own social networks and are committed specifically to his or her business, they can be seen as an important asset which reduces or eliminates environmental uncertainty and creates market entry barriers (Sarasvathy, 2008). Finally, the growing “patchwork quilt” of self-selected stakeholders helps entrepreneurs “to

converge to new markets or determine which particular markets the new venture will end up transforming” (Sarasvathy, 2008: 89).

3.5 The need for including both structure and agency in studying opportunities

Entrepreneurship scholars have argued that discovery opportunities and creation opportunities are based on conflicting, realist and social constructionist, ontological positions (Dutta & Crossan, 2005; Vaghely & Julien, 2010). However, when analysed on the basis of the three premises above, nexus theory and effectuation theory are not as conflicting as they suggest. In explaining the nature of opportunities, both theories acknowledge the importance of structure and agency. In nexus theory, entrepreneurs form seed venture ideas based on objective structural changes, but entrepreneurs’ actions pursuing these ideas are essentially subjective and rational, and the market is largely determined by the shared beliefs embedded in the society. In effectuation theory, the creation of entrepreneurial aspirations, decisions and actions are highly subjective and creative. However, creation opportunities are still seen as embedded in the market, a social structure that involves relatively independent self-selected stakeholders. Therefore, regarding the nature of opportunities, one could argue that the central disagreement between these two theories has transcended the realist/social constructionist or objective/subjective debate, but reflects the long lasting debate between the social fact paradigm and agency paradigm. In simplified terms, the social fact paradigm stresses the influences of structure on agency, while the agency paradigm emphasises the agent’s meaningful and intentional actions which make up social structures (Danermark et al., 2002). Starting from this understanding, the debate between the two theories lies in the relationships between structure and agency in the emergence of opportunities, while the discovery and creation views can be seen as alternatives to each other. Like Busenitz et al. (2014: 4) suggest, opportunities can be seen “as the discovery or creation of new means–ends relationships that can evolve from interactions between markets and environments.”

Are opportunities discovered or created? This is one of the questions I am going to address when explaining the emergence of opportunities in the context of SE in China. Even to date, a hot debate around this key question is still ongoing (Alvarez & Barney,

2012; Shane, 2012; Eckhardt & Shane, 2013; Garud & Giuliani, 2013). However, recent theoretical advancement has clearly shown a possible way to forward entrepreneurial opportunity research, that is, to incorporate structure and agency simultaneously in the conception of opportunities. As Venkataraman et al. (2012: 26) state, if we see an opportunity as finding a \$100 bill on the street, then the opportunity should consist at least three things without which the opportunity would not exist:

- 1. The bill has to exist, and someone has to find it (objective person-opportunity nexus).*
- 2. Someone who comes upon it has to know it is a \$100 bill (subjective interpretation of objective data).*
- 3. Other people have to acknowledge its value—that is, the value of the bill depends on someone else being willing and able to exchange something of value for it based on extant shared understandings of its place in the world (intersubjective basis for a market).*

Another example of the effort to incorporate structure and agency is Davidsson's (2015) argument about the three constructs of opportunities: external enablers, new venture idea, and opportunity confidence. According to him, external enablers are exogenous circumstances such as institutional and technological changes, new venture ideas are entrepreneurs' imagination about future ventures (similar to the notion of "means-ends framework"), and opportunity confidence is entrepreneurs' subjective evaluation of the preferences of the former two. This is also somewhat in line with Garud and Giuliani's (2013) argument that opportunity creation and discovery can occur simultaneously but with different effects of agency and social conditions. These arguments have gone beyond previous theoretical thoughts that structure and agency should be considered separately when conceptualising entrepreneurial opportunities (Companys & McMullen, 2007).

In this study, I use critical realism to explore SE opportunities with reference to the discovery/creation debate, as it addresses both structure and agency (Blundel, 2007) and provides strong explanatory power to assess competing theories. In fact, critical realism insists that "it is possible, indeed necessary, to assess competing scientific theories and explanations in relation to the comparative explanatory power of the descriptions and accounts that they provide of the underlying structures and mechanisms that generate

observable patterns of events and outcomes” (Reed, 2005: 1630). In the next chapter, I discuss some of the basics of critical realism, and further explain why it can be seen as a suitable vehicle for studying SE opportunities.

3.6 Chapter summary

This chapter has provided an overview of the current literature on SE opportunities and general entrepreneurial opportunities. In SE research, opportunity is recognised as a central defining element of SE, as well as the core of the SE process. Current research has started to explore the meaning and sources of SE opportunities, but a comprehensive and integrated understanding of SE opportunities has not yet been established. Existing SE literature suggests three explanations regarding the emergence of SE opportunities: SE opportunities are formed by *external* (objective) factors, by *internal* (cognitive) factors, or *both* external and internal factors, respectively. These explanations mirror the ongoing debate in general entrepreneurship research between (1) the opportunity discovery view, associated with nexus theory, and (2) the creation view that is associated with effectuation theory.

To frame the study, I examine the discussions on the nature of opportunities in nexus theory and effectuation theory based on three dimensions: opportunities as happening, as expressed in actions, and as instituted in market structure. In nexus theory, opportunities as happening are concerned with the locus of change and entrepreneurial alertness which give rise to seed venture ideas. Opportunities as expressed in actions are related to the formation of a means-ends framework and the causation mode of decision making. Opportunities as instituted in the market structure are concerned with the profitability and feasibility which are embedded in successful market exchange relationships. In effectuation theory, opportunities as happening are explained by the bird-in-hand, crazy quilt and lemonade principles. Effectuation theory suggests that entrepreneurs begin with existing means to collectively and contingently form generalised imagination and aspirations. Opportunities as expressed in actions in effectuation theory focus on the role of human actions rather than exogenous changes in determining the emergence of opportunities in an uncertain environment. Entrepreneurs’ actions follow a “trial and error” path where resources are determined by existing means at disposal and decisions are based on affordable loss. Opportunities are

instituted in market structure following the crazy quilt principle, where market is collectively formed through entrepreneurs' interactions with self-selected stakeholders

Finally, this chapter suggests that the discovery/creation debate reflects a long-lasting philosophical debate about the relations between structure and agency in social science. Investigating the nature of opportunities in SE therefore requires a closer empirical investigation of the role of structure and agency. I suggest that critical realism provides an appropriate philosophical stance to reconcile the seemingly conflicting theories, which I am now going to discuss in Chapter 4.

CHAPTER 4: Critical Realism: the Underlying Philosophy of this Study

4.1 Introduction

As mentioned in the previous chapter, entrepreneurship scholars have suggested that discovery opportunities and creation opportunities are based on conflicting (empirical) realist and social constructionist ontological positions (Dutta & Crossan, 2005; Vaghely & Julien, 2010). These ontological positions either stress the influence of structure over agency, or vice versa (Danermark et al., 2002). However, the previous chapter has also shown that both the opportunity discovery and creation views are not as ontologically conflicting as they may seem to be. Both views have implied the co-existence and equal importance of (social) structure and agency in determining the nature of entrepreneurial opportunities. I suggest that critical realism can provide an alternative philosophical perspective, as it offers meta-theory that accounts for both structure and agency equally as part of a causal explanation.

This chapter aims to introduce some of the principal features of critical realism, and to further explain why it can be seen as a suitable vehicle of studying SE opportunities. However, it is impossible to take full account of a philosophy with complex arguments in a few pages' discussions. For the purpose of this study, this chapter therefore only comprises a brief account of critical realism in the context of (social) entrepreneurship research. It begins with a general overview of the origins and basic assumptions of critical realism. Then it highlights critical realist ontological and epistemological positions that are potentially useful in explaining SE opportunities in this study. These include the distinctive stratified ontology which consists of experiences, events, structures, causal powers, mechanisms and conditions, and critical realist views of conceptual abstraction and causality. Finally, this chapter discusses the advantages of using critical realism over other paradigms in this study. It concludes that critical realism as a coherent and rigorous philosophy can be helpful for the analysis of SE opportunities. In Chapter 5, I further discuss critical realism as the basis for the research methodology used in this study.

4.2 The origins and basic assumptions of critical realism

Critical realism in contemporary entrepreneurship and management research is embedded within a wider intellectual trend within the social science and humanities (Reed, 2005). It derives mainly from the work of Bhaskar (1978, 1979, 1993), and has also been developed by other scholars like Archer (1995), Sayer (1992, 2000) and Fleetwood (2004, 2005). Gaining its prominence over the last 30 years, critical realism as a philosophical position originated in nature science and has been increasingly applied in various fields of social science (Blundel, 2007; Easton, 2010). In management studies, it has been used in explaining competing theories and exploring complex social events in the fields of information systems and organisation studies (e.g. Ackroyd & Fleetwood, 2000; Fleetwood, 2005; Bygstad, 2010; Kempster & Parry, 2011; Delbridge & Edwards, 2013; Volkoff & Strong, 2013; Edwards et al., 2014). More recently it has also been adopted increasingly by entrepreneurship scholars (e.g. Leca & Naccache, 2006; Blundel, 2007; Bowey & Easton, 2007; Mole & Mole, 2010; Mole, 2012; Martin & Wilson, 2014; Kitching et al., 2015; Lee & Jones, 2015; Ramoglou & Tsang, 2015). However, there are also concerns about the misuse of critical realism in studying opportunities and entrepreneurship in general (Ramoglou, 2013). Therefore, it is the purpose of this section to clarify some of the fundamentals of critical realism.

Critical realism differs from traditional philosophical paradigms because of its key ontological and epistemological assumptions or positions. In his book *Method in Social Science: A Realist Approach*, Sayer (1992: 5) summarises 8 key assumptions that he thinks could grasp the most distinctive and significant elements of critical realism:

1. *“The world exists independently of our knowledge of it.*
2. *Our knowledge of the world is fallible and theory-laden. Concepts of truth and falsity fail to provide a coherent view of the relationship between knowledge and its object. Nevertheless knowledge is not immune to empirical check and its effectiveness in informing and explaining successful material practice is not mere accident.*
3. *Knowledge develops neither wholly continuously, as the steady accumulation of facts within a stable conceptual framework, nor discontinuously, through simultaneous and universal changes in concepts.*

4. *There is necessity in the world; objects—whether natural or social—necessarily have particular powers or ways of acting and particular susceptibilities.*

5. *The world is differentiated and stratified, consisting not only of events, but objects, including structures, which have powers and liabilities capable of generating events. These structures may be present even where, as in the social world and much of the natural world, they do not generate regular patterns of events.*

6. *Social phenomena such as actions, texts and institutions are concept-dependent. We not only have to explain their production and material effects but to understand, read or interpret what they mean. Although they have to be interpreted by starting from the researcher's own frames of meaning, by and large they exist regardless of researchers' interpretations of them. A qualified version of 1 therefore applies to the social world. In view of 4–6, the methods of social science and natural science have both differences and similarities.*

7. *Science or the production of any kind of knowledge is a social practice. For better or worse (not just worse) the conditions and social relations of the production of knowledge influence its content. Knowledge is also largely—though not exclusively—linguistic, and the nature of language and the way we communicate are not incidental to what is known and communicated. Awareness of these relationships is vital in evaluating knowledge.*

8. *Social science must be critical of its object. In order to be able to explain and understand social phenomena we have to evaluate them critically.”*
(Sayer, 1992: 5)

In the assumptions above, points 1, 4, 5 are concerned with critical realist ontological positions, while points 2, 3, 6 and 7 are concerned with critical realist epistemological positions. In a snapshot, the term “critical realism” can be seen as an elision of the phrases “transcendental realism” and “critical naturalism”, which combines and reconciles ontological realism, epistemological relativism and judgemental rationality (Bhaskar, 1998b). According to Bhaskar and Lawson (1998), “transcendental realism” shares the same realist root as empirical realism, by admitting that there is a reality existing independently from individuals’ perceptions or imagination. But against empirical realism, the objects of knowledge are “structures” and “mechanisms” that

generate “social events”. These structures and mechanisms are “transcendental” because they are neither observable phenomena nor our interpretations of the phenomena, but “real structures which endure and operate independently of our knowledge, our experience and the conditions which allow us access to them” (Bhaskar, 1978: 15). The term “critical naturalism” means that “the social sciences can be 'sciences' in exactly the same sense as natural ones, but in ways which are as different (and specific) as their objects” (Bhaskar, 1998b: xvii). Bhaskar (1979) argues that critical naturalism is partly “naturalism” as social sciences can engage in similar projects and use similar methods as in natural sciences to provide causal explanations of social events. This is different from interpretivism which assumes that social science is radically unlike natural science as it does not aim at identifying universal laws. But it is also “critical” because the social world is more complex and dynamic than the natural world, so the way of acquiring knowledge of the social world is different from natural sciences. Blundel (2007) summarises that the social world has its distinctive features, including the intentionality of human action, the emergence of social structures such as organisations, and the complex relations between structure and agency. Danermark et al. (2002) also suggest that because human agency is essentially conscious, intentional, reflective and self-changing, it is impossible to create an experimental setting in a social world like in natural sciences. Therefore, unlike the natural world where the existence of natural objects is independent of human actions, the social world is transformed and conditioned by human actions and social structures that emerge from these actions. Bhaskar (1998a) suggests that these distinctive features of the social world have two implications. First, our interpretations and knowledge of a subject-matter in the social world cannot exhaust the subject matter, and sometimes even distorts it. Second, because of the existence of unidentified conditions, tacit skills, unconscious intentions and consequences in human actions, human agency plays a determining role in understanding the social world. As a consequence, the meaning of any social event has to be understood, not (quantitatively) measured or counted, and “there is always an interpretive or hermeneutic element in social science” (Sayer, 2000: 17). This epistemological relativism implies that our knowledge about the social world, as our interpretations, can be fallible (Bhaskar, 1998b; Wynn & Williams, 2012). Finally, by combining transcendental realism with critical naturalism, critical realists hold the view that our knowledge about the social world “is a socially produced knowledge of a natural (man-independent) thing” (Archer et al., 1998: 65). The double recognition of

both an independent reality and subjective interpretations makes critical realism distinctive from traditional positivist (empiricist) and social constructionist (interpretive) paradigms (O'Mahoney & Vincent, 2014).

While the difference between critical realism and traditional philosophical paradigms is in itself an important subject, for the purpose of this chapter I do not intent to provide a detailed discussion about these differences. In this chapter, I specifically focus on some of the basic concepts in critical realist ontology which are useful in explaining the existence of SE opportunities. These ontological positions include the stratified ontology, experiences, events, structure of entities (or objects), causal powers, generative mechanisms, open system (conditions) and emergence. Regarding critical realist epistemological positions, I do not intent to further describe the nature, sources and characteristics of knowledge. Instead I focus more on how knowledge is possible (Zachariadis et al., 2013) and how knowledge is acquired and developed (Wynn & Williams, 2012) based on critical naturalism. This line of argument includes critical realist views about conceptual abstraction and causality.

4.3 The ontological position of critical realism

4.3.1 Independent reality and entities

The realist root of critical realism acknowledges that reality exists independently from individuals' observation, perception, identification, construction and articulable knowledge (Bhaskar & Lawson, 1998; Fleetwood, 2005). In critical realism, reality is "a stratified, open system of emergent entities" (O'Mahoney & Vincent, 2014: 6). Reality is constituted by *entities* which provide the basic building blocks for theoretical development and explanation (Easton, 2010). Entities are "things which 'make a difference' in their own right, rather than as mere sums of their parts" (O'Mahoney & Vincent, 2014: 6). In critical realism, the notion of "entity" is in contrast to the notion of "variable" widely used in traditional social sciences. Traditionally variables are used as "measures of things and not the things themselves" (Easton, 2010: 120), they can only record or register (quantifiable) changes but not offer causal explanation (Sayer, 1992). But in critical realism, entities have causal power and properties which can generate real effects (Easton, 2010; Mingers et al., 2013). I will return to this point in the following

sections. Here I mainly focus on the dimensions of entities and the different ways they exist.

Bhaskar (1978) suggests that there are two distinctive dimensions of social science, namely an intransitive dimension and a transitive dimension, and, accordingly, two types of entities. Entities in the intransitive dimension are concerned with the “real” things which constitute the social world, their existence is independent of our perceptions. For example, the existence of social entrepreneurs does not rely on our recognitions or identifications. As discussed in Chapter 2, before the concept “social enterprise” was introduced into China in 2004, there had already been social entrepreneurial activities, but the individuals operating these activities were not identified as social entrepreneurs. Entities in the transitive dimension are the knowledge components of these independent entities which are generated through reasoning and scientific research, such as theories and concepts (Wynn & Williams, 2012). Entities in both intransitive and transitive dimensions are considered as ontologically real (Wynn & Williams, 2012). Starting from this understanding, entities may exist in different ways – they can be physical (e.g. resources, people), social (e.g. social market, relationships), human (attitudes), or conceptual (e.g. effectuation theory) entities (Easton, 2010; O'Mahoney & Vincent, 2014). These entities are all real, but in different ways. For example, entrepreneurial alertness is not physically real, but conceptually or ideationally real: it can have a real effect on educated entrepreneurs and help them to make use of resources, prior knowledge and social networks (Eckhardt & Shane, 2010). It is also independent of human actions and perceptions, as it could exist even before the concept was invented. Furthermore, entities can be organised or structured at different levels (O'Mahoney & Vincent, 2014). For example, the entity “social enterprise” is made up of social entrepreneurs and other people, it also can be part of a larger entity such as a social enterprise association. Finally, any social event (as a higher level entity), occurs when a set of internally related entities at a lower level (section 4.3.1) are structured (structure) and act in a certain way (causal power and mechanism) to generate effects (emergence). In this study, social entrepreneurs are considered as the lower level entities which construct SE opportunities at a higher level.

4.3.2 Stratified ontology

The multi-level of entities implies that entities can construct reality at different levels in both transitive and intransitive dimensions. Bhaskar (1978) illustrates this ontological position via his assumption of a stratified model of three interrelated domains of reality: the empirical, the actual and the real (Table 4.1). A simplified way to illustrate this stratified ontology is to see the way water is formed in natural science. Water is formed by a molecular structure of hydrogen and oxygen atoms through chemical reactions. While water is perceivable (empirical), its constituents and mechanisms (real) cannot be directly experienced but can only be perceivable through scientific research and theories (actual). The following sections explain the three domains in greater detail.

	Domain of real	Domain of actual	Domain of empirical
Structures*	√		
Events	√	√	
Experiences	√	√	√
* Also including causal powers, generative mechanisms, and conditions			
<i>Source: Drawn from Bhaskar (1978: 13)</i>			

4.3.2.1 The domain of empirical: experiences

According to Bhaskar (1978), the domain of *empirical* is a world of human *experience* of events. In critical realism, experiences are part of actual events “which we are able to directly observe, often through our sensory perceptions or via sensory-enhancing tools” (Wynn & Williams, 2012: 792). Therefore, this domain can be seen as human actors’ observations, perceptions and sensations reality (Leca & Naccache, 2006). Activities in this domain are perceivable, both actors and researchers can have immediate access to this domain. For example, social entrepreneurs can describe their entrepreneurial activities, experiences and feelings, which can be observed or perceived by researchers.

The domain of empirical (experiences) is considered as a subset of the domain of actual (actual event) because not all the events can be directly observed or experienced (Wynn & Williams, 2012). In other words, what we can experience is only the observable part of events. Critical realism holds that some events can be directly observed in a

controlled environment (closed system), such as scientific experimentation in natural science. But in the social world which is transformed and conditioned by human actions (open system), such direct and complete observation is hardly possible (Bhaskar, 1978). For example, SE opportunities are not entirely subject to direct observations (Dimov, 2011). Some researchers may perceive discovery opportunities based on their observation of social entrepreneurs' activities, while others may perceive creation opportunities. A possible critical realist explanation is that each researcher may only observe limited instances of opportunities, and they may under-specify or incorrectly attribute their observation to the entirety of opportunities which actually occur. Start from this understanding, any explanation for the "entirety" of opportunities should include both discovery and creation opportunities.

4.3.2.2 *The domain of actual: social event*

The domain of *actual* refers to social events which are the focal objects that critical realist research investigates (Easton, 2010). An event is defined as "a specific happening or action resulting from the enactment of one or more mechanisms" (Wynn & Williams, 2012: 792). In critical realism, events are ontologically distinct from the experiences in the domain of empirical, and from the mechanisms and causal powers generating them (Bhaskar, 1979). First, events exist independently of experiences, namely they occur irrespective of whether people have empirically observed or experienced them.

Second, events can be perceivable and then transformed into the domain of empirical, but only when the empirical perceptions are identified correctly through human agency. For example, although Chinese social entrepreneurs were unable to perceive SE before 2004, many of them (e.g. educated social entrepreneurs) were able to do so now through SE training and education. They could also describe their SE experiences rather than something else. SE researchers, because of their particular focus or academic training, are also able to perceive events such as SE while others cannot (Leca & Naccache, 2006). Critical realists suggest that events can be recorded or described by researchers in a way which is *close*² to the event (Easton, 2010), normally through abstraction from

² It is "close" to but not congruent with the event because our (including researchers') knowledge about events is fallible, so our descriptions of events may not be always entirely accurate.

observable effects rather than direct perception (Wynn & Williams, 2012), I will go back to this point later in section 4.4.1.

Third, events are the result of exercised generative mechanisms and causal powers embedded in a structure of entities in the domain of real. However, mechanisms may not be always exercised, which leads to the non-occurrence of events. Critical realists believe that the non-occurrence of events can also provide useful insights to understand events *per se* (Easton, 2010: 120). For example, the question why some individuals are not able to develop opportunities may enrich our understandings of how opportunities emerge. Furthermore, events in the domain of actual are only the exercised part of the mechanisms in the domain of real. In other words, the domain of actual is seen as a subset of the domain of real (Wynn & Williams, 2012).

4.3.2.3 The domain of real: structures, causal powers and generative mechanisms

In the domain of *real*, an event comprises entities that are structured in certain ways, this structure has inherent causal powers which *can* (but not always do) exercise generative mechanisms to produce the event (Bhaskar, 1978). More specifically, this domain comprises how entities are constituted (structure), their capabilities or abilities to act in certain ways and/or facilitate various activities (causal powers), how they may act in certain ways (mechanisms) and under what conditions this would occur (conditions) (Blundel, 2007). To take a simplified example, an enterprise (event) can be constituted by a number of individuals (entities) who are organised in a hierarchical way (structure). The hierarchical organisational structure gives the individuals different roles – the entrepreneur, line managers, other staff and so on – so they can use their expertise (causal powers) to perform different tasks (mechanisms). But not any gathering of these individuals could be recognised as a company, the structure and causal powers of individuals differentiate the enterprise from other organisations such as universities. In addition, the company is likely to be affected by external conditions such as economic prosperity and recession, which may affect not only the operations of the company (e.g. layoff) but also the existence of the company (e.g. bankrupt). Finally, events happen when the structure and causal powers are exercised and the mechanisms start to take effect. For example, the company exists when the entrepreneur actually starts the business rather than forming a business idea. The rest of this section further explains the structure, causal power and generative mechanisms.

In critical realism, structure is defined as the distinctive inner composition of an event which consists of internally related entities (Sayer, 1992). For example, water is formed by a structure of molecular hydrogen and oxygen which makes water what it is. But in social science, structure tends to be more complicated as it can be analysed at different levels in almost any area, ranging from macro level (e.g. institutions), to interpersonal and personal levels, and to even smaller neurological levels (Sayer, 1992). More specifically, Danermark et al. (2002: 47) suggest that the structure of a social event can be “organisation structures, small groups structures, the social structures of the dyad or the triad, the structures of street life, communication structures, linguistic structures, personality structures, and so on”. In addition, a social structure can be nested within another social structure (Easton, 2010). For example, a property management company can be formed by individuals who have their own personality and gender structures, but it can also be part of a larger structure such as the real estate industry.

This conceptualisation suggests two alternative ways in which (social) entrepreneurial opportunities can be treated theoretically from a critical realist perspective at the individual level. The first approach is to consider opportunities as part of (social) entrepreneur’s cognitive structure. This line of research might be concerned with (social) entrepreneurs’ personal traits or cognitive patterns in recognising opportunities (e.g. Baron & Ensley, 2006). The second approach is to consider opportunities as nested in a broader social structure, such as entrepreneurial networks, as social events are based on interactions between individuals (Blundel, 2007). In either way social entrepreneurs are internally related to SE opportunities. In other words, the existence of (social) entrepreneurs and SE opportunities depend on each other. In this study, I am interested in the second approach. However, I acknowledge that research into entrepreneurial opportunities may benefit from future studies on entrepreneur’s internal cognitive structure, or on other social structures at a higher institutional level, such as culture and institutions, which may provide alternative explanations of opportunity emergence. For the purpose of this research, I only consider SE opportunities as nested in social entrepreneurs’ social networks. In China, social networks are broadly referred to “guanxi” in business studies (Gold et al., 2002; Barnes et al., 2011) which is considered as the most durable social structure. I will go back to this point in Chapter 5.

Causal powers are the “potentials, capacities, or abilities to act in certain ways and/or to facilitate various activities and developments” which are inherent in the structure of entities (Lawson, 1997: 21). In critical realism, entities have capabilities to act, these capabilities are inherent in the entities and independent of their effects (Sayer, 1992). For example, human beings have the potentials and capabilities to work, the existence of these potentials and capabilities does not depend on whether they are in fact employed or not. But in terms of complicated social events, causal powers are unlikely to be inherent “simply in single objects or individuals”, but they are more likely to be inherent “in the social relations and structures which they form” (Sayer, 1992: 105). For example, entrepreneur’s social networks, or *guanxi* in particular, can have the causal power to affect various entrepreneurial activities and firm performance (Hoang & Antoncic, 2003; Barnes et al., 2011). However, the causal power of their social networks is not reducible to personal traits but derive from the interdependent relations between the entrepreneurs and their colleagues, suppliers, customers and so on. This example also illustrates another important argument, namely that the causal power possessed by higher level entities is not reducible to lower level entities (Bhaskar, 1978). Furthermore, although the existence of causal powers is independent of their effects, whether the causal powers are actually exercised depends on contingencies. Sometimes it is also possible that the causal powers are not exercised at all. For example, although an individual has the causal power to work, whether he or she is actually employed depends on whether there is a vacancy. Thus, critical realists hold a very distinctive view of causality, which is not concerned with the cause-effect patterns between discrete events, but with the question of when causal powers may or may not lead to an event (Sayer, 1992). I will go back to this point in Section 4.3.2.

Generative mechanisms are the ways of acting or working of the structures (Bhaskar, 1978) or more explicitly the ways “in which structured entities by means of their (causal) powers and liabilities act and cause particular events” (Easton, 2010: 122). For example, obtaining financial capital can be an important mechanism for starting a business, it can result from the interactions between an entrepreneur and resource holders. Generative mechanisms start to take effect when causal powers are exercised (Lawson, 1997; Blundel, 2007). Like causal powers, generative mechanisms are not necessarily observable, they exist irrespective whether they have been exercised, manifest or detected (Bhaskar, 1978, 1979). But when exercised, “particular mechanisms produce

effects in ‘conjunctures’, which may be unique. Depending on the conditions, the same mechanism may sometimes produce different events, and conversely the same type of event may have different causes” (Sayer, 1992: 116). For example, given the same mechanism of obtaining financial capital, two individuals who have similar capabilities may actually start very different businesses (e.g. a commercial enterprise or a social enterprise), depending on their socio-economic conditions such as social norms (Meek et al., 2010), government interference (Estrin et al., 2013), public awareness (Dorado & Ventresca, 2013) and so on. It is also possible that similar businesses (e.g. businesses in the same industry) are founded by individuals who have very distinctive capabilities, backgrounds and skillsets.

4.3.2.4 Relations between the three domains

The relations between the three domains can be illustrated as follows. Firstly, events in the domain of actual that occur due to the activation of a mechanism are not necessarily perceived as experiences in the domain of empirical. Secondly, there are mechanisms which exist in the domain of real that are not exercised. There are also mechanisms which are exercised but counteracted by other mechanisms. In either case these mechanisms do not produce events in the domain of actual (Wynn & Williams, 2012). Therefore, the domain of actual is a subset of the domain of real, as it comprises only events generated from exercised mechanisms (including the causal powers and structures). The domain of empirical is a subset of the domain of actual as it only consists of events that are observable and can be experienced. We can again use the example of water to illustrate this stratified ontology. A water molecule is formed by hydrogen and oxygen atoms (entities) through chemical reactions (generative mechanisms). To form water, hydrogen and oxygen atoms have to be structured in a certain way (H_2O), otherwise it can become something else, such as Hydrogen Peroxide (H_2O_2). While water is perceivable (domain of empirical), its constituents and mechanisms (domain of real) cannot be directly experienced, these constituents and mechanisms are only perceivable through scientific research and theories (domain of actual).

4.3.3 The open system perspective, conditions and context

Just like hydrogen has to be burnt to react with oxygen in order to form water, whether causal powers or generative mechanisms are actually exercised depends on conditions. In this example, stable conditions can be provided in a controlled environment (a closed system) in a well-designed laboratory experiment which allows replicated investigations. But in social science, the social world or any complex social event seldom occurs in such an experimental setting (Bhaskar, 1979), and the presence and configurations of conditions are rather contingent (Sayer, 1992). As a result, social event “is not only dependent on the causal powers available within a social structure, but also on the continuously changing contextual conditions and the evolving properties of components within the structure” (Wynn & Williams, 2012: 793). Just like the weather, in the social world there are always different conditions or other mechanisms occurring at the same time, which makes the social world highly unpredictable. In critical realism, this is called the open system perspective which means that reality exists in a system which is beyond our ability to directly control (Bhaskar, 1979; Wynn & Williams, 2012).

The open system perspective has three implications. First, unlike traditional assumption of conditions which are likely to be inert, conditions in critical realism can be entities which have their own structures, causal powers and generative mechanisms (Sayer, 1992). Second, because both causal powers and conditions can continuously interact with each other and change, it becomes impossible for a generative mechanism in a given system to generate the same social event in the future (Wynn & Williams, 2012). Consequently the domain of real can be seen as a picture of “complex interaction between dynamic, open, stratified systems, both material and non-material, where particular structures give rise to certain causal powers, tendencies, or ways of acting” (Mingers et al., 2013: 796). The purpose of this study, like other studies in social science, is therefore not to identify and predict specific cause-effect relationships between SE opportunities and other entities in the open system, but to identify the “tendency of mechanisms to act within a specific contextual environment” (Wynn & Williams, 2012: 793). This reveals the third implication of the open system perspective, that critical realism does not deny the importance of context. In fact, context is essential and any research based on critical realism should be contextualised (Leca & Naccache, 2006). Individuals’ behaviour, activities and outcomes are conditioned by the context,

therefore critical realism “robustly allows for the implications of varying contextual conditions on the entrepreneur’s network behaviour” (Bowey & Easton, 2007: 280).

4.3.4 Emergence

An important implication from the example of water above is that, although the entities of water – hydrogen and oxygen – are highly inflammable, water as the outcome of mechanisms can possess new qualities and power to extinguish fire which are not possessed by the entities (Sayer, 1992). When applied to social science, this is called “emergence”, i.e. the principle that entities at a higher level emerge from the interactions of lower level entities and thereby possessing new properties, but the higher level entities and their properties cannot be *reduced* to, and defined by, the characteristics of lower level constituents (Archer, 1995; Easton, 2010; Wynn & Williams, 2012). Furthermore, emergence “must always involve some element of connectedness” (Easton, 2010: 120). Archer (1995: 15) suggests that “explanation of why things social are so and not otherwise depends on an account of how the properties and powers of the ‘people’ causally intertwine”. For example, explaining the emergence of a business should not be reducible to the personal characteristics of the entrepreneur, but derives from the interdependence and interactions between the entrepreneur and others such as employees, suppliers and customers. Starting from these understandings, social scientists should not just focus on the causal powers of individuals, but more on the empirical importance of social interactions (Delbridge & Edwards, 2013). As Easton (2010: 121) points out, the “social world is only understood through the connections between the people that comprise a society, not by studying the individuals in isolation”. In the case of entrepreneurial opportunity as emergence, it means that we have to pay particular attention to the connectedness between individuals. In this study, I use social capital theory to explain the connectedness between individuals, such as the structural, relational and cognitive dimensions of connections. Chapter 5 will further discuss how social capital theory is used in empirical studies.

To sum up, critical realism provides an explanatory framework to penetrate behind the surface of research objects to access the structure, mechanism and causal powers of events which may reveal social reality. The three domains of reality assumption provide a stratified view of social reality and give critical realism ontological depth. Given the

complex nature of social reality, investigations and research restricted to a single stratum tend to be unsatisfactory (Blundel, 2007). Critical realist researchers have to identify the structures, causal powers or mechanisms in the domain of real (Leca & Naccache, 2006), while paying attention to contingent conditions and connectedness between individuals. Therefore the application of critical realism to this study requires moving beyond common sense and actors' direct experiences of SE activities, and reach a deeper understanding of the social structure, its causal powers, and the mechanism how they contingently cause the emergence of opportunities in the contexts of SE in China.

4.4 The epistemological position of critical realism

In general, the epistemological position in critical realism is that our knowledge about the social world “is a socially produced knowledge of a natural (man-independent) thing” (Archer et al., 1998: 65), which recognise both an independent reality and subjective interpretations. In this section, I focus in more depth on how knowledge is possible (Zachariadis et al., 2013) and how knowledge is acquired and developed (Wynn & Williams, 2012), including critical realist assumptions about conceptual abstraction and causality. These epistemological assumptions guided my selection of research methods outlined in Chapter 5.

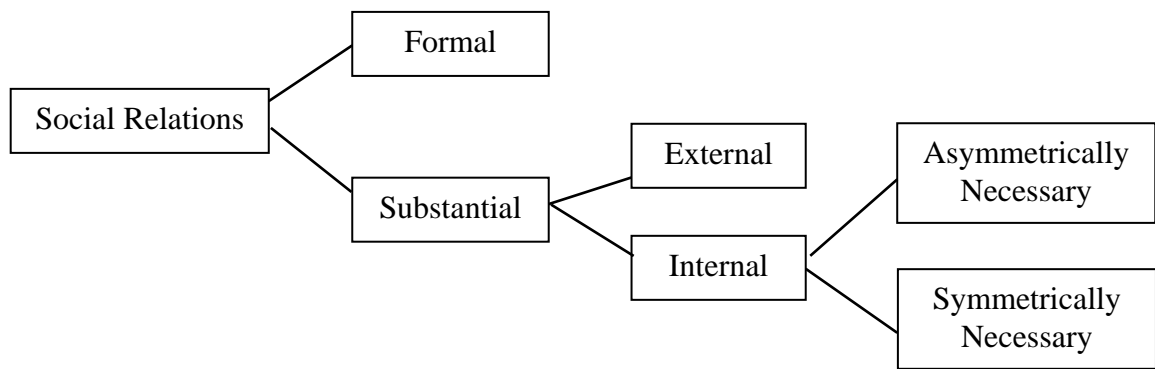
4.4.1 A critical realist view of abstraction

While the nature of an entrepreneurial opportunity has rarely been made the object of explicit analysis and discussion recently (Comanys & McMullen, 2007), critical realism holds that the description and explication of social events are the foundation of any research analysis (Wynn & Williams, 2012). To understand the nature of an object under study, critical realist researchers have to select and *abstract* the constituents of the focal event, normally from experience (Sayer, 1992). In order to find out those properties really related to the focal social event, critical realist abstraction is built around a key principle called *natural necessity* which requires a more rigorous and analytical method than other narrative-based approaches and methods (Danermark et al., 2002; Blundel, 2007). Specifically, critical realism proposes several assumptions

regarding the relations between different entities: substantial and formal, internal and external, and symmetrically and asymmetrically necessary, as shown in Figure 4.1.

According to Sayer (1992), a “substantial” relation is a real connection between two objects, and “formal” relations refer to in fact unrelated connections that share similar characteristics. In addition, Bhaskar (1979: 42) suggests “A relation R_{AB} may be defined as internal if and only if A would not be what it essentially is unless B is related to it in the way that it is. R_{AB} is symmetrically internal if the same applies also to B”. The example of a landlord/tenant relation offers a good example to help understand these relations. According to Danermark et al. (2002), the connections between landlord and tenant is a substantial and symmetrically internal relation as the existence of one depends on the other. Without tenant, there would not be a landlord (as social positions), and the “house renting market” as a higher level social event would not exist, either. However, whether or not they both have the same age is something formal, as it does not define the nature of this connection. Furthermore, the way landlords manage their properties is considered to be external, although it still depends on the landlord/tenant relation, it does not affect the existence of this relation. We can also use these relations to explain some of the key differences between nexus theory and effectuation theory in the entrepreneurship literature. For example, in nexus theory, the relations between discovery opportunities and entrepreneurs can be seen as asymmetrically internal. As a discovery opportunity exists prior to the entrepreneurial process, a person cannot become an entrepreneur if he or she does not discover that opportunity. In other words, nexus theory suggests that the existence of entrepreneurs depends on the existence of discovery opportunities, but not vice versa. However, in effectuation theory, the relations between creation opportunities and entrepreneurs, are symmetrically internal as their existence depends on each other. But in both theories, entrepreneurs are internally related to entrepreneurial opportunities. In this research, in order to develop a critical realist understanding of opportunities, we therefore have to identify and specify those internal and necessary relations from entrepreneurs’ experiences, and separate them from external and contingent relations (Danermark et al., 2002: 46). This is the strategy I follow in this study.

Figure 4.1. Different Types of Social Relations



Source: adapted from Danermark et al. (2002: 46)

4.4.2 A critical realist view of causality

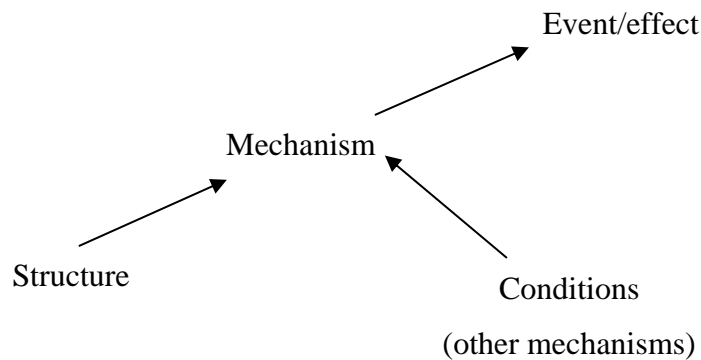
One of the primary objectives of critical realist research is “to provide clear, concise, and empirically supported statements about causation, specifically how and why a phenomenon occurred” (Wynn & Williams, 2012: 789). In this study, causality is essential as it is exploratory and explanatory in nature (Bowey & Easton, 2007). The argument about causality is what differentiates critical realism from interpretivism and positivism in terms of their epistemological positions. In general causality can be defined as “the relationship between an action or thing (cause) and the outcome (effect) it generates” (Wynn & Williams, 2012: 789). Interpretivism focuses on understanding the subjective meanings of a social event that human beings assign to (Wynn & Williams, 2012), but given little attention to the causal explanation of that social event (Sayer, 2000). Traditional positivist approach to causality focuses on the observation of constant conjunctions of observable entities (Hume, 1967), and the predictive ability of generalisable theories (Wynn & Williams, 2012). The basic ontological assumption behind this approach is that the world consists of observable entities and social events which have no hidden characteristics (Zachariadis et al., 2010). Researchers typically attempt to explain a social event through hypothetical relationships between entities, which are then tested using repeated observations and statistical methods in order to achieve consistent regularities (Wynn & Williams, 2012). However, critical realism takes a distinctive approach to causality. The transcendental realist root of critical realism acknowledges that there is a reality independent of human interpretations, but not all the entities in the three domains of reality can be directly observed by researchers. As a consequence, repeated observations which only focus on the observable entities

have nothing to do with the real causes of social events. Zachariadis et al. (2010) suggest that consistent regularities only take effect under special circumstances in closed systems, but in an open system which is far more complex and continuously changing, one could expect fewer regularities. In an open system, we cannot expect that relationships between entities that occur in one context will occur in exactly the same way in another condition (Zachariadis et al., 2013). Therefore, causality should be treated differently from regular patterns of observation (Tsoukas, 1989).

As shown in Figure 4.2 below, the distinctive feature of causality in critical realism is that causal claims are not about cause-effect relationships and regular patterns between discrete entities, but are concerned with causal powers, generative mechanisms and conditions which may lead to a focal event (Wynn & Williams, 2012). In critical realism, to ask the cause of an event “is to ask what ‘makes it happen’, what ‘produces’, ‘generates’, ‘creates’ or ‘determines’ it, or, more weakly, what ‘enables’ or ‘leads to’ it” (Sayer, 1992: 104). The term “causality” does not refer to the *regularity* of causation in a quantitative sense but to a matter of discovering the *tendency* of what causal powers or generative mechanisms exist and how the underlying structures and mechanisms affect outcomes (Sayer, 1992). In other words, “causal explanation is not about the deterministic or stochastic associations of patterns of events, nor about experiences, but the ascription of causal powers to (structures)” (Tsoukas, 1989: 553). Because the domain of real may not be necessarily observable, our knowledge about causal powers and generative mechanisms is constrained (Wynn & Williams, 2012). Bhaskar (1978) suggests that generative mechanisms are seldom actually manifest or empirically identified by individuals. However, this does not mean that we, as researchers, cannot reveal the domain of real of a social event through observations. In critical realism, knowledge of the causal powers and generative mechanisms is not always based on our abilities to directly observe them, but can be based on our abilities to observe their effects (Bhaskar, 1978). Through the observation of the effects (domain of empirical) which are causally generated from structures, causal powers and mechanisms, we can form our beliefs about the existence of the structures, causal powers and mechanisms in the domain of real (Bhaskar, 1978; Zachariadis et al., 2010). Therefore, although critical realism rejects the idea that causality is based on repeated observations, it does acknowledge that “observability may make us more confident about what we think exists”. However, “existence itself is not dependent on it” (Sayer, 2000: 12). For

researchers, this means that the effort to create knowledge about the domain of real should “focus not on accessing elements of structure and causal mechanisms directly but rather coming to know their manifest effects” (Wynn & Williams, 2012: 794). Through the use of intellectual, practico-technical, and perceptual skills (Bhaskar, 1978), researchers can form beliefs or hypotheses about the existence of causal powers and generative mechanisms “based on the observable experiences we believe them to have caused” (Wynn & Williams, 2012: 794). The theories, techniques and hypotheses used to explain causal relations in the emergence of SE opportunities are further discussed in Chapter 5.

Figure 4.2. A Critical Realist View of Causation



Source: Sayer (2000: 15)

4.5 The benefits of a critical realist perspective

As discussed in Chapter 3, discovery opportunities and creation opportunities are often considered as based on conflicting realist and social constructionist ontological positions (Dutta & Crossan, 2005; Vaghely & Julien, 2010). However, examined from Dimov’s (2011) three premises, nexus theory and effectuation theory are not as conflicting as existing literature suggests. In explaining the nature of opportunities, both theories acknowledge the importance of structure and agency but emphasis on one over the others, which cannot be fully explained by the realist or social constructionist ontologies. Critical realism’s invention of a relatively new and sophisticated version of realist ontology has often been seen as a “middle way” between positivism and interpretivism, avoiding “both reductionist forms of modernism, that took little or no account of interpretive understandings, and the problems of relativism and

incommensurability that followed from postmodernism's discursive 'turn'" (Blundel, 2007: 50). In addition, it is also necessary in critical realism to acknowledge and recognise the ontological importance of both structure and agency (Leca & Naccache, 2006). Therefore critical realism can provide an alternative paradigm to explain the co-existence of structure and agency in opportunity emergence, including opportunity discovery and opportunity creation.

In critical realism, structure is defined as an aggregation of a set of internally related entities which makes an object what it is, and an agent is defined as an intentional individual who can set up goals and try to achieve them (Danermark et al., 2002). Critical realism carefully separates structure and agency by considering them as two ontologically different but related domains of reality (Danermark et al., 2002; Leca & Naccache, 2006). This separation allows us to logically discuss their interactions and effects on each other (Volkoff et al., 2007), which also sets critical realism apart from structuration theory (Mole & Mole, 2010). First, critical realism posits that structures can emerge from human agency (as lower level entities) and therefore receive new properties which cannot be reduced to the properties of human agency. For example, a company's organisational structure allows it to possess causal power to conduct mergers and acquisitions, which however cannot be reducible to any specific individual's actions. Second, as structures are nested within structures, both structure and agency can possess different causal powers and relative autonomy (Bhaskar, 1979). However, this does not mean that social structure and agency are unrelated. In critical realism, human agency always occurs in a pre-structured social world. Bhaskar (1998b: xvi) suggests that "agents are always acting in a world of structural constraints and possibilities that they did not produce. Social structure, then, is both the ever-present condition and the continually reproduced outcome of intentional human agency". Starting from this understanding, structure can be the social structure where human agency is embedded, or contextual conditions which provide constraints or possibilities for human agency, or the outcomes of human agency at a higher level. In other words, structure can exist at different levels (Danermark et al., 2002). In order to minimise confusion in this study, I use the term "*context*" to broadly refer to the social structure at a macro level which includes, but is not limited to, formal and informal institutions (North, 1990). I use "*guanxi*" to refer to the social structure as a system of concrete social relations at an

individual level (Granovetter, 1985); and I use “*constituents*” as the higher level outcomes of SE opportunity structures.

4.6 Chapter summary

In this chapter, I propose that critical realism can provide an alternative philosophical stance to better explain the co-existence of structure and agency in the emergence of SE opportunities. The aims of this chapter were firstly to introduce some of the principal features of critical realism, and secondly to further explain why critical realism can be seen as a suitable vehicle of studying SE opportunities. To do this, this chapter provided a general overview of the origins and the transcendental realist and critical naturalist roots of critical realism, including its basic ontological and epistemological assumptions. In general, the critical realist ontology considers reality as a stratified and open system of emergent entities, which exists independently of individuals’ observations and perceptions. Specifically, reality exists in three domains, the domain of “empirical” that consists of human experiences of events, the domain of “actual” that consists of actual events, and the domain of “real” that consists of structures, causal powers and generative mechanisms. The relations between the three domains have been illustrated such that “events in the domain of the actual that occur, because a mechanism is exercised, are not necessarily perceived as experiences in the domain of the empirical.” (Wynn & Williams, 2012: 790). Furthermore, reality exists in an open system which is beyond our direct control, and which constantly changes depending on conditions and context. Through the activation of causal powers and generative mechanisms, entities can emerge at a higher level from the interactions of lower level entities. The higher level entities possess new properties which cannot be reduced to the lower level entities.

This chapter discusses the epistemological positions of critical realism in terms of conceptual abstraction and causality. First, critical realism proposes several assumptions regarding the relations between different entities: substantial and formal, internal and external, symmetrically and asymmetrically necessary. To obtain knowledge about a social event, researchers have to abstract the constituents of a social event through the identification of internal and necessary relations, while discarding external and formal relations. Second, causality in critical realism does not refer to the regularity of causation in a quantitative sense, but to discovering the tendency of what causal powers

or general mechanisms exist and how the underlying structures and mechanisms affect outcomes. This chapter has also mentioned the potential of considering *guanxi* (social networks) as the social structure where SE opportunities are nested, and the potential of using social capital theory to explain the connectedness between individuals in SE opportunity emergence. Finally, this chapter concluded that critical realism as a coherent and rigorous philosophy can provide an alternative philosophical stance to address the effects of both structure and agency in SE opportunities. The next chapter will discuss the research methodology informed by critical realism and explain how the methodology is applied to my empirical study on SE opportunities.

CHAPTER 5: Research Methodology Informed by Critical Realism

5.1 Introduction

As a coherent and rigorous philosophy, critical realism also provides important implications for research process and methods (Easton, 2010). The basic methodological argument in critical realism is that the choice of research methods should be consistent with the nature and objectives of the study (Danermark et al., 2002). In the previous chapter, I have introduced the principal ontological and epistemological features of critical realism. The basic ontological assumption in this study is that SE opportunities are stratified realities located in the domains of empirical, actual and real. These three domains are not always directly observable but they are causally related. In addition, causality in critical realism does not refer to the consistent regularities of causation or repeated observations in a quantitative sense. Causal explanation is actually a matter of forming conjectures about the existence of structures, causal powers and general mechanisms based on observations and existing theories.

Based on this assumption, the main objective of study is to provide causal explanations by uncovering the hypothesised existence of structures, causal powers and mechanisms to explain why a SE opportunity as a social event is likely to occur. In critical realism, the methodology used to achieve this objective is guided by a form of inference called “retroduction” which is distinctive of traditional “inductive” and “deductive” forms of inference. Although there are a few academic attempts of applying critical realist retroductive methodology to the field of entrepreneurship (e.g. Matthyssens et al., 2013), the use of critical realism in the field still remains limited. Therefore, discussions in this chapter are also informed by studies in the fields of information system and organisation studies, where critical realism is more frequently applied empirically (e.g. Leca & Naccache, 2006; Bygstad, 2010; Henfridsson & Bygstad, 2013; Meyer & Lunnay, 2013; Williams & Karahanna, 2013). In this chapter, I employ a three-step retroductive research design which is guided by critical realist methodological principles. Furthermore, qualitative methods are chosen to suit the retroductive research design, including semi-structured interviews, observation, informal conversation and

document analysis in 29 SE cases. The reasons are two-fold. First, critical realism rejects positivism's preoccupations with explanation, prediction and generalisation based on consistent regularities. Second, critical realists also hold the view that social events have to be understood, not quantitatively measured. Therefore, critical realism has a preference for qualitative methods (Ackroyd & Fleetwood, 2000).

This chapter proceeds as follows. I first describe and justify the retroductive mode of inference, the choice of qualitative methods, and overall the three-step research design based on the methodological principles of critical realism. Then the sampling and data collection method are introduced. After that, I describe the three-step research procedure in greater detail. The "explication of events" step focuses on the description of SE opportunities based on the participants' experiences, and the theoretical re-description and abstraction of SE opportunity as an abstract social event. The "retroduction" step involves hypothesising the possible mechanisms or structures capable of generating the experienced SE opportunities. A preliminary hypothetical framework is presented where *guanxi* and social capital are selected to represent the social structure and its inherent causal power, respectively. The "empirical corroboration" step further tests, develops and refines the hypothetical framework. The effects of different dimensions of social capital on SE opportunity emergence were examined and analysed comparatively in order to reveal the generative mechanisms.

5.2 A critical realist explanatory research design

5.2.1 Retroduction as a form of inference

The main objective of a critical realism-informed study is to "use perceptions of empirical events to identify the mechanisms that give rise to those events" (Volkoff et al., 2007: 835). To do this, critical realism adopts a form of scientific inference called "retroduction" (Bhaskar, 1978), in which "events are explained by postulating (and identifying) mechanisms which are capable of producing them" (Sayer, 1992: 107). This explanatory approach requires very distinct methodological features to those in "inductive" and "deductive" research (Blundel, 2007). In general, induction requires moving from a number of similar observations to empirical generalisations and theories, while deduction adopts a "top-down" approach and moves from general theories and existing variables to a conclusion about these variables' implications in repeated

empirical observations. For a critical realist, both forms of inference are concerned with “movements at the level of events from the particular to the general and vice versa” (Easton, 2010: 122). But retroduction requires researchers to move “backwards” from the experiences and descriptions of an unexplained phenomenon that is of interest to us (domain of empirical), to a different and deeper level of reality (the domain of real) which makes the phenomenon possible. As the domain of real is not always directly observable, researchers have to propose *hypothetical* structures, causal powers and generative mechanisms which might explain the focal phenomenon (Bygstad, 2010; Zachariadis et al., 2013). However, while critical realism accepts that knowledge is always fallible, there are always possibilities that the hypothetical structures, powers and mechanisms do not generate expected effects in the open social system. Therefore, researchers should aim to eliminate false hypotheses by testing the effects of the hypothetical structures, powers and mechanisms empirically. Furthermore, different researchers may also provide competing explanations to the same phenomenon, such as nexus theory and effectuation theory, so there is always a need to carry out research to eliminate or support some of the alternative explanations. Mingers et al. (2013: 797) summarise the retroductive methodology as ‘DREI’: “*describe* the events of interest; *retroduce* explanatory mechanisms; *eliminate* false hypotheses; *identify* the correct mechanisms”. This is the methodology I follow in this study. The rest of this section discusses what methods are suitable for this study and the research steps based on the DREI methodology.

5.2.2 Quantitative vs. qualitative research methods³

In the previous chapter, I have discussed that the distinctive feature of causality in critical realism is that causal explanation is not based on the regular or repeated occurrence of observable patterns, but is a matter of discovering the tendency of how structures, causal powers and generative mechanisms affect outcomes (Sayer, 1992). As a result, the use of quantitative methods in critical realism can be somewhat problematic. First, the problem lies in the basic question about what kind of research objects can be

³ Because quantitative and qualitative methods are traditionally linked to different methodological and ontological perspectives of which critical realism is sceptical, some critical realists use “extensive” and “intensive” methods to refer to “quantitative” and “qualitative” methods, respectively (e.g. Sayer, 1992; Danermark et al., 2002). But for the purpose of this study, I still use the terms “quantitative” and “qualitative” in order to keep them consistent with the literature regarding research methods in entrepreneurship and management in general.

quantified. Sayer (1992) argues that practically adequate forms of quantifying an object can only be achieved when the object is “qualitatively invariant”. In other words, the object can be broken up and recombined without affecting its nature, it can be measured regardless of time and space and we can know that we are measuring the same thing. But these are more likely to occur in a close system in natural science rather than social sciences, as critical realists view the closed system as problematic in social sciences because the social world is open, complex and stratified (Bhaskar, 1978, 1979). Second, critical realists hold the view that the nature of an object is associated with structures, causal powers and generative mechanisms, not with the regularities (Bygstad, 2010). It is very difficult to use quantitative summaries and correlations between entities to uncover the nature of the object which is far from apparent, since quantitative methods are in general based on regularities or repeated observations (i.e. domain of empirical), and the role of quantitative methods is largely descriptive (Zachariadis et al., 2013). In the field of entrepreneurship, a similar view is also held by some scholars who criticise that “the ‘numbers’ do not seem to add up to what would seem to be a coherent story of what we believe to be the nature of entrepreneurship” (Gartner & Birley, 2002: 388). I believe the same criticism can be applied to the use of quantitative methods in studying the nature of SE opportunities from a critical realist perspective. As a result, critical realism “rejects positivism’s preoccupations with prediction and (often inappropriate) quantification and measurement. For CR (critical realism), social events can, often with great difficulty, be understood, but not often (meaningfully) measured, hence its preference for qualitative methods” (Ackroyd & Fleetwood, 2000: 72).

In contrast to quantitative methods, the use of qualitative methods informed by critical realism is more profound. Zachariadis et al. (2013) suggest that qualitative methods are “epistemologically valid”. As discussed in the last chapter, the social world consists of multiple and dynamic relationships in an open system where human agency plays a determining role (Sayer, 2000). Because of the existence of unidentified conditions, tacit skills, unconscious intentions and consequences in human agency, the interpretation and understanding of human actions becomes essential in understanding a social event. Compared to quantitative methods, qualitative methods are more capable of describing a phenomenon, constructing hypotheses, and producing situated analytical explanations (Zachariadis et al., 2013). Therefore, they are more useful in uncovering the hidden structures, causal powers and generative mechanisms.

Furthermore, Danermark et al. (2002) argue that the suitability of research methods should be determined by the nature and objectives of the study. In this study which explores a relevantly new social event, it can be argued that qualitative methods are more powerful than quantitative methods for at least two reasons. First, qualitative methods involve less closure than quantitative methods (Zachariadis et al., 2013). In other words, qualitative methods allow researchers to “ask broad, open-ended questions and remain intimately connected with the phenomenon of study, qualitative methods are uniquely positioned to generate new insights and to build new theory” (Suddaby et al., 2015: 9). Second, the use of qualitative methods can contribute to the advancement of entrepreneurship research without being constrained by the “ideational ruts and cul-de-sacs of prior theories” (Suddaby et al., 2015: 2). In Chapter 3, I have discussed that recent theoretical advancement in entrepreneurial opportunity research has shown the need to transcend existing discovery/creation dichotomy and incorporate both structure and agency in explaining SE opportunities. Therefore, it is important that we are not constrained by existing opportunity discovery and creation theories in order to generate new insights into the nature of SE opportunities. Qualitative methods can help to address this issue, as they have been traditionally employed to develop new theories and study new or relatively undefined social events such as SE opportunities (Suddaby et al., 2015).

5.2.3 A three-step case study design involving retrodution

5.2.3.1 The choice of a case study approach

In order to capture the unobservable, internal structure of entrepreneurial opportunities, research methods should allow the voices of different types of social relations, formal or substantial, internal or external, and also enable us to develop theoretical understandings from experiences. Therefore, informed by the DREI methodology based on critical realism, I choose a multi-case study approach which is particularly useful in the explanatory research which addresses the “how” and “why” questions (Yin, 2009). Although Bhaskar does not recommend a specific research method, a case study is often considered as the best research approach to conduct critical realist research (Easton, 2010; Wynn & Williams, 2012; Kessler & Bach, 2014). Danermark et al. (2002) suggest that qualitative methods in critical realism can be summarised as having four principal features: a case study design, study of the cases in their context, emphasis on

understanding, and generating theories, hence the preference to case study. Yin (2009: 18) defines case study as a two-fold research method:

1. *“A case study is an empirical inquiry that
o investigates a contemporary phenomenon in depth and within its real-life context, especially when
o the boundaries between phenomenon and context are not clearly evident.*
2. *The case study inquiry
o copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
o relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
o benefits from the prior development of theoretical propositions to guide data collection and analysis.” (Yin, 2009: 18)*

Starting from this definition, case study as a research strategy can be used to understand complex and dynamic relations and interactions within single or multiple settings (Eisenhardt, 1989). When applied to critical realism, case study is considered a research approach which is useful to “explore entities in context and to reveal underlying causative or generative mechanisms which reflect the interaction between structure and agency at different levels” (Kessler & Bach, 2014: 183). Through in-depth case analysis, critical realist researchers can thoroughly examine different cases as a set of internally stratified entities, while teasing out causal relations to reveal deeper structure, causal powers, generative mechanisms and influential conditions (Kessler & Bach, 2014). When applied to entrepreneurship, a case study approach can help to interpret, accumulate and organise different cases and settings, which allows researchers to achieve a holistic understanding that transcends individual (social) entrepreneurs’ experiences (Rauch et al., 2014). This is in line with the demand by critical realism that researchers must observe actors’ actions and practices beyond the discourses they develop. When studying SE opportunities, researchers have to uncover the structures, causal powers and generative mechanisms, while also explaining the co-existence and complex relations between structure and agency which are far from transparent. A case study approach based on critical realism is well-suited for this purpose.

5.2.3.2 A three-step explanatory research process involving retrodution

Easton (2010: 119) describes critical realist case study as an iterative research process that involves “investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description”. Similarly, Zachariadis et al. (2013: 866) describe the DREI methodology of critical realism as a “a creative process with different phases that involve different types of activities”. There are a number of studies proposing various research designs, guidelines and sequences of research actions of implementing the DREI methodology (e.g. Danermark et al., 2002; Wynn & Williams, 2012; Zachariadis et al., 2013). While there is not a dominant critical realist case study research design, I identify three research activities as the most important research steps in these studies: explication of events, retrodution, and empirical corroboration (Table 5.1). These three steps of research activities provide practical methodological guidelines for this study.

Research Activities	Wynn and Williams (2012)	Danermark et al. (2002)	Zachariadis et al. (2013)
<p>Explication of events Description, identification, and abstraction of the composite social event under study from experiences.</p>	<ul style="list-style-type: none"> • Explication of events 	<ul style="list-style-type: none"> • Description • Analytical resolution 	<ul style="list-style-type: none"> • Description
<p>Retrodution Developing hypotheses about the possible social structures, causal powers and generative mechanisms which are informed by existing theories.</p>	<ul style="list-style-type: none"> • Explication of structure and context • Retrodution 	<ul style="list-style-type: none"> • Theoretical redescription • Retrodution 	<ul style="list-style-type: none"> • Retroductive analysis
<p>Empirical corroboration Examining, testing and verifying the proposed structures, causal powers and generative mechanisms in empirical situations.</p>	<ul style="list-style-type: none"> • Empirical corroboration 	<ul style="list-style-type: none"> • Abstract comparison • Concretisation & contextualisation 	<ul style="list-style-type: none"> • Assessment & elimination
	<ul style="list-style-type: none"> • Triangulation & multimethods 		<ul style="list-style-type: none"> • Action

The first step, *explication of events*, focuses on the description, identification and abstraction of the composite social events under study, which serves as a foundation for understanding what really happened in the social events (Wynn & Williams, 2012). An explanatory critical realist case study normally starts in the domain of empirical (Danermark et al., 2002). As experiences can be perceived both by the researcher and by the participants, researchers can describe the composite events or social phenomena by making use of everyday concepts. Wynn and Williams (2012: 798) suggest that a detailed and thick description of the observed experiences is essential for identifying “physical and social structure, agency, and the contextual environment that are causally relevant”. However, as social events occur in a complex open system where various structures, powers, mechanisms and contingencies interact with each other, it is impossible for researchers to examine every possible aspects of a social event. Therefore, researchers have to make decisions to identify and select certain components of the social events but not others. Critical realism encourages researchers to “regard all data as situated in a point of view (i.e., focusing on one or another aspect of some event) which helps to devise the initial design and consider gaps in the corpus of data that needs to be collected in order for the research to be systematic” (Zachariadis et al., 2013: 866). Through the identification of certain aspects of a social event, researchers can make decisions about which sources of data to choose and how to conduct comparative analysis. In a qualitative case study, the sources of data can be interviews, observations and archives (Eisenhardt, 1989). Empirically observed experiences which are identified, selected and empirically measured by researchers are “abstracted to allow the researcher to describe and explicate in detail those events believed to have actually occurred” (Wynn & Williams, 2012). Here research activities move from the domain of empirical to the domain of actual. The abstraction of experiences forms the foundation of causal analysis in critical realist methodology. This step of research can be informed by existing theories in the relevant field of interest, which helps researchers to shape the theoretical description of the social event (Zachariadis et al., 2013).

The second step, *retroduction*, involves “hypothesising about the possible mechanisms or structures capable of generating the phenomena that have been observed, measured, or experienced” (Zachariadis et al., 2013: 866). Specifically, during this step of research, researchers interpret and theoretically redescribe the different aspects of the focal social event identified in the last step, and develop propositions about social structures, causal

powers and generative mechanisms that are used in the following step of empirical investigation. This phase of research activity starts with asking the question: “What is it about the structures which might produce the effects at issue?” (Sayer, 1992: 95). To answer the question, researcher should identify different aspects of social and physical structures and the contextual environment which are causally relevant, normally from participants’ own experiences into theoretical perspective (Williams & Karahanna, 2013). The term “causally relevant” means that the social structure researchers aim to identify should not only be useful in potentially explaining the social events, but should also be articulate and durable. According to Sayer (1992: 95), the most durable social structures are “those which lock their occupants into situations which they cannot unilaterally change and yet in which it is possible to change between existing positions”. This step of research then requires researchers to identify and elaborate on causal powers inherent in the identified social structure. It also requires researchers to link the causal power to the social event under study, which helps to identify causal mechanisms (Wynn & Williams, 2012). Existing theories or theoretical explanations play an essential role during this process. Wynn and Williams (2012) suggest that retrodution is a creative research process where researchers may develop or propose multiple explanations. As human knowledge is always theory-laden (Sayer, 1992), different theories “can and should be presented, compared and possibly integrated with one another” in order to develop the propositions (Danermark et al., 2002: 110). However, because human knowledge is also fallible (Sayer, 1992), one theory may not always be sufficient to explain the social event under study. Sometimes it requires different complementary theories (e.g. nexus theory and effectuation theory) to be tested empirically in order to achieve analytical stability of the explanatory power of propositions (Danermark et al., 2002). Therefore, this phase of research is likely to consist of “thought trials”(Weick, 1989) which involve constant comparison and iterative reflection between the literature, data, and propositions (Zachariadis et al., 2013).

The third step, *empirical corroboration*, examines and tests the hypothetical structures, causal powers and generative mechanisms in empirical situations. Specifically, researchers seek to “use data from observations and experiences to ensure that the proposed mechanisms adequately represent reality, and have both sufficient causal depth and better explanatory power than alternative explanations for the focal

phenomenon” (Wynn & Williams, 2012: 801). Research activities are conducted with three objectives. The overall objective is to provide actual explanations of observed or experienced social events (Danermark et al., 2002). The second objective is to interpret, verify and assess the meaning of proposed structures, powers and mechanisms in an empirical context (Danermark et al., 2002; Zachariadis et al., 2013). In the last step, hypotheses about the structures, powers and mechanisms are developed and identified as a potential explanation of the social event. While these are only hypotheses about the domain of the real which are not necessarily observable, researchers can form beliefs in their existence through the observation of their effects (domain of empirical) (Bhaskar, 1978). Empirically, Wynn and Williams (2012) suggest that the effects can be examined through assessing multiple participants’ experiences and perspectives of the observed events, and through evaluating to what extent the hypotheses can be supported across multiple participant experiences and perspectives. The third objective is to affirm that the hypotheses have better explanatory power than alternative explanations (Wynn & Williams, 2012). As supplementary theories may be used in the retrodution process, it is the researcher’s task to identify which explanation is more accurate in the given context (Bhaskar, 1978), and to critically assess or eliminate other explanations (Zachariadis et al., 2013). Bhaskar and Lawson (1998: 5) describe this as a process where “the reality of the mechanism so retroduded is subsequently subjected to empirical scrutiny, and the empirical adequacy of the hypothesis maintained compared to that of competing explanations”. Furthermore, researchers should also try to identify the necessary conditions in which the causal powers can generate the social event (Zachariadis et al., 2013). This can help us to better understand how generative mechanisms are enacted (Wynn & Williams, 2012).

These three steps of research provide a practical guide for carrying out empirical research in this study. But these methodological principles do not suggest a linear, step-by-step research procedure. Rather, any critical realist research involving these steps should be considered as an iterative process of data collection and analysis (Williams & Karahanna, 2013; Zachariadis et al., 2013). Informed by these methodological principles, a three-step research design is developed accordingly, which involves constant moving between different steps until the explanation is sufficiently clear and comprehensive. In the following sections, I firstly outline the methods used for sampling and data collection. Then I further describe in greater detail how these

methodological principles are applied to the current study. The specific methodological choices in terms theoretical perspectives and data analysis methods are discussed and justified by the research purpose in each step.

5.3 Sampling and data collection

5.3.1 Sampling

In this study, 36 organisations were examined, including 22 social enterprises, two for-profit social businesses (case 11, 19), five NPOs (case 10, 12, 14, 17, 23), and six supporting organisations (case S1-S6). The 22 cases of social enterprises are identified based on the three integral elements of SE discussed in Chapter 2: social change orientation, market orientation, and sustainability orientation. Appendix 5.A shows a composition of the participants with regard to the number of participants and sectors. Sampling in this study is a continuous and iterative process (Lee & Lings, 2008). It combined purposeful random sampling in the pilot study, and maximum variation and snowball sampling strategies (Patton, 1990) in the main empirical study.

Before the “explication of event” step, the empirical research started with an exploratory pilot study in order to develop empirical research questions, to test the research methods and interview guide. Most importantly, the pilot study was carried out to help me develop initial beliefs about possible social structures, causal powers and generative mechanism that led to the emergence of SE opportunities. The pilot study was guided by a broad research question: How are SE opportunities formed?

Because a hypothetical framework about the social structures, causal powers and generative mechanisms had not developed before the study, the purposeful random sampling seemed to be the most appropriate way to select participants. Purposeful random sampling allows researchers to randomly select a small sample from a larger number of cases (Neergaard, 2007). Patton (1990) suggests that purposeful random sampling does not permit statistical generalisation as the small sample is not representative. However, because the small number of cases is randomly selected “*in advance of knowledge of how the outcomes would appear*” (ibid: 180), it can increase the credibility of the results compared to purposive case selection after the outcomes are revealed. Therefore it is suitable for the purpose of the pilot study. In the pilot study, 3

social enterprises (Case 1-3) were randomly selected from the case pool on the British Council (China) website. The British Council (China) was one of the pioneering organisations as well as social venture capitalists facilitating SE education and practice in China, through its Skills for Social Entrepreneurs Programme and competitions for social enterprises. In entrepreneurship studies, it is not unusual to select participants from the lists provided by venture capitalists or from award winners in competitions for entrepreneurs. For example, in her study on expert entrepreneurs, Sarasvathy (2008) selected participants from a list of the 100 successful entrepreneurs provided by a venture capitalist, and from another list of award winners of a national competition sponsored by Ernst & Young. I initially contacted the participants by email. Participant 1-1 and 2-1 responded my email very quickly so the interview dates and time were set up. Participant 3-1 at first disagreed to take part, but then changed her mind after I was referred by one of her colleagues. All of the participants were informed about the purpose of this study, and they provided consent to take part on the basis that the data would only be used for this study in an anonymous format.

The pilot study on the three cases helped to further develop the interview guide (Appendix 5.B), empirical research questions, and focus (Table 5.2 in Section 5.4), which contributed to the further empirical examination of three aspects of SE opportunities, namely seed venture ideas, social entrepreneurial action, and social and market interaction. Details of the empirical examination are discussed in Section 5.4 in this Chapter. Furthermore, the pilot study also shed light on the potential existence of the social structures, causal powers and generative mechanisms which led to the emergence of SE opportunities in the three cases studied. First, I found that *guanxi* played a fundamental role in the process of developing SE opportunities and eventually social enterprises. All the three entrepreneurs established a wide range of inter-personal and inter-organisational *guanxi* with various stakeholders. Second, social entrepreneurs' professional networks and experiences affected the skills and knowledge needed before starting up a social enterprise, and affected the sectors they entered. Third, cooperation between social entrepreneurs and other organisations was likely to be based on mutual obligations, reciprocity and trust. Finally, social entrepreneurs received various support from their *guanxi* in terms of financial resources, human resources and information. These preliminary findings led to the development of an initial hypothetical framework

which was then developed, revised and tested continuously during the rest of the study. Details of the hypothetical framework are discussed in Section 5.5.

In order to test and further develop the hypothetical framework, more cases were chosen by using the maximum variation sampling strategy, which is one of the most popular sampling strategies in entrepreneurship research (Neergaard, 2007). The maximum variation sampling strategy is a sub-category of purposeful sampling, it “aims at capturing and describing the central themes or principal outcomes that cut across a great deal of participant or program variation” (Patton, 1990: 172). This sampling strategy was well suited for this study as the study required rich description and theoretical re-description of the three aspects of SE opportunities. Furthermore, critical realist methodology encourages researchers to consider all data that focus on the three aspects SE opportunities (Zachariadis et al., 2013), hence the need for data variation. According to Patton (1990), the heterogeneity of a small number of cases can be considered a strength rather than a problem as “any common patterns that emerge from great variation are of particular interest and value in capturing the core experiences and central, shared aspects” (ibid: 172). He suggests that the diversity of a small number of cases can help to document the uniqueness of different cases through high-quality and detailed description, while allowing important shared patterns to emerge out of heterogeneity through cross-cases analysis. Consequently, such case diversity can provide important advantages for qualitative case studies and increase the robustness of the findings (Neergaard, 2007).

Following the maximum variation sampling strategy, the number of participants was expanded to include 19 more social enterprises (22 social enterprises including the pilot study cases), two for-profit social businesses, and five NPOs. Participating organizations were selected from two major social enterprise databases published online by the British Council in Beijing and Social Enterprise Research Centre in Shanghai. The for-profit business and not-for-profit organisations were identified as social enterprises in the databases, but they were re-categorised as for-profit businesses and NPOs according to the three SE orientations discussed in Chapter 2 (Table 2.2). They were still included in the sample because they could help me understand the reasons why entrepreneurs chose to set up for-profit social businesses and NPOs rather than social enterprises. In other words, these cases provided data on the non-occurrence of

SE opportunities. Critical realists believe that the non-occurrence of a social event may also provide useful insights into the conditions under which the generative mechanisms may not be exercised (Easton, 2010). Therefore, including these two types of cases in the sample could help me to identify the conditions under which SE opportunities are likely to occur or not. The 22 social enterprises were selected in a way that allowed diverse characteristics in terms of sector, size, gender of the founder, geographical location and background.

Another key sampling method I used was the snowball sampling. Snowball sampling is an approach for locating information-rich participants or important cases, normally through reference-based selection (Patton, 1990; Neergaard, 2007). Once the interviews were finished, the participants (including social entrepreneurs and staff from supporting organisations) were asked to suggest names of other social entrepreneurs. They were also asked to provide information about potential networking events they would consider attending. These networking events, including workshops and industrial conferences, turned out to be a very useful way of identifying new participants. Key names or social enterprises that were mentioned repeatedly were contacted to negotiate access, with the references from existing participants. The final number of cases was determined through continuously developing, testing and revising the hypothetical framework identified at the reproduction stage, until sufficient data was collected.

5.3.2 Data collection, translation and triangulation

Semi-structured interviewing was selected as the main data collection method in this study. For qualitative research, semi-structured interviewing is the most common data collection method, and it is “ideally suited to examining topics in which different levels of meaning need to be explored” (King, 2004: 21). Qualitative research interview was therefore suitable for this study which aimed to explore the different levels of realities of SE opportunities. As a popular data collection method, interviewing was also readily accepted by participants (King, 2004). It was therefore easier for me to get access to selected cases than using other data collection methods. Semi-structured interviews also helped me to ensure that important research areas were covered, while also encouraged the participants to provide additional information and discuss any issues they identified as being important to them. Compared to other types of interviewing methods, semi-

structured interviews can give researchers freedom to establish a more conversational style during interviewing (Patton, 1990; Easton, 2010). It therefore allowed the participants to speak more freely within existing themes or subjects and allowed me to explore unexpected topics introduced by the participants (Neergaard, 2005).

I conducted 45 semi-structured interviews, varying from 30 minutes to four hours. These included 29 interviews with the founders of the social enterprises, for-profit social businesses and NPOs, and 16 interviews with their employees and other key stakeholders such as customers, the leaders of supporting organisations (Appendix 5.A). The interviews were based on a standard semi-structured interview guide rather than a formal schedule of questions. The interview guide was constructed with subject areas derived from the hypothetical framework which was initially developed after the pilot study (Appendix 5.B). However, before each interview, the interviewees' general background, recent activities, awards and related media coverage were searched online. The interview guide was then specifically tailored to each interview. When SE became increasingly popular in China, many of the participants had been interviewed many times by different people with similar questions, such as their motivations of starting social enterprises. They were somewhat bored with these questions. Therefore it was extremely important to develop a tailored interview guide before each interview. It not only allowed me to avoid asking very basic and broad questions in which the participants were not interested, but also provided a good way of showing my respect to their past work and obtain their trust. However, in some cases I still asked the participants open questions regarding their previous experiences, their motivation and intentions to start up social enterprises, and the processes of starting up and running of their organisations. Furthermore, in order to increase the richness of the data, I used probes to follow up on any interesting points or to ask for more detailed information from the participants (King, 2004; Neergaard, 2005).

All the 45 interviews were tape-recorded, within which 24 interviews were transcribed verbatim and translated into English for detailed analysis, while the rest was partly transcribed and translated when necessary and used as supplementary data. Appendix 5.C provides an example of the interview transcription. The technique of back translation was used to test the accuracy of the translated data (Brislin, 1970). Back translation, despite its limitations in maintaining equivalence, is the most commonly

used technique in cross-cultural research to test the accuracy of the translation, to help identify errors in translation, and to enhance the validity, reliability and quality of the data (Douglas & Craig, 2007; Chidlow et al., 2014). The technique was particularly relevant and useful when studying SE in China as the translation of social enterprise was challenging. According to Zhao (2012), while Chinese become familiar with terms such as public good (公益) and philanthropy (慈善), they tend to associate the term enterprise 企业 with the pursuit of profit. As a consequence, the direct translation of social enterprise into 社会企业 (social business) is problematic, as it is difficult for the public to understand or accept that non-profit practitioners are seeking for profit. To avoid such an misunderstanding of the terms in this study, I sent my translation of both interview guide and interview transcriptions to two bilingual Chinese academics in the UK, and asked them to translate back into English (interview guide) and Chinese (interview transcriptions). The original and back-translated versions were then compared for differences and comparability, and I further discussed with both academics on the differences in order to prevent any distortions in meaning between different versions. The accuracy of the back-translated version was considered as an indicator of the accuracy of the original translation (Douglas & Craig, 2007)

Neergaard (2005) suggests that triangulation can help to improve the quality of qualitative studies. In the current study, triangulation of data was achieved via on-site observation, participant observation, informal conversations and documents. First, the participants were observed during semi-structured interviews in order to gain a better understanding of the actual meaning of their discourse which may go beyond their words. Field notes were taken when necessary. This was particularly important of conducting interviews with Chinese participants as they were likely to talk in an implicit manner. Probes were also used to elicit more details from the participants (King, 2004). Second, participant observation was another important method of data collection. I participated in 4 industrial conferences and workshops which some of the participants attended. I also spent approximately 23 hours participating in volunteering events, charity sales and meetings between the participants and their beneficiaries. I conducted a number of informal interviews and conversations on these occasions. Finally, secondary data was also included in this study, such as SE case studies from the Social Enterprise Research Centre and the British Council. All of the secondary data was

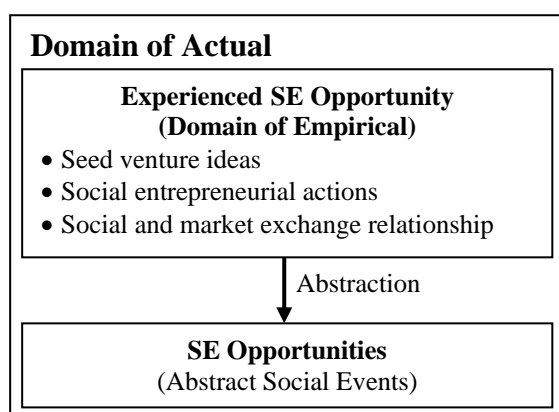
publically available online, but I used this mainly to confirm or disconfirm the interpretations I made during the data analysis.

5.4 Step one: explication of events

As discussed earlier, explication of events focuses on the description, identification and abstraction of the composite social events from experiences perceived by researchers and participants. Informed by existing theories, researchers should identify certain aspects of the social events under study and provide thick descriptions of the social event. It also requires researchers to abstract observed experiences which are identified, selected and empirically measured in order to provide explicate description of what has actually occurred.

When applied to the current study, this step of research involved the description of SE opportunities based on the participants' experiences, and the theoretical re-description and abstraction of SE opportunity as an abstract social event. As shown in Figure 5.1, data presentation and analysis at this stage moved from the domain of empirical to the domain of actual. It began with the description of SE opportunity, as an experienced social event, from its three dimensions discussed in Chapter 3: opportunities as happening, as expressed in actions, and as instituted in market structures (Dimov, 2011). Three units of observation, namely seed venture idea, SE action, and social and market exchange relationships, were identified accordingly in order to provide detailed description of an experienced SE opportunity in each case. Informed by nexus theory and effectuation theory, both discovery opportunities and creation opportunities in the cases studied were described in detail. After the description of experienced SE opportunities in the three dimensions in each case, I then moved on to the abstraction of SE opportunities. To do this, I dissolved the composite of SE opportunities by distinguishing the internal and necessary components through comparing and contrasting the data across different cases. The following sections further explain how this step of research was carried out.

Figure 5.1. Explication of SE Opportunities



5.4.1 Method of describing experienced social entrepreneurship opportunities

In Chapter 3, I have discussed that the nature of opportunities can be empirically examined based on three premises suggested by Dimov (2011): opportunity as happening, opportunity as expressed in actions, and opportunity as instituted in market structure. The first premise considers the notion of entrepreneurial opportunity as unfolding from a *seed venture idea*. The second premise considers entrepreneurial opportunities as expressed in entrepreneurs' *actions* pursuing the seed venture ideas. The third premise is concerned with market as a structure in which entrepreneurs' *exchange relationships* are embedded. I have also discussed that both the discovery and creation views include arguments on seed venture ideas, entrepreneurial actions and market exchange relationships.

In this study, I applied and expanded the three premises to the study of opportunities in social entrepreneurship. This modification was needed because the context of social entrepreneurship is somewhat different to the traditional commercial entrepreneurship context in which opportunities operate. In Chapter 2, I have discussed that the context of social entrepreneurship is different from traditional entrepreneurship because of its focus on social missions and social value creation, and also because social entrepreneurs may develop different perceptions of the market. Therefore, the three premises were revised in order to guide my empirical description of SE opportunities (Table 5.2). The first premise considered the notion of SE opportunity as unfolding from a *seed venture idea* of creating a social enterprise rather than a for-profit business or a NPO. The second premise considered SE opportunities as expressed in *social*

entrepreneurial actions pursuing both social and economic value creation, rather than entrepreneurial actions pursuing only economic value creation. The third premise considered SE opportunities as instituted in a market where both *social and market exchange relationships* were embedded. Based on the three premises, the seed venture idea, social entrepreneurial actions and social and market exchange relationships were identified as three units of observation of SE opportunities in each case studied. Finally, detailed description of the three units of observation in each case led to the important finding that SE opportunities can be discovered, created, or both discovered and created (Section 6.2 in Chapter 6). These findings helped to assign the cases studied into three broad categories: the discovery cases, the creation cases, and the organic cases. The description of the three categories of cases allowed me to conduct a cross-case analysis in order to abstract the actual constituents of SE opportunities (Section 6.3 in Chapter 6) and test my hypothetical framework at the “empirical corroboration” stage later (Chapter 7).

Table 5.2. Empirical Examination of SE Opportunities			
Opportunity	As Happening	As Expressed in Actions	As Instituted in Structures
Unit of Observation	Seed venture idea	Social entrepreneurial action	Social and market exchange relationship
Empirical Focus	Interactions between the social entrepreneur and environment	Social entrepreneurs’ resources, decisions, and purposes	Exchange relationships, stakeholders and partnerships

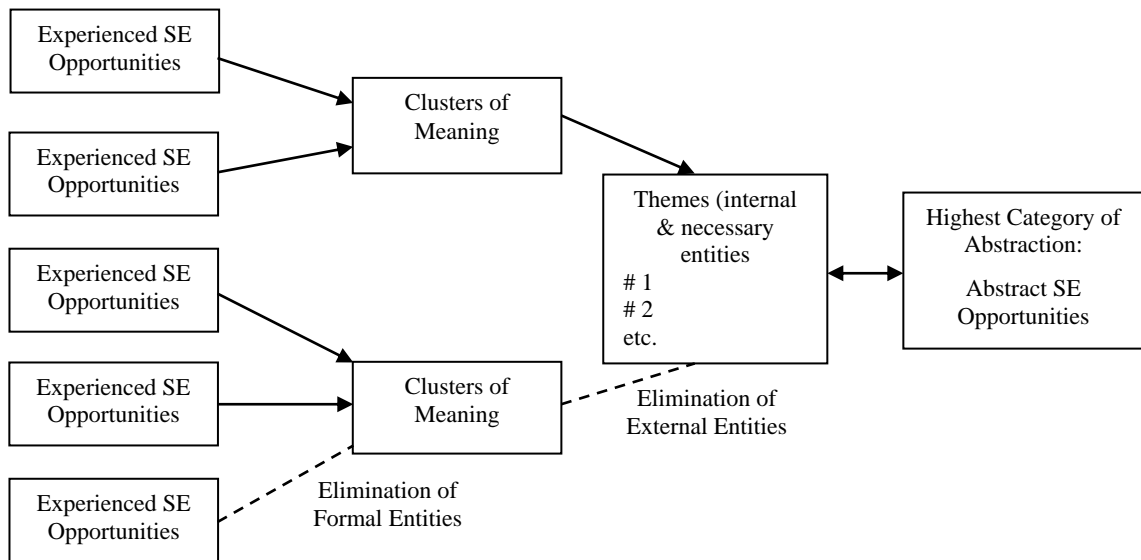
5.4.2 Method of abstraction from experienced social entrepreneurship opportunities

Abstraction is an important way of generating knowledge about SE opportunities from experiences. As discussed in Chapter 4, in order to reveal the nature of an object under study, researchers normally have to abstract the object from experience (Sayer, 1992). Critical realist abstraction is built around a key principle called *natural necessity* which requires a more rigorous and analytical method than other narrative-based approaches

and methods (Danermark et al., 2002; Blundel, 2007). Specifically, critical realism proposes several assumptions regarding the relations between different entities: substantial and formal, internal and external, symmetrically and asymmetrically necessary (Sayer, 1992). To develop a critical realist understanding of a social event, researchers have to separate “between those (relations) which are internal and necessary, and those which are external and contingent, for the phenomenon under study” (Danermark et al., 2002: 46).

When analysing the data, the abstraction of SE opportunities requires for the identification of internal and necessary entities and removal of external and unnecessary entities from experienced SE opportunities described at the “description” stage above. It specifically addresses a question: “what cannot be removed without making the object (i.e. SE opportunities) cease to exist in its present form?” (Danermark et al., 2002: 47). To answer this question, I used a comparative case analysis approach which was guided by a critical realist grounded theory process suggested by Kempster and Parry (2011) (Figure 5.2). According to them, grounded theory aims to “generate credible descriptions and sense-making of peoples’ actions and words that can be seen as applicable” (Kempster & Parry, 2011: 106). When informed by critical realism, it allows us to conduct hierarchical analysis from empirical data to codes, themes and a higher level of abstraction. Therefore, grounded theory analysis was well suited as a companion to the abstraction of SE opportunities in this study, which required moving from the experiences (domain of empirical) to the abstract of SE opportunities (domain of actual). It is however important to notice that grounded theory was treated as a data analysis method underpinned by critical realist ontology in this study, rather than a separate research methodology that followed a restrictive set of rules. To facilitate the process, I used NVivo 10 to code interview data, as the software “clearly makes it possible to carry out very complex coding of texts into categories of meanings or nodes and to show, shape, filter, assay, slice and dice the data in various ways” (Johnstone, 2007: 115).

Figure 5.2. The Process of Abstraction in this Study



Source: revised from Kempster and Parry (2011: 116)

As shown in Figure 5.2, my data analysis began with the identification of clusters of meanings based on the participants’ description of their experiences of SE opportunities. Critical realism claims that participants’ everyday knowledge and concepts present essential information about the social event under study, therefore they should be treated as the very starting point of research process in analysing and explaining the social event (Danermark et al., 2002). So the data were read and categorised into codes which were developed from participants’ everyday knowledge and concepts, such as “social needs” and “resources”. However, it has also been argued that “everyday concepts at the same time must be surpassed and surveyed in a theoretical form at a more general level – otherwise no new knowledge has been added” (Danermark et al., 2002: 37). So the next step of data analysis involved organising the everyday concepts by theoretical themes, which then became a set of integrative categories. The identification of themes and integrative categories involved an iterative process of data collection (in the pilot study and main empirical study), coding, analysis and adjustment. Comparative case analysis was used at different stages of the process. First, I compared different descriptions of experienced SE opportunities, which resulted in the elimination of entities which had formal relations with SE opportunities. As mentioned in Chapter 4, formal relations are unrelated connections to the nature of SE opportunities. Here several characteristics which were shared between participants, such as age, gender and industry, were considered as something formal because they were not particularly

related to the occurrence of SE opportunities. Second, I compared the clusters of meanings across different cases, which resulted in the removal of external relations which were relevant but contingent upon the existence of SE opportunities. For example, entrepreneurial alertness was found to be necessary for social entrepreneurs in the discovery cases to identify correct information which led to SE opportunities, it was not found in the creation cases. In other words, entrepreneurial alertness was not necessary for the existence of SE opportunities, it was therefore considered as an external entity. Finally, I also compared and summarised themes, which resulted in the definition of three major integrative categories describing the abstraction of “SE opportunity”. I named the three categories “unjust social equilibrium” (USE), “social entrepreneurs’ beliefs behind their actions” (SEB), and “social feasibility” (SF).

To demonstrate the abstraction process, I use an extract from a participant talking about his experiences in forming the seed venture idea:

“I think it was just by chance. First when I was doing volunteering in 2003, it was related to rural education. Then I love travel, and many of my friends love travel, too. I also heard from my friend about the story of volunteering teacher. So it was like that, I just wanted to do something (to improve education in remote villages and then everything happened without expectation).” (Participant 5-1, founder, rural education)

In the above quote, I identified a number of clusters of meanings:

1. Past experiences (volunteering)
2. Industry (rural education)
3. Personal interest (travel)
4. Intention (wanted to do something)
5. Social need (the need to improve education in remote villages)

Through comparative case analysis, “industry” and “personal interest” were firstly considered as external entities, as the existence of SE opportunities could not be attributed to any particular industry or personal interest. I also adjusted coding during data analysis in order to fit the data of other cases. Past experiences” was thus re-coded

as “beliefs based on past experiences and knowledge”, and “intention” was re-coded as “intentions towards social entrepreneurship”. These two clusters of meanings contributed to the emergence of the major theme “SEB”. “Social need” was recoded as “contextual enablement”, which contributed to the emergence of another major theme, “USE”.

5.5 Step two: retrodution

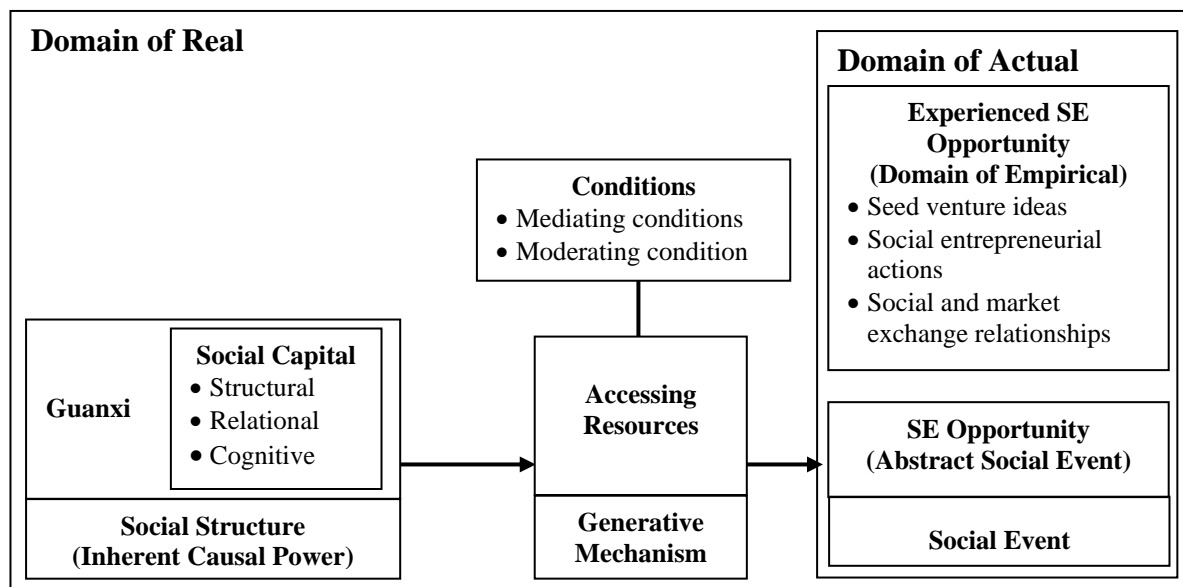
5.5.1 A hypothetical causal explanation of social entrepreneurship opportunity emergence

The second step, retrodution, involved “hypothesising about the possible mechanisms or structures capable of generating the phenomena that have been observed, measured, or experienced” (Zachariadis et al., 2013: 866). Starting with the question “what is it about the structures which might produce the effects at issue” (Sayer, 1992: 95), this step of research aimed to provide preliminary causal explanations of the emergence of SE opportunities. As described earlier in this chapter, a pilot study was carried out in order to explore the potential existence of the social structures, causal powers and generative mechanisms which led to the emergence of SE opportunities. First, I found that guanxi played a fundamental role in the process of developing SE opportunities and eventually social enterprises. Second, social entrepreneurs’ professional networks and experiences affected the skills and knowledge needed before starting up a social enterprise, and affected the sectors they entered. Third, cooperation between social entrepreneurs and other organisations was likely to be based on mutual obligations, reciprocity and trust. Finally, social entrepreneurs received various support from their guanxi in terms of financial resources, human resources and information. Based on my critical realist positions discussed in Chapter 4 and the preliminary findings, I developed an initial hypothetical framework where guanxi was considered as the social structure, while social capital was considered as the inherent causal power in guanxi (Figure 5.3). The hypothetical framework was then continuously developed, revised and tested during the rest of the study. It also involved constant comparison and iterative reflection between the literature, data, and propositions (Zachariadis et al., 2013).

As shown in Figure 5.3, the hypothetical framework consists of three hypotheses. As a starting point, the first hypothesis is that guanxi is a basic and durable social structure in

China. Second, social capital is seen as the inherent causal power in guanxi that exists regardless of whether it is exercised or unexercised (Bhaskar, 1978; Fleetwood, 2009; Zachariadis et al., 2013), and it can be exercised under certain conditions. This critical realist stance is in line with research findings from the entrepreneurship literature suggesting some forms of social capital, such as strong ties, could remain “latent and dormant” within the network unless they are exercised and manifest through actions (Jack, 2005). Third, social capital acts as a *potential* rather than an actual resource embedded in guanxi. This is also in line with the argument in the literature that social capital can be seen as a medium for access to entrepreneurial resources rather than a particular type of resource (Bowey & Easton, 2007). These hypotheses are supported by existing literature in the areas of social capital, entrepreneurship and critical realism. The rest of this section further justifies the selection of guanxi and social capital in explaining the emergence of SE opportunities and clarifies how they are used in this study.

Figure 5.3. A Hypothetical Causal Explanation of SE Opportunity Emergence



5.5.2 The selection of theories

Existing theories played an essential role in the retrodution process. Wynn and Williams (2012) suggest that retrodution is a creative research process where researchers may develop or propose multiple theoretical explanations. Therefore, it is essential for researchers to evaluate and compare the explanatory power of different

theoretical explanations, and finally to select theories which may most accurately represent the “domain of real” given our existing knowledge (ibid). This is described as judgemental rationality in critical realism (Bhaskar, 1998b). Despite the subjective nature of theory selection, Walsham (2006) suggests that there are still some general guidelines that researchers should follow in selecting theories. According to him, researchers should “choose theories which they feel are insightful to them” (ibid: 325). More specifically, the choice should be made based on the researchers own research interests, experiences and backgrounds, and on how the theories are relevant to the research topic and the empirical data. Following these guidelines, this study combined guanxi and social capital perspectives, as causally relevant social structure and causal power, in order to add new insights into the explanation of the emergence of SE opportunities. The choice of guanxi and social capital theory was based on my preliminary findings in the pilot study. It was also based on my experiences as a Chinese researcher, which helped me to really understand the social dynamics in China when interpreting data. More importantly, the two theoretical perspectives were selected because I believed that they potentially had the power to most accurately explain the emergence of SE opportunities, and that they were also suitable for use in a study informed by critical realism. However, because human knowledge is fallible (Sayer, 1992), one theoretical explanation may not always be sufficient to explain the social event under study. Therefore, it is possible that the causal explanation suggested in this study may not be the only explanation of SE opportunity emergence. There can always be alternative explanations which may be explored in future research.

5.5.3 Guanxi as the most durable social structure in China

5.5.3.1 The selection of guanxi

The term “guanxi” is used in this study to broadly refer to social networks in China (Gold et al., 2002; Barnes et al., 2011). In Chapter 2, I have discussed that guanxi provides an essential social context for entrepreneurial activities in China. It has been argued in the literature that guanxi influences people’s social attitudes and business practice (Zhang & Zhang, 2006), reduces uncertainties (Xin & Pearce, 1996; Puffer et al., 2010), facilitates partnership building and cooperation between companies (Peng, 2002), provides surviving conditions and improves firm performances through resource allocation, knowledge sharing, technological transfer, market expansion, trust building

and exchange favours (Park & Luo, 2001). Findings from my pilot study supported these arguments which were further confirmed by the main empirical study at a later stage. As Chinese social entrepreneurs relied so heavily on guanxi, these findings also urged me to take a step further to re-consider the role of guanxi in SE opportunity emergence. This led to the selection of guanxi as the most durable social structure in China, which was based on the following reasons:

First, according to Sayer (1992: 95), the most durable social structures are “those which lock their occupants into situations which they cannot unilaterally change and yet in which it is possible to change between existing positions”. Guanxi plays a similar role in the Chinese society. As interpersonal connections and an underlying philosophy, guanxi dominates every person’s social life and every aspect of Chinese society (Zhang & Zhang, 2006). Similar views are also held by Park and Luo (2001: 455) who consider guanxi as “intricate and pervasive” social networks. Therefore, although individuals can play a proactive role in exchanging favours with others based on their own interests, it is unlikely for them to unilaterally change some guanxi situations such as family ties. In other words, guanxi can be both proactive and predetermined (Wank, 1996). Second, the selection of guanxi as the most durable social structure in China was relevant to the study on SE opportunities. According to Chell (2007: 16), “the development of an opportunity may depend, in part, on whom the entrepreneur can trust and rely on”. As entrepreneurs use social networks in discovering or creation opportunities, the analysis of entrepreneurial opportunities is incomplete unless the role of social networks is considered (ibid). Third, the selection of guanxi as the most durable social structure was suitable for critical realist studies. Lee and Jones (2008) argue that social networks across society can influence individuals’ actions through generative mechanisms such as the effects of network configurations, therefore, “all network research adopts ‘some version of critical realism’” (ibid: 567).

5.5.3.2 The meaning of guanxi in this study

In a very general sense, guanxi reflects delicate fibres woven into every person’s social life and every aspect of Chinese society; also it is deeply embedded in China’s culture. For example, Gold et al. (2002) suggest that guanxi can be generated at every aspect of individuals’ social lives, such as kinship, native place (e.g. same village), ethnicity. It is also based on achieved characteristics such as attending the same school, serving

together in the same military unit, having shared experiences, and doing business together. In this sense, the term “guanxi” is very much like the term “social network” used in the management literature, which is defined as “a social phenomenon composed of entities connected by specific ties reflecting interaction and interdependence, such as friendship, kinship, knowledge exchange, and so on” (Carpenter et al., 2012: 1329). Therefore, in this study, guanxi is seen as a particular type of social network in China.

As a China-specific term, guanxi contains cultural values such as reciprocity and implicit expectations which make it cultural specific (Yang, 1994; Park & Luo, 2001). Through guanxi, Chinese society functions as a “clan-like” network based on codified societal rules, values, and hierarchical structures of authority developed from Confucianism (Park & Luo, 2001). Two cultural norms can be generally considered as being integrally embedded in guanxi relations, namely *mianzi* (face) and *renqing* (human feelings) (Gold et al. 2002). First, Chinese society places great stock on the importance of *mianzi*. *Mianzi* is an intangible form of social position, prestige and an individual’s public self-image to others (Park & Luo, 2001; Merkin, 2006). It can be gained by fulfilling one’s social roles recognised by others (Hu, 1944). Specifically, giving others face is to support and praise others’ reputation, whereas losing others’ face refers to damaging other’s reputation because one does not meet their expectations. Making others losing face implied the loss of confidence and lack of trust in people’s relationships (Brunner & You, 1988). Therefore, it can be seen as one’s social status and moral reputation within Chinese society. Second, *Renqing* is another Chinese value related to guanxi. Park and Luo (2001: 457) define *renqing* as “an informal social obligation to another party as the result of invoking a guanxi relationship”. In other words, when Chinese are weaving their guanxi, they are subject to reciprocal *renqing* obligations which are expected to be “repaid” in the future (Zhang & Zhang, 2006). Disregarding these obligations will cause one to lose his/her face, hurt the other parties he/she is connected to, and finally endanger the guanxi circles. For some researchers, *mianzi* and *renqing* are based on exchange of intangible favours which implies the reciprocal and instrumental nature of guanxi (Park & Luo, 2001). It is therefore not surprising that many scholars define guanxi as a particular type of social capital. For example, Bowey and Easton (2007) use the term “guanxi capital” to capture the implicit norms and major principles within guanxi relations like face, obligation, reciprocity and trust. However, in this study, I follow Anderson et al.’s (2007) argument and consider

these cultural norms as elements of (relational) social capital rather than guanxi. I will return to this point in the next section.

5.5.4 Social capital as inherent causal powers in guanxi

5.5.4.1 The selection of social capital theory

Although the role of guanxi, and more broadly social networks, in SE opportunity emergence is fundamental, the question of how guanxi takes effects remains controversial in the literature. A popular view is that an “actor’s embeddedness in social structures endows him with social capital ... Social capital is embedded within networks of mutual acquaintances and based on mutual recognition. Such links can provide privileged information or access to opportunities” (Anderson & Jack, 2002: 195). Moreover, the pilot study findings suggested that social entrepreneurs relied on mutual obligations, reciprocity and trust in order to establish cooperation with other organisations in opportunity emergence. For these reasons, I consider “social capital” as the essential inherent causal power of guanxi.

Another reason to draw on social capital theory was its theoretical relevance to the fields of general entrepreneurship and social entrepreneurship. In entrepreneurship, social capital theory has been applied to numerous research topics across various situation and contexts (Anderson et al., 2007; Cope et al., 2007; Lee, 2009; Gedajlovic et al., 2013). For example, Liao and Welsch (2005) suggest that social capital helps entrepreneurs to gain access to venture capitalists, competitive information, potential customers and other resources. Jack (2005) argues that social capital in the forms of strong and weak ties provide motivation, support, knowledge and information and other resources for entrepreneurs to create businesses. Similarly, Cope et al. (2007) suggest that social capital can provide access to information, support, finance and expertise while facilitating mutual learning across social networks. These works bolster the increasingly prominent role of social capital in entrepreneurship in opportunity seeking, resource acquisition and market organisation (Casson & Giusta, 2007), which takes place at an individual level (e.g. De Carolis & Saporito, 2006), organisational level (e.g. De Clercq et al., 2013), or community level (e.g. Kwon et al., 2013). In social entrepreneurship, it has also been argued that “the organizations pursuing such non-commercial ends differ in many ways from those that pursue for-profit ends ... but are

also quite heterogeneous themselves in terms of the opportunities they pursue and the amounts and types of resources they have at their disposal” (Gedajlovic et al., 2013: 462). In order to mobilise resources to achieve their social goals, social entrepreneurs have to bridge gaps between different individuals, organisations, industries, societal sectors, or even across countries (Myers & Nelson, 2010). Social capital can facilitate this brokerage by providing information, increasing legitimacy, and facilitating learning and cooperation (ibid). The application of social capital theory can thus help to link *guanxi* to empirical social entrepreneurial activities from which SE opportunities are experienced.

Social capital theory is also consistent with the critical realist positions held in this study. First, the application of critical realist ontology enriches the explanatory power of social capital theory, as critical realism “brings into play the actors who are situated in these very network structures and identifies *how* and *why* they are lived out or modified under different contexts” (Lee, 2009: 266). In the field of entrepreneurship, there is growing consensus that this interplay between individuals and network structures could drive the emergence of opportunities (Gedajlovic et al., 2013). In addition, as everyone is located in the pervasive social structure of *guanxi*, it is important in this study to explain the differences between social entrepreneurs and non-social entrepreneurs. Social capital theory is useful in explaining why “the same set of nodes and relationships can be perceived differently by different individuals” (Kwon & Adler, 2014: 414). Second, social capital shares similar characteristics with causal power described in critical realism. In critical realism, causal powers are the “potentials, capacities, or abilities to act in certain ways and/or to facilitate various activities and developments” which is inherent in the structure of entities (Lawson, 1997: 21). As potentials and capabilities, causal power can be exercised or unexercised under certain conditions (Bhaskar, 1978; Fleetwood, 2009; Zachariadis et al., 2013). This critical realist stance is in line with some literature where some forms of social capital, such as strong ties, could remain “latent and dormant” within the network unless they are exercised and manifest through actions (Jack, 2005). Recent theoretical development in social capital has shown a similar view in the nature of social capital. For example, Light and Dana (2013) suggests that social capital is inherent in social networks. Kwon and Adler (2014) point out that social capital can exist either as a potential (having social capital) or mobilised (using social capital). More clearly, McKeever et al. (2014:

471) define social capital as an enabler, which “represents an ability and means to engage with others ... whether social capital is productive or detrimental to enterprises depends on the context.”

5.5.4.2 The meaning of social capital in the study

Although there is a growing consensus on the essential role of social capital in entrepreneurship, the meaning of social capital in the literature is ambiguous (Adler & Kwon, 2002; Bowey & Easton, 2007; Cope et al., 2007). The term “social capital” has been referred to as “social networks”, “network capital”, “guanxi capital”, “social trust”, “actual and potential resources” and others (Cope et al., 2007). Social capital has also been defined in different ways. The first stream of conceptualisation is to consider social capital as a particular type of social network or network building. For example, Burt (1992: 9) argues that social capital is “friends, colleagues, and more general contacts through whom you receive opportunities to use your financial and human capital”. Putman (2000) describe the term as involving the establishing and maintaining of networks and the norms of behaviour that underpin them. The second stream of conceptualisation is to define social capital as the value or resources embedded in social networks. For example Bourdieu (1986: 21) defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition”. Similarly, Gedajlovic et al. (2013: 456) suggest that social capital generally “represents the value embedded in the social relationships of individuals or collectives”. Another broadly accepted definition is given by Nahapiet and Ghoshal (1998: 243), who define social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit”. Here social capital comprises both the social networks and the resources which are mobilised through the social networks (Nahapiet & Ghoshal, 1998; Myers & Nelson, 2010). In these definitions, social capital is associated with social networks and resources in various ways, but whether they are the constituents of social capital, an input to or an output of social capital is still somewhat ambiguous (Neergaard & Madsen, 2004). Therefore, in this study, the key to clarifying the meaning of social capital lies in its relations with guanxi (social network or relation) and resources.

Academic effort has been made to make this clarification. An emerging perspective is to consider social networks, social capital and resources as separate entities, while social capital is seen as a medium for access to entrepreneurial resources rather than a particular type of resources (Bowey & Easton, 2007). For example, Adler and Kwon (2002: 23) defines social capital as the “goodwill available to individuals or groups”. They suggest that the source of social capital comes from both the structure and content of individuals’ social relations, and social capital creates values in terms of information, influence and solidarity and affect the individuals’ actions. Moran (2005) highlights that the value of social capital lies in the access to resources which derive from social relationships. Anderson et al. (2007) and McKeever et al. (2014) go a step further by arguing that social capital is an *enabler* to access resources. Anderson et al. (2007) argue that “as an enabler of something else, it is perhaps misleading to consider it (i.e. social capital) as a simple resource like information or cash. ... Networks of connected individuals can employ the social capital present in the network to unlock or gain access to other resources.” More recent theoretical advancement in social capital theory further points out that the enabling effect of social capital may not always be exercised, as individuals may not always take advantage of their social relations (Kwon & Adler, 2014). These arguments form the basis of my understanding of social capital in this study. As an enabler, social capital can be seen as the inherent causal power in social networks including guanxi (social structure), which can be used to access resources (mechanisms) for social entrepreneurs to develop opportunities (social event). Social capital may be exercised or unexercised under certain conditions, which may alter the final outcomes of social capital.

5.6 Step three: empirical corroboration

5.6.1 The empirical corroboration procedures

At the last step of research, a hypothetical framework which consisted of guanxi (social structure), social capital (causal power) and accessing resources (mechanisms) were developed and identified as a potential explanation of the social event. This step of research aimed to further examine, test and revise the hypothetical framework through empirical study in order to develop a more accurate explanation of SE opportunity emergence. In critical realist methodology, this step of research requires researchers to focus on “those elements of reality which can shed light on the generative mechanisms”

(Danermark et al., 2002: 164). More specifically, it requires researchers to link the causal power to the social event under study, which helps to identify causal mechanisms (Wynn & Williams, 2012).

To make this link, I employed the empirical research procedures suggested by Sayer (1992) (Table 5.3). Starting with the question “how does social capital work in a particular case or different cases”, I firstly described how social capital worked in real cases. Here, social capital as the inherent causal power in guanxi was empirically examined through its three observable dimensions, namely the structural, relational and cognitive dimensions. The effects of different dimensions of social capital on SE opportunity emergence were examined through assessing multiple participants’ experiences and perspectives (Wynn & Williams, 2012). All of the three categories of cases identified at Step one, namely the discovery, creation, and organic cases, were taken into account. Second, within case analysis and comparative multi-cases analysis were conducted to reveal the causal mechanisms. The comparative analysis was guided by two empirical questions: What produced a certain change in USE, SEB and SF (identified at Step one)? What resources did the agents access? The generative mechanisms could be manifest through identifying *substantial* relations between social capital and SE opportunities during comparative case analysis. The following sections provide more detailed discussions of the empirical procedures.

Table 5.3. Empirical Corroboration Procedures	
Task: Identify generative mechanisms and describe how they are manifest in real events and processes	
	Empirical Procedures
Research question	How does social capital work in a particular case or different cases? What produced a certain change in USE, SEB and SF? What resources did the agents access?
Relations	Substantial relations of connections
Type of group studied	Causal groups
Type of account produced	Causal explanation of the production of certain objects of events, though not necessarily representative ones.
Typical methods	Study of individual agents in their causal contexts, interactive interviews, qualitative analysis
Limitations	Actual concrete patterns and contingent relations are unlikely to be “representative”, “average” or generalizable. Necessary relations discovered will exist wherever their relata are present, e.g. causal powers of objects are generalizable to other context as they are necessary features of these objects
Appropriate test	Corroboration
<i>Source: applied from Sayer (1992: 243)</i>	

5.6.2 Conceptual codes of social capital for empirical description

Social capital is a multi-dimensional construct (Nahapiet & Ghoshal, 1998; De Carolis & Saporito, 2006; Saporito & Coombs, 2013). In this study, I adopt Nahapiet and Ghoshal’s (1998) three dimensions of social capital, namely the structural dimension, relational dimension, and cognitive dimension. Conceptual codes on the specific contents of these three dimensions were developed based on relevant literature, in order to provide a detailed description of the effects of social capital in the cases studied.

The structural dimension of social capital (hereafter structural social capital) describes the overall pattern and configuration of connections between actors in a system (whom

one reaches) and how these connections can be reached (Burt, 1992; Nahapiet & Ghoshal, 1998). Most notably, the structural dimension includes the presence, absence and number of social ties, network configuration and morphology (Nahapiet & Ghoshal, 1998). It is also concerned with an individual's positioning within a social network (Burt, 1992). In this study, a number of pre-defined codes were developed to describe structural social capital:

- **Appropriable organisation:** the existence of networks created for one purpose that may be used for another. (Coleman, 1988; Nahapiet & Ghoshal, 1998).
- **Openness and closure:** the extent to which an individual's network ties are themselves connected (Coleman, 1988).
- **Clusters within the network:** areas of the network where actors are more closely linked to each other than they are to the rest of the network (Tichy et al., 1979: 509).
- **Individuals as special nodes:** key individuals who exist to link a focal unit to other areas within the organisation (Liaison), as well as to areas outside the organisation (Gatekeepers). Individuals can also be uncoupled from the rest of the network (Isolators) (Tichy et al., 1979: 509).
- **Strength of ties (strong/weak ties, intensity):** the strength of the relation as indicated by the degree to which individuals honour obligations or forego personal costs to carry out obligations (Tichy et al., 1979: 509), or by frequency of interaction (Granovetter, 1973).
- **Structural holes (absent ties):** relationships of nonredundancy between two contacts which are often disconnected (Burt, 1992).
- **Size:** the number of individuals participating in the network (Tichy et al., 1979: 508).
- **Stability and durability:** The degree to which a network pattern changes over time (Tichy et al., 1979: 508).

The relational dimension of social capital (hereafter relational social capital) refers to the nature and quality of social networks or social relations between people (Nahapiet & Ghoshal, 1998). In the social capital literature, reciprocity, trust, obligations and identity have frequently been referred as the most important parts of relational social capital (Granovetter, 1985; Putnam, 1993; Fukuyama, 1995; Nahapiet & Ghoshal, 1998; De Carolis & Saporito, 2006; Saporito & Coombs, 2013). While recognising the

importance of these parts of social capital, I modified some of them in order to better apply social capital to guanxi relations in developing codes:

- **(Generalised) reciprocity:** the degree to which individuals report the same or similar intensities with each other for a context area (Tichy et al., 1979: 509). Generalized reciprocity involves "I'll do this for you now, knowing that somewhere down the road you'll do something for me" (Putnam, 1993: 182-183).
- **Identity and identifications:** clarification of expectations of one's role in the network. It is the degree to which every pair of individuals has clearly defined expectations about each other's behaviour in the relation (Tichy et al., 1979: 508).
- **Mianzi/reputation:** an intangible form of favourable social position, prestige and an individual's public self-image to others (Park & Luo, 2001; Merkin, 2006; Bowey & Easton, 2007).
- **Trust:** a willingness to be vulnerable— placing one's welfare in the hands of others—and a feeling of positive expectations—an individual's confident beliefs that another will behave in a beneficial manner (De Carolis & Saporito, 2006: 44).
- **Renqing/obligation:** an informal social obligation to another party as the result of invoking a guanxi relationship (Park & Luo, 2001: 457).

The cognitive dimension of social capital (hereafter cognitive social capital) refers to "those resources providing shared representations, interpretations, and systems of meaning among parties" (Nahapiet & Ghoshal, 1998: 244). In other words, the cognitive capital is the shared meanings and understandings that different actors within a social network have and is formed by cultural values and social norms. While there was a lack of literature on the specific content of cognitive social capital in entrepreneurship, my empirical description mainly focused on two aspects:

- **Shared understanding:** shared beliefs (Adler & Kwon, 2002; Liao & Welsch, 2005) based on common language, codes, narratives and learning (Lee & Jones, 2008).
- **Shared norms and values:** shared behavioural expectations embedded in highly interconnected networks when the socially defined right to control an action is held not by the actor but by others (Liao & Welsch, 2005).

5.6.3 Data analysis techniques for empirical corroboration

The hypothetical framework (Figure 5.3) presented earlier in this chapter was used as a template which was applied to each case for an iterative cross-case analysis. As outlined above, the framework, including codes and themes, was continuously developed and modified during the data analysis. Certain template analysis techniques were employed for thematically organising and analysing the data, but they were not used as a single, clearly delineated template analysis method (King, 2012).

First, an initial template was developed based on the hypothetical framework and codes which were pre-defined based on relevant literature. An important issue here was to decide how extensive the template should be. King (2012: 259) suggests that “the danger of starting with too many pre-defined codes is that the initial template may blinker analysis, preventing you from considering data which conflict with your assumptions. At the other extreme, starting with too sparse a set of codes can leave you lacking in any clear direction and feeling overwhelmed by the mass of rich, complex data”. As discussed earlier, this step of research aimed to explore causal mechanisms through linking social capital (causal power) to SE opportunities (social event). For this purpose, codes related to social capital were pre-defined in order to show a clear direction of data analysis (as described in the section above), while codes related to the mechanisms (accessing resources) were left open to allow for themes to emerge. In addition, the template also clarified relations between higher level codes (e.g. social capital), medium level codes (e.g. relational social capital), lower level codes (e.g. reciprocity) and their critical realist positions. This allowed me to get a complete picture of different relations and emerging themes when applying the template to each case. Second, the template was then applied to each case for a detailed analysis, which was followed by a comparative analysis across the three categories of cases (discovery, creation, organic). The comparative analysis was guided by two empirical questions: What produced a certain change in USE, SEB and SF? What resources did the agents access? The generative mechanisms were identified and summarised through identifying substantial relations between social capital and SE opportunities during the analysis. In the course of this, inadequacies in the initial template was also revealed, which required the modification of the template. There were two types of modification. The first modification was to delete some codes as there was not adequate evidence to

support them. For example, “guanxi size” and “stability and durability” (under structural social capital) were deleted during data analysis because little evidence was found about the effects on SE opportunity emergence. The second modification was to change the scope of some codes in order to match the findings. For example, “clusters within the network” and “structural holes” were merged as data suggested that these two types of structural social capital often worked together in SE opportunity emergence. The final template was determined after several rounds of modification and refinement until it was sufficiently clear and comprehensive (King, 2012).

5.7 Chapter summary

This chapter describes the research methodology, research design and specific research methods used to provide causal explanations of SE opportunity emergence. Informed by critical realism, a three-step multi-case study approach was employed which involved an iterative process of data collection, coding, analysis and adjustment. The study looked at 36 organisations, including 22 social enterprises, two for-profit social businesses, five NPOs and six supporting organisations. The participants were selected based on purposeful random sampling in the pilot study, and maximum variation and snowball sampling strategies in the main empirical study. Semi-structured interviewing was selected as the main data collection method in this study, and triangulation of data was achieved via on-site observation, participant observation, informal conversations and documents.

The three-step critical realist research design was applied to analyse the cases and develop *causa* explanations of SE opportunity emergence, whereby each step of research affected the subsequent step. First, the “explication of events” step described experienced SE opportunities based on three units of observation, namely seed venture idea, social entrepreneurial action, and social and market exchange relationships. Then, SE opportunity as a social event was abstracted from experiences and re-described through the identification of internal and necessary entities. Findings from this step of research will be reported in Chapter 6. Second, the “retroduction” step involved hypothesising about the possible mechanisms or structures capable of generating the experienced SE opportunities. A preliminary hypothetical framework was presented where *guanxi* and social capital were selected to represent the social structure its

inherent causal power, respectively. The hypothetical framework was then further tested, developed, and refined at the “empirical corroboration” step in order to provide a relatively accurate causal explanation of SE opportunity emergence. To do this, I described the effects of social capital in real cases. Social capital as the inherent causal power in guanxi was empirically examined through its three observable dimensions, namely the structural, relational and cognitive dimensions. In addition, within case analysis and comparative multi-case analysis were also conducted to reveal the generative mechanisms, while the hypothetical framework was used as a template to guide the data analysis. The effects of social capital on SE opportunities were compared and contrasted across three categories of cases identified at the “explication of event” step, which contributed to the identification of generative mechanisms. Findings from this step of research will be reported in Chapter 7.

CHAPTER 6: Findings and Analysis – Explication of Events

6.1 Introduction

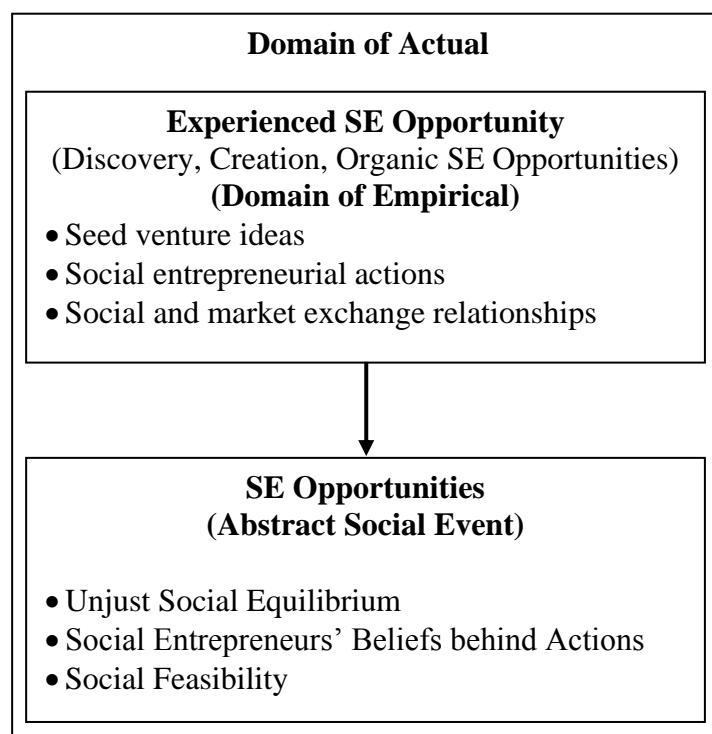
This chapter reports findings from the Step one “explication of events” of my research design, based on data analyses of both pilot study and main empirical study. As discussed in Chapter 5, this step of research focused on the description, identification and abstraction of the composite SE opportunity (the domain of actual) from participants’ experiences and my empirical observations of SE opportunities (the domain of empirical). Figure 6.1 below provides an overview of the findings presented in this chapter. These findings address my first research question: what are opportunities in the context of SE in China? These findings also serve as a foundation for analysing the causal powers and generative mechanisms in the next chapter.

This chapter is structured around the three units of observation identified in Chapter 5, namely seed venture idea, social entrepreneurial actions, and social and market exchange relationships. First, this chapter provides detailed descriptions of experienced (including observed) SE opportunities located in the domain of empirical. Informed by nexus theory and effectuation theory discussed in Chapter 3, the experienced SE opportunities in the cases studied were generally identified and categorised as discovered (discovery case), created (creation case), and both discovered and created (organic case). Section 6.2 describes experienced SE opportunities in each category of cases in detail.

Second, this chapter analyses, identifies and presents the internal and necessary entities which contribute to a comprehensive understanding of SE opportunity as a social event located in the domain of actual. Experienced SE opportunities were abstracted through comparative case analysis which addresses a question: what cannot be removed without making SE opportunities cease to exist in its present form? Data from all the three categories of cases was compared and contrasted. As a result, I identified three internal and necessary entities as the essential constituents of the actual SE opportunity: unjust social equilibrium (USE), social entrepreneurs’ beliefs behind actions (SEB), and social feasibility (SF). The findings and analysis are presented in Section 6.3.2.

Based on the findings from this chapter, the following chapter continues to analyse generative mechanisms of SE opportunity emergence through examining and analysing the effects of social capital across the three categories of cases.

Figure 6.1. Description and Abstraction of SE Opportunities



6.2 Social entrepreneurship opportunities in discovery, creation, and organic cases

This section describes the complex and composite social events of SE opportunities located in the domain of empirical, by making use of social entrepreneurs' experiences and my own observations of SE opportunities. The description is also informed by the discovery (nexus theory) and creation (effectuation theory) opportunities discussed in Chapter 3. Not surprisingly, both discovery and creation opportunities can be found in the cases studied. Specifically, in the 22 social enterprises cases analysed here, I found that 15 cases have elements primarily of discovery opportunities (10 cases) or creation opportunities (5 cases), while the rest 7 cases contain elements of both discovery and creation opportunities. For the convenience of data presentation, I use "discovery cases", "creation cases" and "organic cases" hereafter to refer to the cases of the three types of opportunities accordingly. Note that the "organic cases" does not suggest a new pattern of SE opportunities which is distinctive from discovery or creation, but refers to a mixture of both SE discovery and creation opportunities. Table 6.1 provides an overview of these findings and some examples of the supporting data. In order to better illustrate to findings, the rest of this section describes these three types of cases based on the three units of empirical observation identified in the last chapter: seed venture idea, social entrepreneurial action, and social and market exchange relationship.

Table 6.1. An Overview of the Experienced SE Opportunities			
Discovery Cases (SE opportunities as discovered; Case 1, 2, 3, 4, 6, 13, 15, 18, 27, 28)			
Unit of Observation	Empirical Findings	Demonstration Cases	Illustrative Examples*
Seed Venture Ideas	<ul style="list-style-type: none"> • Searching and scanning for information to form seed venture ideas • Interpretation of social needs or problems based on prior knowledge 	1, 2, 3, 4, 6, 13, 15, 18, 27, 28	<p>“There are three types of non-profit organisation in China’s current system ... they are usually very, very small, running in extremely difficult situations, and relying on external social support. The consequences are, first, they are not autonomous; second, their salaries are far below market level; and third, they cannot develop fast ... I don’t want us to be in that situation” (Participant 06-1)</p> <p>“Chinese NPOs and social enterprises start to develop just because there are so many social problems in China. Without these social problems, there will be no soil for these organisations to sprout” (Participant 13-1)</p>
Social Entrepreneurial Actions	<ul style="list-style-type: none"> • Normative decisions and goal oriented actions 	1,2, 4, 6, 13, 15, 18, 27, 28	<p>“We have a very clear social mission which is to inherit those endangered cultures, but we achieve this goal by using commercial methods. So according to this definition, we have already engaged in social entrepreneurship. (Participant 1-1)</p> <p>“We can run this organisation in a traditional NPO way, but it requires a lot more, particularly in social resources. Although I have connections with some domestic foundations, I don’t think (relying on them) would help our organisation develop sustainably. A more innovative, self-sustainable ways sounds better for me, that is why I targeted at a market-oriented way. I studied economics, and I believe in the market ... so I specifically position our organisation as a social enterprise.” (Participant 13-1)</p>
Social and market exchange relationships	<ul style="list-style-type: none"> • Purposive selection of target social sector market actors 	1, 2, 3, 4, 6, 13, 15, 18, 28	<p>“We position ourselves as a company, which means we use different methods from NPOs. NPOs do things based on how much funding they can receive, but we invest money in order to make profit. In marketing, we invested a lot in organising forums and salons in order to let more companies understand our organisation’s missions and projects, and know about the benefits of volunteering services we provide. ... We also seek to establish connections with new partners through the references from our existing partners. I normally visit these companies and talk to them in person, to sell our services.” (Participant 13-1)</p>

(Continued on next page)

Table 6.1. (Continued)			
Creation Cases (SE opportunities as created; Case 5, 7, 21, 25, 29)			
Unit of Observation	Empirical Findings	Demonstration Cases	Illustrative Examples
Seed Venture Ideas	<ul style="list-style-type: none"> • Serendipity (exploiting environmental contingencies, non-linear and recursive process) • 	5, 7, 21, 25, 29	I think it was just by chance. First when I was doing volunteering in 2003, it was related to rural education. Then I love travel, and many of my friends love travel, too. I also heard from my friend about the story of volunteering teacher. So it was like that, I just wanted to do something (to improve education in remote villages and then everything happened without expectation). (Participant 5-1)
Social Entrepreneurial Actions	<ul style="list-style-type: none"> • Trial and error process (affordable loss, recursive attempts of experimenting ideas, adaptive social products, social collaboration) 	5, 7, 21, 25, 29	“We want to do something to help disabled people start their own businesses and to raise public awareness, so we have paid much attention to disabled people’s employability, and we have different teams for that. ... For example we use the restaurant (in the incubator) to train young people with autism or mental impairment, to help them develop social skills through working in the service industry. We have a team of cleaners who are deaf mutes and now working for a advertise company. ... We are also thinking about providing some training on social media marketing, we have two online shops.” (Participant 21-1)
Social and market exchange relationships	<ul style="list-style-type: none"> • Mutual-selected partnerships (collaborative product development, collective marketing) 	5, 25, 29	“I am just like glue, to guide everyone, to put everyone together, and to try to achieve something as we initially wanted”. (Participant 25-1)
Organic Cases (SE opportunities as both discovered and created; Case 8, 9, 16, 20, 22, 24, 26)			
Seed Venture Ideas	<ul style="list-style-type: none"> • Scanning surrounding environment • Continuous adjustment and evaluation of ideas based on contingencies and new means 	8, 9, 16, 20, 22, 26	“I started to provide training for poor children 10 years ago. I incidentally met some children from very poor families and was very surprised at their situations. ... So I figured out an idea to found a school to train their computer skills ... Three year ago, I found that this country has changed dramatically, children from poor families were less but university graduates became a venerable group because many of them couldn’t find jobs. ... So I founded a student enterprise support centre for them.” (Participant 20-1)

(Continued on next page)

Table 6.1. (Continued)			
Unit of Observation	Empirical Findings	Demonstration Cases	Illustrative Examples
Social Entrepreneurial Actions	<ul style="list-style-type: none"> • Normative decisions and actions driven by clear goals at different stages • Adaptation and adjustment to contingencies 	8, 9, 16, 20, 22, 24, 26	<p>We always stick to our goals and missions, regardless of any difficulties. Just like a nail on the wall, always move forward and never look back. I have never done a project if it is not ready. If we develop a new product, I will always make sure the prototype has at least 70% of what we want it to be and can be accepted by the market. (Participant 9-1)</p> <p>“I set up the organisation not because I wanted to do something in the non-profit sector, at that time I didn’t even understand what social enterprise it is. I just thought everyone should share the same rights and love, and should do something to benefit the society. ... I never had the thought of setting up my own social enterprise until I worked for that NPO, and with all of my experiences in commercial companies and NPOs, I thought it might be worth trying to do something of my own. But I was quite struggling in the beginning because I had no idea which area I should focus on. I even thought about environmental protection ... (but after doing some research) I started to focus on helping deaf students.” (Participant 22-1)</p>
Social and market exchange relationships	<ul style="list-style-type: none"> • Purposive selection of target social sector market actors • Mutual-selected partnerships (collaborative product development, collective marketing) • Adaptation and adjustment to contingencies 	8, 9, 16, 20, 22, 24, 26	<p>“They (the incubator) provide facilities at below market value, especially in Shanghai that would make it very difficult. They provide the collective strength, if we went to other building, everything we did we will be doing it alone, and we will be making mistakes that other people have made, we’d have to make them all for ourselves. ... You have the collective experience in this building, and the NEST, NPI, administrative people who you can go to ask for “what did you do”. You have Madam Ma’s, the Director of the Bureau of the Ministry of Civil Affairs, (support because) this is her project. So you have somebody looking after for her children. So there are many intangible benefits, it is not something pick-up and go. All these benefits are back to the organic, the guanxi networks.” (Participant 26-1)</p>
* The quotes provided here are just some examples used to illustrate how the empirical findings are summarized based on the interpretation of data informed by discovery and creation theories. More detailed findings regarding each bullet point are presented in the following part of this section.			

6.2.1 The discovery cases

10 cases in this study primarily contain elements from discovery opportunities discussed in Chapter 3, therefore I categorised them as “discovery cases”. The general background of the discovery cases were presented in Table 6.2.

Case No.	Description
1	Case 1 is a social enterprise devoting itself to the cultural preservation, rural development, skill development and women empowerment in rural Guizhou, China where the Miao ethnic minority is inhabited. Founded in 2003, it has gradually developed a business model where the Miao women are trained to produce traditional silver semi-finished handicrafts which are then finished by laid-off, disabled or female workers in the cities such as Beijing. Most of its products are sold to the government and large business groups.
2	Case 2 is China's first and one of the biggest peer-to-peer (P2P) microcredit platforms. Established in 2006, the company has 6,000 employees with a service network covering more than 25 provinces all over the country. Unlike some of the well-known microcredit organisations like the Grameen Bank, it does not directly give loans to the borrowers; instead, by working with local microfinance institutions, the online platform connects individual borrowers and lenders who can personally decide which project to fund. Its target beneficiaries are mainly medium-to-low income rural females, students and SMEs.
3	Case 3 is a small social enterprise engaging in Fair Trade in silver and other handicrafts in the Guizhou Province, China. Unlike Case 1 where most of the products are sold to government and large companies, the social enterprise mainly focuses on the retail market. The mission of the social enterprise is to improve marginalised craftsmen’s living conditions and skill development through Fair Trade by which 13%-20% of its profits are pay back to these craftsmen.
4	Case 4 is a social enterprise which works in residential communities and provides care services for the elderly. With the vision of enabling all the elderly to enjoy a happy life, it aims to establish a community and home-based care service model which meet different needs, and to improve the life quality of the elderly by leveraging and integrating social resources. It is founded in 2008 has registered two organisations, one is a commercial company and the other is a non-profit organisation.
6	Founded in 2010, Case 6 is a registered non-profit organisation which aims to use art therapy (such as drawing, music, dancing, nature learning) to improve the life quality of disabled children (mostly have autism). Currently it produces and sells postcards and calendars which are designed based on these children’s drawings, the profit is partly distributed back to the children and the organisation.

Table 6.2. (continued)	
Case No.	Description
13	Case 13 is a social enterprise providing CSR consulting and professional volunteering services to large multi-national companies. Registered as a limited company in Beijing and a NPO in Shanghai, the social enterprise has built a platform to effectively bridge over 500 non-profit organisations and 100 commercial companies.
15	Case 15 is a social enterprise dedicated to using theatre to inspire and empower female migrant workers in Beijing. It was founded by a UK resident, registered as a NPO in Hong Kong, but its daily activities are managed by a Chinese team. The organisation previously relies heavily on donations and foundations, but now has started its effort towards social entrepreneurship.
18	Founded as a NPO by two Chinese celebrities with strong government background, Case 18 aims to provide free training courses to poor women and female business leaders in rural areas in China. It has also started its attempts in providing more services, such as age care, to earn some income. With strong government support at different levels, the organisation has widely established partnerships with universities, non-profit organisations and multi-national corporates.
27	Case 27 is an organisation providing affordable caring services to children and youth with mental disabilities. It develops different courses according to Children's different degrees of disability. For some youths who are able to work independently, it provides handicraft training courses to develop their capability and confidence, and these handicrafts are sold to the market in order to generate some income.
28	Case 28 is a registered company and online business founded by a group of blind and amblyopia students in 2006. As its products are sold completely online, it employs blind people around the country. In addition, it also provides skills training sessions to blind people in order to develop their skills and provide them employment opportunities in online customer service and call centres.

6.2.1.1 Seed venture idea

Within the discovery cases, I found that the development of SE opportunities firstly involved growing and advancing innovative ideas to address perceived social needs. The term “seed venture idea” reflected the generation of ideas of innovative social and economic value creation such as new social entrepreneurial projects, products, organisations and processes. These seed venture ideas were tangible in all the 10 cases, as the participants had shown clear understandings of particular social problems or social needs based on their working experiences and background, and they purposively looked for potential solutions to these pre-identified social problems. These findings reflect propositions in nexus theories where opportunity discovery process is considered

as essentially teleological (Sarasvathy et al., 2010), which means that entrepreneurs pursue opportunities based on rational decision making and goal-oriented actions.

In the discovery cases, seed venture ideas normally started with social entrepreneurs' clear awareness and understanding of their close environment, such as the working places or the projects they were involved. The awareness and understanding largely came from their rational evaluation of their close environment and formed the basis of goal-oriented actions. Case 4 offered a good example of how a seed idea of solving social problems was formed. Before she set up her own organisation, the founder worked in non-profit organisations for many years. Through this experience, she gradually realised that while many NPOs did a lot to raise public awareness and engagement in community autonomy, little had been done to actually solve real community problems, as she said "*we are doing too much talking but less doing*". This clear understanding of the limitations of NPOs in actually solving social problems pushed her to leave the organisation and start her own one. However, rather than randomly choosing a social area to enter, she specifically chose the one she was most familiar with:

Because I was working in communities for a really long time, I found there were so many community problems. If you look at NPOs, many of them are focused on women, children, migrant workers, and disabled people. But when I went to the communities, I found that the participants of our activities were mostly retired teachers and the elderly, but little attention was given to them. So I decided to do something for this group. (Participant 4-1, founder, home care for the elderly)

The quote also illustrated a key point of opportunity discovery and that was how social entrepreneurs actively and purposively scan their surrounding environment for information, which allowed them to interpret social problems or needs in order to generate a seed idea. In this case it was the organisations and people she worked with. The data further showed some variability in the areas the searching activities were conducted by social entrepreneurs. In addition to the personal working environment and experiences as Case 4 illustrates, the data also suggested that social entrepreneurs also searched for information from different areas at various levels. At a personal level, the

seed idea of setting up an online business in Case 28, which was then transformed to a customer service training site for blind people, was originated from five blind or amblyopia students looking for job opportunities after they graduated. At an industry level, in Case 2, the idea of providing microfinance services to students and rural farmers came from the interpretation of market needs which conventional financial market failed to fulfil. Social entrepreneurs also searched for information at national and international levels. For example, the idea of using theatre education for women empowerment in Case 15 was from the founder's comparison of education systems between the UK and China, and the founder was able to obtain this information as she lives in Hong Kong, the UK and China for many years. At a national level, the searching activities included searching for the areas which are not yet well served by the public sector, such as ethnic minority culture preservation and women empowerment in rural areas, as shown in Case 1 and 18. One of the key channels of obtaining this information in China was interpreting government official documents such as national five-year plans. Started from the planned economy in 1953 but also maintained after economic reform in 1978, Chinese national five-year plans manifest what the public sector plans to do in every five-year period, which in turn indicate the social and economic areas which require immediate attention. Therefore, official government documents can be seen as the most important indicators of social and economic policy development. Interpreting message and obtaining information from these governmental documents gave social entrepreneurs clues about which areas the government was likely to support. As Participant 18-1 suggested:

I think we have to firstly understand that non-government organisations are not anti-government organisation. We have to do what are mostly needed by our beneficiaries, and we can know this from what the government pays attention to most. So is a complementary relation. Once yo get your position right, there are so many resources you can use.
(Participant 18-1, manager, women empowerment)

However, while in many cases the seed ideas of setting up a social enterprise were accompanied by the interpretation of social needs or social problems, these two did not always happen simultaneously and should therefore be considered separately. For example, in Case 6, the original intention of helping children who suffered from autism

was formed a long time ago when the entrepreneur met an autistic child in her own cultural development company. However, this intention did not lead to any tangible outcome towards social entrepreneurship until she worked in a foundation:

Because I helped some companies to do branding, promotion and wrapping (in my own business before), I know how these commercial things work, including developing products. It reminds me the first autistic kid, Mingming, I met before, I didn't know how to help him at that time, but now I feel like having all these experiences of doing businesses, including my experiences in the non-profit sector that I worked in a foundation for 4 years, I can now put all of these together and really do something for these disabled children. (Participant 6-1, founder, autism)

From this quote it became clear that the interpretation of social needs or social problems did not automatically lead to the generation of a seed venture idea at the same time. This appeared to be common in social entrepreneurship because social needs or problems such as autism and disabilities were quite tangible and easy for people to perceive and understand, but not everyone who perceived such needs or problems was able to form ideas which eventually lead to the creation of a social enterprise. So why were certain individuals more likely to come up with seed venture ideas among those who were able to see social problems? In the case above, the knowledge and experiences of the non-profit sector appeared to underlie the change from perceiving social needs to forming a seed venture idea. Therefore, it could be argued from this case that those who had adequate experiences and knowledge of certain social needs and possible solutions were likely to have advantages over others in forming seed venture ideas. This advantage allowed certain people to see social opportunities from what others saw as social problems. These findings reflect the “knowledge corridors” described in the entrepreneurship literature, which allow entrepreneurs to make entrepreneurial opportunities possible before other people are able to see them (Eckhardt & Shane, 2010). Similarly, it was due to the knowledge corridor that some social entrepreneurs were able to develop social entrepreneurial ideas while others could not, even when others were able to perceive the same social needs and formed similar social missions.

The differences in knowledge affected how people interpreted and processed information from the external environment, which then led to different outcomes. This particularly the case in China, as the term “social enterprise” is often translated as “social businesses” which is sometimes misinterpreted by traditional NPOs as opposite to charitable activities (Zhao, 2012). This point of view was evidenced by Case 6, as the participant reported:

So far I feel like the concept “social enterprise” is very confusing and ambiguous. Many people are not willing to admit, or don’t think they are doing social enterprises ... Especially for those traditional NPOs, it is extremely difficult for them to change their grassroots mindset of doing things, they would simply say it is wrong to earn profit. ... They would rather be poor, struggling for survival ... They have no idea how to earn profit, they just see (making profits as) a disgraceful thing. (Participant 6-1, founder, autism)

Even though traditional NPOs had been able to interpret social problems and formed social missions, it would therefore still be very difficult for them to form seed ideas for setting up an organisation which was both social and economically sustainable. These differences in “mindset”, or “knowledge and experience corridors” (Shane, 2000; Corner & Ho, 2010), were decisive in the formation of seed venture ideas. In other words, when the concept “social enterprise” had not gained its prevalence in China, those who were more willing to “break rules” (Brenkert, 2009) between different sectors were more likely to form seed ideas of setting up social enterprises.

From the discussions above we can see that the formation of seed venture ideas in the discovery cases derived from social entrepreneurs’ active scanning and searching activities for information, and from the knowledge corridor they had obtained from their own circumstances, knowledge background and experiences. The next section examines social entrepreneurs’ actions and how these seed ideas were likely to be implemented towards SE actions, with a specific focus on social entrepreneurs’ resources, decisions and purposes as discussed in the last chapter.

6.2.1.2 Social entrepreneurial action

In the discovery cases, I found that the formation of seed venture ideas is normally followed by *normative decision making and actions* in order to control *risks* (Sarasvathy, 2001; Alvarez & Barney, 2007). A number of normative decisions and actions were identified in the 10 cases. More than half of the respondents (Case 1, 2, 3, 4, 13, 28) reported that they conducted *market investigations* after they had seed venture ideas. For example, in Case 1, the founder conducted 4 years' elaborate market research and investigation, travelling across China and studying cultural products like handicrafts in different ethnic minorities, their production materials and techniques, and prospective producers and customers in both rural and urban areas. In Case 13, where the founder had an educational background in Management, the market research involved more in-depth analyses on potential competitors, market capacity, competitive advantage, geographic distribution, potential risks and profit. The process was accompanied by a rational *evaluation of possible alternatives* where the advantages and disadvantages of each product were analysed (Alvarez & Barney, 2007). In this case, the founder finally selected Miao, an ethnic minority inhabited in southeast China, because of its great cultural value, also because of the potential to develop rich product lines and sales prospect:

Miao is a worldwide ethnic group and its people live in many countries, so it is relatively easy to sell standard products internationally. Secondly, as compared with other ethnic minorities in China, the arts and crafts in the Miao ethnic group are relatively richer ... many traditional handicrafts were actually lost after so many years' development and change. But Miao is a different story. Most of the Miao people are living in deep mountains which block their ways of connecting with the outer world, so its culture is luckily preserved to some extent. (Participant 1-1, founder, fair trade and cultural preservation)

As the example demonstrates, what underlay the evaluation of possible alternatives in this case was an *assessment of potential risks* that different options were involved in, particularly the *risk* in production and sales. Social entrepreneurs in the discovery cases tried to avoid and control any risks involved when they were planning the next step of their actions. A more explicit example of risk assessment and control was Case 28

which was founded by blind and amblyopia students. They had clear awareness about potential risks and tried to make right decisions to avoid such risks before they actually set up the company:

We did some research, to see what products were suitable for us so that we could avoid some risks, because we were concerned a lot about our sight (that we sell something we can't see). ... We also look at how replicable it could be, that we can train other blind people and share our experiences. But an important premise of this replicability is that we have to control the risks and costs, as other (blind) people will hesitate if there are high risks and high costs. So we chose e-business because it didn't require an investment of much money. (Participant 28-1, co-founder, blind people empowerment)

As demonstrated in the data, based on the market investigation, evaluation of possible alternatives and risks, social entrepreneurs were then able to decide what ideas and goals were more likely to be implemented and succeed. These carefully *selected goals* were often reflected in the formation of operating models and positioning that social entrepreneurs wanted to achieve to implement their seed venture ideas.

Exemplified in Case 1, the founder experienced that the traditional design of Miao handicrafts was not well accepted by the market. She therefore decided to construct a business model which could possibly overcome this limitation: Miao women made semi-finished products using their traditional techniques, which were then finished by lay-off female workers in the cities based on modern design from professional designers. Through the selection and combination of the advantages from different parties, the final products were finally able to match the latest trend and urban consumers' taste, yielding better sale prospects and lower risks of failure. Similarly, the founder of Case 6 constructed her operating model after the evaluation and analysis of potential stakeholders. The founder described "a closed loop where everybody feels happy and comfortable". This included evaluating the needs of autistic children (to find a place to stay, learn and achieve something without being discriminated), their parents (affordable charges for low-income families), the customers (good products at market

prices), and the social enterprise (earn income to provide better support to the autistic children).

“Selected goals” also included the legal forms that social entrepreneurs decided to choose in order to reduce risks and maximise the benefits of each form. For example, the founder in Case 4 registered two legal forms for her social enterprise, one was a commercial company and the other was a non-profit organisation supervised by the government. This kind of business structure appeared to be quite popular among social enterprises in the discovery cases because different legal forms provided different benefits. The company form allowed autonomous governance and profit distribution, while the NPO form provided convenience in terms of government procurement, and demonstrating the social rather than profit-driven mission. The decisions of choosing certain legal forms were based on a rational analysis on potential risks. For example, although the social entrepreneur in Case 13 had considerable experiences in non-profit organisations, he decided to choose the legal form of a company, as he was aware that the changing environment would spell difficulties for NPOs to apply for funding from foundations. Specifically, he realised that the increasing number of NPOs would lead to fewer funding opportunities, not mentioning the extra effort that had to be spent on dealing with the relations with foundations and the red taps to use foundation money. In contrast, the company form offered greater flexibility and autonomy in terms of fund raising as it allowed earning profits, which also allowed the social enterprise to pay higher salaries than NPOs in order to attract talent.

Social entrepreneurs also developed a clear understanding and positioning of their organisations and social missions, involving normative decision. For example, in her effort and practice of gradually forming an operating model, the founder of Case 4 began with a clear positioning of the enterprise as an organisation providing community and home-based care service:

We clearly position our organisation as providing home-based care services for the elderly, not a traditional care home. Our mission is to enable all the elderly to enjoy a happy life at home, and it has been very clear since the very beginning. With this particular positioning, we gradually formed the operating model we have today ... it is embedded in

communities, provides differentiated services to meet different needs from the elderly. (Participant 4-1, founder, the elderly care)

The gradual formation of the operating model in this case was also enabled by the resources she obtained during practice. While the organisation was registered in October 2008, the idea of providing home-based care services is realised in 2009 after the founder attended a training course “Skills for Social Enterprise” provided by the British Council. With the knowledge obtained from this training course, the founder then wrote a social enterprise business plan which was awarded 40,000 *yuan* (£4000) as starting capital. As she said: “*For organisations like mine, funding is always a big challenge ... 40,000 seems not too much, but it indeed pushes me to move from an idea into a real action*”. Therefore, in a resource restricted environment like China (Yu, 2011), *resources acquisition* was an important practice facilitating the implementation of seed venture ideas into actions. As a participant said: “(People may think that) I have so many resources, but for me, it is all about active searching (for those resources).” Social entrepreneurs in the discovery cases firmly had clear awareness of resources needed in pursuing their ideas, including the types of resources and the ways of getting them:

My previous work in the educational sector was research-oriented, so this experience is very helpful for my current business in terms of conducting field investigations (in the Miao villages). In terms of dealing with government officials, I know how to do it because I have been a government officer for 7 years. For business, I should say that my 13 years’ experiences in running a restaurant help me a lot in terms of using commercial methods to do this. (Participant 1-1, founder, fair trade and cultural preservation)

To sum up, as reflected in the literature, Chinese social entrepreneurs in the discovery cases advanced their seed venture ideas towards actions through a series of normative decisions and goal-oriented actions. These decisions and actions included market research and investigations, evaluation of possible alternatives, risk assessment, goal selection in terms of operating models, potential stakeholders, legal forms and positioning, and resource acquisition. A manifest outcome of these normative decisions

and goal-oriented actions could be seen as in the form of a *potential* social enterprise which made SE opportunities possible. However, as discussed in the last chapter, as a market position was not yet guaranteed to the social enterprise when it was established, the examination of SE opportunities should also involve an analysis of how the social entrepreneur engages in social and market exchange relationships with other actors in order to secure a place in the market. The next section therefore presents findings which demonstrate how the social enterprise was instituted in the social and market structure, and what these social and market exchange relationships looked like in the data.

6.2.1.3 Social and market exchange relationship

In chapter 5, I have discussed that investigations into opportunities in the SE context may require an expanded view of Dimov's (2011) argument about entrepreneurial opportunities in general as instituted in market structures. Specifically, I argue that SE opportunities may be considered as instituted in both social and market structures, which requires for empirical observation on both social and market exchange relationships, particularly on how social and market exchange relationships are established. In this section, I describe the types of exchange relationships found in the data and how they are created.

Overall findings in the 10 cases supported my discussions above, that social entrepreneurs did not only create exchange relationships with traditional market actors such as customers with demand, but also with other social actors in order to continuously make a social impact on greater society. I used the term "*social sector market*" (Robinson, 2006) to refer to the aggregation of these social and market actors, together with the exchange relationships between them. Generally speaking, unlike traditional market where sellers exchange goods or services with target buyers at agreed prices, exchange relationships in the social sector market were likely to be more complicated. In the cases studied, I found that apart from social entrepreneurs themselves, there were at least five major actors with which social entrepreneurs interacted in order to be instituted in the social sector market and generate adequate (monetary) profits for sustainable development. This included their beneficiaries, the government, foundations, commercial companies and volunteers.

Beneficiaries were the starting point of the establishment of any social sector market exchange relationships as their needs were what social entrepreneurs aimed to fulfil. However, because the social enterprises studied were mostly micro social enterprises where less than 10 people were employed, the social enterprises had to provide social goods or services to *carefully selected* beneficiaries due to their limited capacities. This again reflected a rather rational decision making process with specific purposes. For example, the social enterprise in Case 27 could only provide caring services to 80 mentally disabled children, while over 200 more were still waiting to be served. The selection of beneficiaries also included geographic areas. For example, in Case 1, while the Miao people were inhabited in 8 provinces in China, the social entrepreneur only chose Guizhou Province, as “*it has the poorest economy (among the places where Miao people live), the biggest Miao population, but its culture is almost completely preserved*” (Participant 1-1, founder, fair trade and cultural preservation). Furthermore, the selection of potential beneficiary selection could happen even before a social enterprise was set up. Case 4 provides an example that the social entrepreneur started the negotiation with targeted communities before the social enterprise was founded. However, unlike traditional market where sellers in general provided services or goods to fulfil buyers’ needs in exchange for profits, the beneficiaries with social demand in the social sector market normally could not afford such services or goods, such as blind people who relied on government subsidies or parents who had autistic children. As a consequence, social entrepreneurs had to find other ways to generate income for survival and development.

I found that government procurement was a popular way for social enterprises to generate income through providing services or goods to the social enterprises’ targeted beneficiaries. It appeared to be an important part of the social sector market because government contracts were not simply given. The social enterprises had to compete with NPOs, even small businesses, in order to receive government contracts. In addition, funding opportunities were particularly available to those organisations which provide public services that were traditionally provided by the public sector, such as the elderly care (Case 4 and 18) and empowerment of vulnerable people (Case 6, 15, 18 and 28). The government also appeared to be the direct customer of goods produced by social enterprises, such as handicrafts purchased by the government as gifts (Case 1).

I found that social entrepreneurs established exchange relationships with a wide range of foundations in order to obtain necessary support and resources, while in return they helped to support these foundations' social missions and increased their social impacts. For example, in Case 6, the More Love Foundation in Shanghai provided financial support to the social enterprise as its projects could increase the foundation's social mission in education and helping vulnerable people. In general foundations in China played an important role in social enterprise capacity building and making social investment, thereby helping social enterprises to survive social sector market competitions. This was particularly vital for micro social enterprises. In my earlier discussions on social entrepreneurial actions, I gave the example that foundations provided funding opportunities to help potential social entrepreneurs act upon seed venture ideas (Case 4). I found more evidence that foundations also provided funding opportunities for early start-ups (Case 3, 15) and more mature social enterprises (Case 6). Case 15 provides a good example to illustrate the role of foundations as a major social sector market actor. The social enterprise had difficult times in fund raising for its women empowerment projects, partly because the beneficiaries are mostly low-income migrant female workers, also because it was difficult to receive donations as it was founded by a foreigner who was not allowed to register a NPO in mainland China. To overcome these difficulties, the social enterprise relied heavily on foundations for fund raising and marketing. Firstly, it actively searched for funding and awards opportunities provided by foundations which matched her social missions. Similar to government procurement, the social enterprise had to compete with other social enterprises and NPOs in order to be successful in funding applications and competitions. Finally, the social enterprise successfully established partnerships with three foundations and won two awards which provided essential funding for the sustainable implementation of its projects in mainland China. In addition, foundations also helped the social enterprise with branding and marketing for its social projects, which further strengthened the market position of the organisation. As the participant summarised:

(The Narada Foundation) gave us a lot of advice on registration and how to develop a social enterprise. ... It also supported our several children projects and the projects we are currently doing. Our biggest funding came from our cooperation with the British Council, which was facilitated by the Narada Foundation, where we won an award of more than

200,000. ... So it was very helpful. The One Foundation gave us great support in promoting the brand of our organisation. ... (as we were an award winner), we did a promotion event at the award ceremony with Jet Li (Chairman of the Foundation, a film star). (Participant 15-1, manager, women empowerment)

Another important actor in the social sector market was commercial companies, normally the CSR departments of large MNCs (multi-national corporates). Commercial companies participated in the social sector market in various ways. First, commercial companies appeared to be a large and stable sales channel, especially for those social enterprises which produced tangible products rather than services. Social enterprises specifically targeted these companies in order to increase their sales:

I think connecting with more people in other area will only benefit our business more. So we are now trying very hard to actively establish connections with foreign companies headquartered in Beijing (to sell our products). (Participant 1-1, founder, fair trade and cultural preservation)

For social enterprises, another important sales channel was the charity sale events organised by large MNCs where its employees could purchase products and services from social enterprises, which allowed social enterprise to generate some income to set up or sustain small projects (Case 4). Moreover, commercial companies also provided funding opportunities for social enterprises to implement projects and make a social impact. It looked similar to foundations but their methods tended to be different. Commercial companies were more likely to utilise their capabilities in specialised areas to get involved in the operation of these projects as part of their CSR strategies, rather than simply providing funding for these projects. The effective partnership between the social enterprise in Case 18 and Microsoft provided a good example to illustrate this point. Since the establishment of the partnership in 2007, the two organisations established two community learning centres where Microsoft made use of its advantages in hardware, software and technical know-how to support the social enterprise's skills training courses provided to rural women. Through the combination of advantages of both organisations, the beneficiaries, who had never seen the internet before, were able to use modern technology to improve their skills and capabilities for

their future career, thereby creating a greater social impact. Furthermore, commercial companies were also an important source of volunteers, which will be discussed below in more detail.

I found that Volunteers as a group were an essential actor in the social sector market. Although volunteers normally did not require financial return for their services, they were benefited from volunteering activities. For example, the social entrepreneur in Case 6 reported that student volunteers from university societies offered a lot of help because volunteering was part of the students' social practice, through which they could earn credit. Volunteers brought in knowledge and manpower to increase social enterprises' capabilities in providing social goods or services while reduce operating costs, which are vital for the survival of early start-ups. Take Case 27 as an example, the social entrepreneur experienced serious difficulties in the first two years of starting up the social enterprise that he could only invest his own money into the organisation to keep it survive. But things changed when he came up with an idea which finally helped him overcome the most difficult times:

(We decided) to turn to the society. In the very beginning, people didn't know about our institution. Then we registered an NPO and volunteers started to come here, mostly students from universities and middle schools. For us it was like a great opportunity ... as they came here just wanted to help, they never ask for any returns ... so I think it would be a very good thing to provide such a platform for them. ... Then more and more volunteers come here, they also helped to promote our organisation online and the media started to report us. Now all the disabled children have volunteers to take care of, and we can finally break even. (Participant 27-1, founder, autism)

Three types of volunteers could be identified from the cases studied. The first type was students, as illustrated in the quote above, who were able to help social enterprises in terms of providing more social goods or services and making a greater social impact. Student volunteers from university were also able to increase the sales of social enterprises' products, mostly through organising charity sales at universities (Case 4 and 6). Another type of volunteers came from commercial companies, especially

employees from large MNCs, who provided professional services for beneficiaries thereby extending the types and improving the quality of social services provided by the social enterprise. For example, in Case 4, volunteers from Johnson & Johnson used their expertise in medical devices to manage the blood sugar level of the elderly, which allowed the social enterprise to provide better services to its beneficiaries. The third type of volunteers was the Advisory Board members or directors of social enterprises studied. It was a common practice among the cases studied, that social entrepreneurs specifically chose certain people from their connections and persuaded them to be Board members. In general these Board members covered every area that the social enterprise was related to. For example, as Case 6 was a social enterprise providing professional care and training services to autistic children through commercialising their drawings to earn profit, the founder carefully selected 8 people as directors. These 8 people came from the government (retired leader of the Disabled People's Federation), the media (CEO of the Phoenix New Media), the academia (researchers on disabled people's welfare from Peking University and Chinese Academy of Social Sciences), and artists. But as the founder acknowledged: "*I just ask them to attend some of the activities I organised, and the events will look good (because of their titles), but they are never involved in daily operations and management*", the role of Board members seemed to be quite different from traditional commercial businesses. They did not have actual power on the decision making nor real commitments to the social enterprise; they were more likely to be loosely managed as free consultants. Therefore they can be considered as special type of volunteers.

From the discussions above, purposive selection of social sector market actors appeared to be a typical characteristic of the interactions between social enterprises and other actors in the social sector market. In other words, social entrepreneurs in the discovery cases form exchange relationships with specifically *targeted* social sector market actors in order to obtain necessary resources to occupy a position in the market.

6.2.2 The creation cases

SE opportunities in 5 cases are classified as created, the general background of these cases are presented in Table 6.3.

Case No.	Description
5	Case 5 was previously an online activity initiated by a group of travellers which encourages people to bringing 1kg books or stationery to schools in remote areas when they travel. Then it became a non-profit organisation but now it is developed as a social enterprise addressing educational inequality in rural areas. The major product it produces is called "1kg boxes" which can be used to guide volunteers to teach lessons in rural schools.
7	Case 7 is an organisation promoting Fair Trade in China by providing a network for people and organisations representing the Fair Trade supply chain, including handicraft designers, craftsmen in remote areas and retailers. Acting like a consulting company, it develops a guarantee system where transactions between its certified members are checked against its own Fair Trade standard to ensure each party's benefits are protected, while the social enterprise charges a small amount of fees for the products sold.
21	Case 21 was an online group of disabled people, also an organisation founded by disabled people with the aim to employ and empower disabled people. It has operated a number of projects which are initiated and operated by the online group members, including projects which help disabled people to start their own businesses, a restaurant that employs disabled people, careers services for the employability of disabled people, etc. It was a NPO which relied heavily on donations but now has started its attempt in generating incomes, for example, it operates an online-shop at Taobao.com (similar to eBay) which sells a range of daily necessities needed by disabled people such as rice, cooking oil, etc. The organisation is one of the seven social enterprises which are located in the NEST, a social enterprise incubator co-founded by the private and the public sectors in Shanghai.
25	Founded by an artist, Case 25 is a social enterprise providing arts recovery courses to specially needed groups, normally to those with brain or mental disabilities. Specifically, it provides training courses to the vulnerable groups in order to explore their potential in arts (mainly drawing), and utilise and re-design their drawings to develop final products which serves the market, such as iPad and iPhone cases, gifts, mugs and T-shirts. The social enterprise is located in the social enterprise incubator NEST.
29	Case 29 is a social enterprise targeting at poverty alleviation and environment sustainability. It is registered as a company, founded by a Singaporean who has been doing business in China for years. The company runs different innovative projects. The first project was set up to help poor HIV patients in rural Henan Province to develop and sell handicraft products, and more recently the company established another project which recycle and reuse coffee grounds to fertilise plants in order to reduce the use of chemicals in agriculture.

6.2.2.1 Seed venture idea

The discovery cases have shown that social entrepreneurs formed seed venture ideas to purposively solve social problems identified via scanning and searching information from their close circumstances and backgrounds. However, in the 5 creation cases, I found a distinctive pattern labelled as “*serendipity*” (Dew, 2009) by which social entrepreneurs formed their seed venture ideas through chances or unexpected circumstances. A typical example of this unexpected venture idea generation was how an artist “accidentally” became the founder of a social enterprise:

It was all by chance. At first, I didn't know too much about charitable activities, and I had no interests in them. I just participated in an international art exhibition in July 2009 in Beijing where I tried to teach some disabled people modern art, I thought it might be a social problem. But the public and press understood my work differently; they considered it was not only an art exhibition but something that NPOs would do to solve social problems. Since then I started to know NPOs and incubators. I was told (by the media) that there was an incubator in Shanghai, so I came here and started the social enterprise. But before that I had no ideas about NPOs, I had never been a volunteer and not a big fan of social businesses. I did it purely because it was meaningful from an artist's perspective. It was a long time after that I realised it was a completely new area which had so many problems and difficulties. (Participant 25-1, founder, disability)

This quote illustrates three points of creation opportunities which were distinctive from the discovery cases. First, although the founder was able to identify a social problem from an artist's perspective, the formation of the seed venture idea did not follow a rational path of information collection and evaluation of personal environment as social entrepreneurs in the discovery cases did. Instead, the seed venture idea gradually evolved through social interactions between the social entrepreneur and the media and public, therefore can be seen as a result of *collective* actions rather than individual rational choices. Second, because the social entrepreneur did not have any experiences in the commercial and social sectors, he had not formed a “knowledge corridor” as social entrepreneurs in the discovery cases had. However, he was able to overcome the

limitation of such a knowledge and experience corridor through a series of actions embracing surprises and exploiting environmental *contingencies*, such as obtaining essential information about NPOs and incubators at a contingent art exhibition. Third, as social entrepreneurship was a completely new area for the social entrepreneur, he was unable to predict potential risks and difficulties. Therefore, the environment of forming such a seed venture idea was *uncertain* (Knight, 1921).

Social entrepreneurs' knowledge and experiences firmly played a role in forming seed venture ideas, but not as decisive as in the discovery cases. For example, the founder of Case 5 was working for an IT company in Beijing, he also had some experiences as a volunteering teacher in schools for migrant workers and juvenile rehabilitation facilities outside of the city. These experiences helped him to form an intention to “*do something about volunteering and children education*”. However, this general intention was not converted into a seed venture idea of setting up the organisation until he accidentally met a friend who came back from a remote village school and told him a story about the poor educational condition in that school. This essential information obtained in the contingent event allowed the social entrepreneur to combine his experiences in volunteering and rural education, and to form an idea to quit his job and found an organisation. Therefore, unlike NPOs leaders who were restrained by their non-profit mindset, social entrepreneurs in the creation cases were able to obtain necessary information to form social entrepreneurial idea from unexpected *contingent* event while not being inhibited by the knowledge corridor they didn't have. Case 7 further illustrated how the social entrepreneur in Beijing obtained information and knowledge to form an idea of setting up an organisation for Fair Trade in Shanghai through a series of unexpected events and decisions which were not based on rational analysis:

Many people asked me why I am doing this, I am not religious, I don't have a noble mind, for me many things just happen naturally and you have to be adaptive. I was working in a PR department of a company, organising events and activities. Then Hua (a friend) came to me as he needed someone help with his Creative Market programme, a part-time job. Then because of this programme I got a chance to meet Zhao (founder of NPI) ... he told me that my idea was very close to the idea “Fair Trade”. I thought it was really a good idea, much better than donations. Another

reason was that ... NPI told me they could offer me a place in the incubator in Shanghai, which meant I could have the opportunity to go to Shanghai and stay with my family ... and that was even more tempting.
(Participant 7-1, founder, Fair Trade)

In addition, as innovative ideas of social value creation were collectively and contingently created, I found that the formation of such ideas happened in a *recursive* manner rather than following a linear process towards a pre-identified goal. Specifically, collective idea evolution could happen after the creation of a social enterprise in the form of creating new innovative social projects. As a consequence, the social missions that a social enterprise achieved could change dramatically during the process. For example, Case 29 is a social enterprise originally targeting at poverty alleviation. It helped rural HIV patients to develop living skills such as making handicrafts which were sold to large companies. In an accidental event the social entrepreneur found that some of its customers, such as Starbucks and IKEA, produced a large quantity of used coffee grounds which caused serious air pollution when they were disposed and burnt. Through negotiating with these companies' CSR departments and employees, a new project was then formed to reuse these coffee ground to develop fertiliser so the environmental problem could be solved. As can be seen from this example, the new social target of this project (environmental protection) was completely different from the original social mission (poverty alleviation) of the social enterprise when it was started.

6.2.2.2 Social entrepreneurial action

When examining the actions that social entrepreneurs took to implement their seed venture ideas, I found that these actions appeared to follow a similar pattern which could be labelled as a "trial and error" process, meaning that social entrepreneurs experiment with their ideas through different projects while making mistakes and taking necessary risks. However, as discussed earlier, while the creation of different projects reflected changing seed venture ideas which happened in a recursive manner, the "trial and error" process which implemented these changing ideas should not be seen as linear, either. I use Case 5 to illustrate this process.

After the seed venture idea was formed, the “trial and error” process in Case 5 started with a choice the social entrepreneur made between actually setting up a social enterprise and continuing his paid job in an IT company. However, unlike social entrepreneurs in the discovery cases who would make normative decisions based on an evaluation of the potential risks between these two alternatives, the decision making in this case did not involve effort in predicting the future and planning. As the social entrepreneurs said:

I just thought it was a fun and interesting thing to do, I didn't think too much about the social missions ... I think I am not that kind of guy who sets a goal and go on ... because I think the future is unpredictable. (Participant 5-1, founder, rural education)

Facing such an unpredictable future, the social entrepreneur used an effectual strategy as the focus of his decision was on what he could afford to lose if he started the social enterprise, rather than predicting risks and choose one with lower risks:

In 2005, I was considering whether I should quit my job to start a social organisation. It was a tough decision to make in the first two, three months, because I really couldn't see the future of non-profits. I knew many NPOs but there were few successful examples. Nevertheless, I changed to another way of thinking, which finally helped me make up my mind. ... I gave myself three years (to run the organisation) and asked myself what the worst consequences would be, see if I could accept it. Then it became very simple. The worst thing could happen in these three years was just failure. But it didn't matter, I could find another job, and I didn't need to think about starting NPOs or social enterprises anymore. So the loss was just three years' time, which I thought it was totally acceptable. (Participant 5-1, founder, rural education)

From this example it was clear that affordable loss, in the form of the opportunity costs of a job, could be calculated quickly in an uncertain environment where risks were unknown or unpredictable, thereby improving efficiency of the decision making in implementing social venture ideas.

The affordable loss-based decisions however were likely to result in a lack of a clear vision of what can be achieved in future. In Case 5, this can be seen from the various projects operated where seed venture ideas were “experimented” in the trial and error process. In the first two years after it was founded, the social enterprise was involved in projects sponsored by Lenovo Venture Philanthropy. In 2008 when a massive earthquake hit Sichuan Province in Southwest China, the social enterprise moved to Sichuan and got involved in post-disaster reconstruction of schools, which was supported by the Narada Foundation. In 2009, it established a new project with China Post in Chengdu (capital of Sichuan Province) which sold charitable postcards and use the profits to donate books to remote schools. Each of these attempts of projects reflected actions towards a possible opportunity. An important characteristic of these constantly changing projects and actions was that these projects were designed and conducted based on the resources at disposal rather than a clear goal, which reflected the “bird-in-hand” principle in the effectuation literature (Sarasvathy, 2008; Sarasvathy et al., 2014). However, as a result of these frequently changing projects and focuses, the social enterprise did not have a consistent goal or social mission, which led to unsustainable sources of income and rapid staff turnover.

At the same time, these changes and experimenting projects also had positive consequences. The trials and errors gave the social entrepreneur essential knowledge and experience which ultimately resulted in the manifestation of an adaptive social product. After a few years’ attempts on different projects, the social entrepreneur gradually became aware which operating model worked and which did not. In addition, the experience he obtained from operating these projects also helped him to develop a deeper understanding of the social problem which needed urgent attention. Specifically, he found that the less developed rural education in China had not resulted from the lack of hardware such as books and stationery; but from the unequal distribution of educational resources where many resources were spent on teaching exam subjects. Other subjects that were important for the students’ mental and physical development, such as music and sports, were largely ignored because they were not required in national exams. Therefore, donating books as he did in previous projects could not help resolve the problem. This experience pushed him to develop universal toolkit boxes which could be tailored by teachers and volunteers to teach courses, like music and

sports, without professional training. Furthermore, these boxes were also tailored to match the needs of resource provider, such as a toolkit box designed for disaster education, which were very successful. Nevertheless, in contrast to social entrepreneurs in the discovery cases, the development of such a social product did not involve market investigation and business planning, it was a result of continuous discussions and negotiation between the social entrepreneur, his employees and other stakeholder, hence a collective effort.

This example also illustrates that in an environment of uncertainty, it should be possible to adjust the implementation of seed venture ideas to the changes in the environment and resource availability. In the creation cases, this adaptive social product could be seen as the tangible outcome of social entrepreneurial actions which occurred in a recursive “trial and error” process. As the social entrepreneur pointed out:

You cannot predict all the environmental factors. ... So a good social project firstly has to be low-cost ... so it will be easy to receive funding (as people can afford it). Secondly, it has to be very simple and easy to use. Thirdly, it has to be adaptive to local environment, including nature, social, and cultural environment. It has to be open ... so people (the user of the social good) can use it to develop more innovations according to their own environment, culture and other conditions. (Participant 5-1, founder, rural education)

6.2.2.3 Social and market exchange relationship

In the five creation cases, I found that the social sector market actors are similar to the discovery cases, including the social enterprises, their beneficiaries, the government, foundations, commercial companies and volunteers. However, unlike in the discovery cases where social entrepreneurs established exchange relationships with targeted or selected social sector market actors, the five cases in this category showed a different form of practice which I termed “social sector market collaboration” and was characterised as self-selected partnerships, collaborative social product development, and collective marketing.

First, I found that social entrepreneurs established exchange partnerships collectively with other social sector market actors based on stakeholders' *self-selection*, rather than actively negotiating with targeting stakeholders with specific purposes. Participant 5-1 explained how he got access to the market:

I think you can't separate a good social product from the market. If you have a really good product, it is almost a half success, the market will recognise your product, and investors will come to talk to you, not the other way around. So, for me, my focus is on the design of a really good product, a product that people will like, a product that people will feel helpful after they use it. If I can do that, I don't have to worry about the market, and I don't have to find investors. (Participant 5-1, founder, rural education)

In this case, self-selected partnerships were not only found in the relations between the social entrepreneur and potential customers and investors, but also exemplified in his relationships with foundations, commercial companies and volunteers. In contrast to some discovery cases where foundations tended to be a major funding provider, the social entrepreneur in Case 5 stopped applying for funding to selected foundations although it was relatively easy for him. He decided to be more independent and the relationship between him and the foundations were more likely to be equal partnerships. For example, the relationship between the social enterprise and The One Foundation was created at a contingent NPO training event where the founder was invited to share some of his experiences with the audience. The Foundation contacted the social entrepreneur after the event as they were interested in his projects and wanted to participate in. Similarly, the exchange relationship between the social enterprise and Amway was established in an EMBA forum where the Amway CSR staff thought that the social enterprise's projects matched their volunteering programmes. Furthermore, the establishment of self-selected partnerships was also reflected in the relations between the social enterprise and its volunteers. Volunteers in this case played an important role in the social enterprise's operating model as the end user of the social products (teaching toolkit boxes) who provide teaching services to the beneficiaries in more than 200 rural schools. However, the social enterprise did not select volunteers,

but the establishment of their relationships was based on open online applications where any interested grassroots volunteer group or organisations could apply.

Case 29 offered another example of such partnerships. It was a social enterprise which helped poor HIV patients in rural China to develop life skills such as handicraft production, while its products were mainly purchased by the CSR departments in large companies such as Intel, SAP and Vanke (one of China's largest real estate companies). However, the ways to establish such market exchange relationships in this case were to some extent opposite to what in the discovery cases. Rather than selecting a target market, the social entrepreneur did not do traditional marketing in terms of product promotion, instead the acquisition of these customers tended to be a result of "attracting" rather than "targeting", meaning that new customers were attracted by the social mission of the social enterprise and the quality of its products through the introduction of old customers. In addition, the establishment of the short-term seller/customer relationships led to the development of long-term partnerships in this case. For example, the first exchange relationship between the social enterprise and Vanke was created in 2008, when the social enterprise produced reusable shopping bags for Vanke's CSR department headquartered in Beijing. This relationship was further strengthened later during the disaster relief in the Sichuan Earthquake in 2008. After that the social enterprise was also known to Vanke's subsidiaries in different provinces which then started to send continuous orders to the social enterprise, hence a sustainable partnership.

Another characteristic of the relations between the social enterprise and other social sector market actors in the cases studied was that the design, development and implementation of social products tended to be open for potential stakeholders. I found that social enterprises' stakeholders, as social market actors, actively engaged in the development and marketing of these social products. Examples included the relationship between the social enterprise in Case 5 and The One Foundation which collaboratively developed a social product for post-disaster education, and in Case 29 the social enterprise worked closely with large companies to develop a project to reuse coffee grounds and reduce environmental pollution. Social entrepreneurs in the creation cases had a clear awareness about the collaborations between different parties in achieving the same social mission:

Our project is quite different from other traditional (social) projects. Traditionally what people do is to design a project, get some funding, find some people to do it, get it done (and start another project). But I emphasise more on public engagement. I don't want to play God who designs everything; I'd like everyone to get involved in to see how far the project can go. ... It shouldn't be guided by certain authorities. (Participant 5-1, founder, rural education)

This emphasis on the engagement of different stakeholders on social product development was also reflected in the marketing and promotion of these social products. It was particularly important for the creation cases, or Chinese social enterprises in general, as they were often limited in resources and expertise in marketing and promotion. Examples included Case 29 where the social sector market exchange relationships with new customers were established through the introduction from old customers. Also in Case 5 where the social products “*can be promoted by themselves as part of the products design*”, the social entrepreneur encouraged the volunteers who used these products to share their experiences on online platforms, which not only facilitated knowledge sharing and learning between volunteers who can then provide better teaching services to beneficiaries hence greater social impact, but also promoted the products in the wider society without additional costs.

In summary, in contrast to the discovery cases where social entrepreneurs establish social sector market exchange relationships with targeted and selected stakeholders, social sector market actors in the creation cases actively engaged in establishing partnerships, collectively developing and promoting social products or services based on mutual-selection. Every actor in these exchange relationships was part of greater social sector market collaboration. As a result, the development of social products and the marketing for these products happened relatively simultaneously and in a recursive fashion, and the traditional boundaries between sellers and buyers in the social sector market in these cases became blurred. Furthermore, the role of social entrepreneurs in the creation cases became facilitators of the collaboration, rather than the designers and planners who cooperated with target partners as illustrated in the discovery cases. The

social entrepreneur and an artist in Case 25 used an art metaphor “social sculpture” to illustrate this point:

My understanding of social sculpture is to see every group of people as a different element of art creation where different stakeholders, such as the government and companies, can be seen as paint, brushes or palettes. So the art creation is to allow these elements combine in different ways to make impact on the society, such as the companies combined with non-profit activities and some work we (as social enterprises) have done. (Together) we are shaping a different art-form of the society, and that’s where the sculpture’s meaning lies. I am just a facilitator to guide and connect everyone to try to achieve an idea. (Participant 25-1, founder, disability)

6.2.3 The organic cases

SE opportunities in 7 cases are categorised as “organic cases” because they reflect a rather organic pattern of opportunity development which contain elements from both discovery and creation cases reported above. The general background of these cases is presented in Table 6.4.

Table 6.4. Background of the Organic Cases	
Case No.	Descriptions
8	Case 8 is a social enterprise dedicated to improving the educational environment and learning ability of dyslexic children. Founded in 2007, it has gradually developed a business model which use DFMM (Drug-free, multi-sensory, mental gymnastics) method to provide professional services to its beneficiaries. It is also one of the first social enterprises which have successfully obtained social investment.
9	Case 9 is a social enterprise registered in the form of a company in 2003, aiming to provide free film/book narration services for blind people. The free film/book narration services, as a non-profit project, is financed by producing and selling products provided for blind people to commercial companies and institutions, such as braille guidebook used in tourist attractions and plastic braille cards used by blind people to measure their notes in banks.

(Continued on next page)

Table 6.4. (Continued)	
Case No.	Descriptions
16	Case 16 is a social enterprise which targets at the unequal distribution of educational resources in China and aims to “let everyone enjoy quality educational resources”. It takes the legal form as a limited company, and its current business model is to design and provide online general education courses for university students, including arts, music, Chinese traditional culture etc., which are largely overlooked in the current Chinese educational system and many students do not have access to.
20	Case 20 was a non-profit school based in Changsha, Hunan Province which provided free 1-year skills training opportunities, such as catering and accommodation, exclusively to rural students who could not afford college education. A few years later, the founder started a more entrepreneurial project to help university graduates from rural areas to set up their own businesses. Part of the profit of this project is used to finance the school.
22	Case 22 is a social enterprise that trains, empowers and employs deaf college graduates to provide professional design and printing services to commercial companies, the government and NPOs. The social enterprise is located in the social enterprise incubator NEST.
24	Case 24 is the Chinese franchisee of an international franchising social enterprise which offers exhibitions and business workshops in a total darkness. After a few years’ attempts since 2007 it is now successfully localised in the Chinese market. Targeting at the HR training and capability building market in large MNCs, the social enterprise develops specially designed training workshops which are operated by blind trainers in a completely dark environment. It therefore provides a new employment opportunity for blind people by fully utilising their advantages in dark environment, while the income is sufficient for supporting the organisation’s operations and development. The social enterprise is located in the social enterprise incubator NEST.
26	Case 26 is a social enterprise founded by an American who is inspired by a social enterprise in Botswana which employs deaf people to produce affordable and high quality hearing aids that use solar-powered batteries. The social enterprise is a registered company and has started its operations in China where five deaf people were employed, its profits will be used to support other non-profit projects established by the founder such as a school for deaf students. The social enterprise is located in the social enterprise incubator NEST.

6.2.3.1 An overall pattern: organic development

Findings from these 7 cases revealed a pattern across all the cases which contained some seemingly conflicting elements from both discovery and creation opportunities as reflected in the literature. Specifically, the pattern involved social entrepreneur's practice of growing and refining social venture ideas with rational planning and decision making on one hand, but also being open and adaptive to contingencies on the other. I labelled these practice as "organic" development (Corner & Ho, 2010), as one of the participants described:

My understanding of the system is ... organic. If I plan to seed, it doesn't grow straight up. I cannot tell how many branches there will be, and that plant will adjust to where the sun is and the wind all of that. I think organic means you go into this, with a very clear idea what you want to accomplish, that being ready to take parts you didn't anticipate. ... Maybe I don't get what I originally wanted but other doors open. (Participant 26-1, founder, disability)

This quote illustrates some of the key points within the organic development pattern. If we see a SE opportunity as the plant, then the practice related to the opportunity can be seen as the planting practice which involves:

- 1) The selection of a "seed": the social entrepreneur forms a clear idea through searching and scanning his or her close circumstances for information about certain social needs or social problems, as discussed in the discovery cases;
- 2) "Plan to seed": goal setting and planning in order to take further actions, as discussed in the discovery cases;
- 3) Growing the seed and "adjust to where the sun is": advancing and refining seed venture idea while being adaptive to unexpected environmental contingencies, as discussed in the creation cases;
- 4) "Being ready to take parts you didn't anticipate": Being able to take potential risks, losses and unexpected result, as discussed in the creation cases.

Therefore, SE opportunities in these cases were not purely discovered nor purely created, but *both* discovered and created. In the following sections, I present these findings in more detail.

6.2.3.2 Seed venture idea and social entrepreneurial action

Within the pattern of organic development, I found that the formation and refinement of seed venture ideas and the actions of implementing these ideas happened relatively simultaneously. More specifically, I found that the pattern started with very specific inspirations which were then implemented by social entrepreneurs on a “trial and error” basis. While social entrepreneurs received feedback from the environment, they made adjustments to the original inspirations accordingly based on normative decisions and actions until seed venture ideas were finally manifest. For example, the social entrepreneur in Case 26 started with a rational decision to look for sustainable sources of income to support his school for deaf people in China while being open up for suggestions from different people, finally he ended up with a seed venture idea of setting up a company to hire deaf people to produce affordable hearing aids.

Case 8 offered further illustration of the pattern which was a social enterprise dedicated to improving the reading and learning abilities of dyslexic children. Before she set up the social enterprise, the social entrepreneur had an educational background in finance, and working experiences in a Stock Exchange Centre, a radio station as a presenter of a reading programme, a book chain store as a co-founder and then in a book publisher as the vice-president. Although she always had the dream of “influencing more people to read and think”, she was never involved or interested in non-profit activities. In her own words, *“I didn’t know anything about NPOs, not to mention social enterprises. ... I loved my publishing job so much and I never thought I would do something in education, never.”* The general inspiration of doing something about dyslexia came from a project called “family reading” she did when working in the book publisher, where she accidentally came across the social problem “dyslexia” which family reading could help children to overcome. This contingent event triggered her initial inspiration and interest in dyslexia. However, rather than a seed venture idea, this initial inspiration appeared only as an interesting topic she could explore for pure research purposes. So after that, she started her effort to obtain more information about dyslexia and possible solutions.

The effort consisted of two parts of practice which could be considered as both discovery and creation. First, the social entrepreneur contacted a few target organisations and NPOs for dyslexic children in Hong Kong that were identified through online searching, which could be considered as purposive and normative actions as discussed in the discovery cases. Second, the acquisition of the information about dyslexia also came from her research activities that drawn on means contingently obtained rather than an end, which was essentially effectual. The social entrepreneur obtained key information about potential solutions of the social problem quite contingently from one of the targeted NPOs, that dyslexia could be relieved through professional teaching. With the teaching materials nicely offered by chairman of the NPO in Hong Kong and the help from her own connections in educational research institutions, the founder established a research project “Dyslexia Research and Treatment” where she developed potential methods to solve the social problem and take further actions at a later stage. As a result, the initial inspiration of “knowing more about dyslexia” was further developed to “how to treat dyslexic children through teaching and early education”.

The refined inspiration was eventually transformed into a seed venture idea of setting up a social enterprise through “trial and error” practice which included testing and developing potential treatment methods, the re-identification of the social problem, and further refinement of the initial inspiration. After the research project “Dyslexia Research and Treatment”, the social entrepreneur soon started planning experimental teaching in a primary school which she had connections with. But soon she was confronted with another problem that the teachers even the principal of the school had never heard of dyslexia. It meant that if there were dyslexic students in their school, the teachers would not identify them as students with mental difficulties; rather, the teachers would only seem them as problem students without offering any help. This unexpected feedback from the experimental teaching changed her initial thoughts about publishing textbooks and teaching materials which could be used in schools to treat dyslexic students. It also pushed her to not only focus on the teaching methods used to treats dyslexic children, but also on raising public awareness of dyslexia. The re-identification of the social problems eventually encouraged her to form a seed venture idea of setting up her own social enterprise rather than relying on schools to solve the problem.

From this example it was clear that there was a continuous adjustment and evolution of the social entrepreneur's ideas, from her initial dream of "*influencing more people to read*" to finally the idea of starting an organisation to help dyslexic children to improve their reading and learning abilities. What accompanied with the evolution of these ideas were a series of normative decisions, actions which were driven by clear goals at different stages, while the social entrepreneur was still open to different choices, contingencies and then made adjustments accordingly. The seed venture idea would not have been formed if any of these decisions, actions, events or individuals were missing. As the founder said:

(At that time) I was just trying to solve this social problem as an interesting research topic. The reason why I eventually started this organisation was that I was so lucky that so many people took part in this, I was definitely not doing this alone. (Participant 8-1, founder, dyslexia)

An important factor that triggered the adjustment and evolution of the social entrepreneur's ideas was the unexpected new means which were brought in through exploiting contingencies. In this example, the new means included new knowledge and networks such as the teaching material obtained from the NPO in Hong Kong and its chairman who kindly offered help for free, which were never expected by the social entrepreneur when she made the contact. This finding slightly differed from the literature of effectuation where entrepreneurs create opportunities with existing means at disposal (Sarasvathy, 2008). Evidence from other cases also showed that although some social entrepreneurs tended to develop their initial inspiration into seed ideas based on existing means, the actions these social entrepreneurs took were not entirely effectual but rather a mixture of both means-oriented and goal-oriented actions.

This point was further demonstrated in Case 22, a social enterprise which provided training and internship opportunities for deaf students in professional design and printing. Similar to what has been discussed in the discovery cases, the formation of a seed venture idea in this case started with the social entrepreneur's understanding of his working environment. Before he set up the social enterprise, the social entrepreneur worked in a commercial advertisement company and then in a NPO providing hospice care. In a contingent event, the Beijing International Fair for Trade in Service where

many NPOs participated, he found that Chinese NPOs relied too heavily on the government and foundations because they were funding providers. Therefore these NPOs spent too much time in writing different funding applications while less attention had been paid to the vulnerable people they were supposed to take care of. This understanding of the circumstances of Chinese NPOs led to his initial inspiration of creating a self-sustainable social business model:

After working in a commercial company and then in a NPO... I gradually had an idea. If I were to set up an organisation in future, it would have to be autonomous and self-sustainable. At the time, I had no idea what a social enterprise was but I just wanted to do something that firstly could benefit certain people, and secondly, it should be self-sustainable and not rely on the government and foundations. That was what I wanted.
(Participant 22-1, founder, disability)

Unlike the social entrepreneurs in the discovery cases, this general inspiration could not be considered as a seed venture idea as it did not contain a specific goal of social value creation, i.e. a particular social mission that the social entrepreneur intended to achieve. However, this initial inspiration for the first time urged him to combine previous experiences, knowledge and networks which were never connected before. These included his previous connections with teachers and students in a school for deaf students from whom he had initial perception about these students' difficulties in finding jobs; a government-funded design project where he tried to train deaf students to do some design work and received very good feedback from the government and the school; the non-profit incubator which provided support to the NPO he worked in. It also included his actions in searching for more information about the actual needs of deaf students, through which he found that 95% of the deaf students were learning design-related majors but could not find jobs after they graduate. With all these means and experiences combined, the social entrepreneur's initial inspiration was finally transformed into a seed venture idea of establishing a self-sustainable organisation to improve deaf students' employability:

I worked in an advertisement company before and I am an advertising planner, and they (the deaf students) were studying design ... So I started

to think if I can set up an organisation to team up deaf students with non-disabled designers to do some design work. ... It would be a social enterprise, and we could make some profit to expand the organisation. ... Also I knew there was a non-profit incubator, so I thought it would be a good idea to make an application. (Participant 22-1, founder, disability)

From this example it can be seen that although the formation of seed venture ideas were based on an evaluation of existing means, including knowledge (about design work and the incubator), social networks (teachers and students in the school), and identity (himself as an advertising planner) which were effectual, it also consisted of normative actions such as searching for information about a specific social problem and business model planning to achieve that social mission.

6.2.3.3 Social and market exchange relationship

Similar to the last two types of cases, the main social sector market actors studied here were foundations, commercial companies, volunteers, beneficiaries or direct customers of the social products, and the government including NPOs with government subsidies (GONPO). However, the establishment and maintenance of these exchange relationships appeared to move along a spectrum between purposive selection of target social sector market actors and mutual-selected partnerships, which were demonstrated in the discovery and creation cases, respectively.

One extreme can be seen in Case 9 where the social entrepreneur built exchange relationships with specifically selected social sector market actors, including commercial companies, foundations and volunteers in the form of directors, at a particular time and in a particular place. For example, the social enterprise developed a card-sized device which could be used to help visually impaired people to distinguish banknotes. However, the product was not put into market until a year later when there was a news report about the inconvenience of blind people in using banks. The social entrepreneur soon contacted a bank which she had connection with, and she received an order of 5000 devices a week later. As the social entrepreneur said: “*actually you only build a relationship when it is useful. If not, then you are just wasting your valuable time and energy.*” Therefore, in this case, the establishment of social sector market

exchange relationships was based on rational selection and prediction of future gains, as described in the literature on discovery opportunities.

Another extreme was Case 24 where the social entrepreneur did not spend any resources in marketing at all. The social sector market exchange relationships were largely created through self-selection in the form of word of mouth and a strategic partnership. In other words, the social services it provided were open to anyone who was interested. For example, the strategic partnership was established between the social enterprise and an organisation which had 6000 company members in Shanghai. Any of the 6000 companies could be the potential customer through the organisation if they were interested. In addition, I found that non-profit incubators played a similar role in facilitating exchange relationships between social sector market actors. For example, the Non-profit Incubator (NPI) in Shanghai was an intermediary agency which supported over 200 social enterprises and cross-sector collaboration. With the support from the Shanghai government, it attracted visitors from all over China, including large companies and other local government, who were interested in social innovation or looking for cross-sector partners. For the social enterprises which were located in the incubator (Case 22, 24, 26), this brought in a lot of opportunities to create market exchange relationships with local governments and companies without additional costs.

In addition to the two extremes, I found that there were also cases which involved normative planning and market targeting, while being adaptive to the feedback received from the environment. Take Case 22 for example, the social entrepreneur originally set NPOs as his target market as he thought NPOs were in a great demand of designing and printing services. Soon after the organisation was established in the NPI, he found that NPOs were less able to pay for high quality services because of the lack of funding, while commercial companies which came to visit were more willing to pay a market price for the services provided. As a consequence, an adjusted marketing method was developed: the social entrepreneur developed universal design products such as standard posters which could be easily tailored according to NPOs' needs, while being open to other types of partners based on a mutual-selection basis.

6.3 Social entrepreneurship opportunities across the cases and their constituents

After the descriptions of the experienced SE opportunities which are located in the domain of empirical, this section moves on to report results from the abstraction where the actual concept “social entrepreneurship” was revealed. To do this, I dissolved the composite of SE opportunities by distinguishing the internal and necessary components through comparing and contrasting the experienced SE opportunities in the three types of cases above. As discussed in Chapter 5, the internal and necessary components were identified by answering the question: what cannot be removed without making social entrepreneurship opportunities cease to exist in its present form?

The cross-case analysis of the empirical data indicated three symmetrically necessary and internal components or common themes which made SE opportunities exist. As a starting point I established that structural changes in the Chinese institutional environment created a set of “unjust social equilibria” (USEs) at a macro level, which provided favourable circumstances for social entrepreneurs to form seed venture ideas to create both social and economic value. However, these USEs were not just available to social entrepreneurs but also to commercial enterprises or non-profit organisations. Secondly, by comparing and contrasting social entrepreneurial actions which served to implement these seed venture ideas across different types of cases, I found that it was mainly due to social entrepreneurs’ beliefs (SEB) behind their actions whether a USE results in the development of a potential social enterprise, a commercial venture, a non-profit or a philanthropic organisation. Thirdly, labelled as “Social Feasibility (SF)”, I found that the possibility of a SE opportunity coming into existence resulted largely from the availability of social assets and other resources embedded in the interactions between social entrepreneurs and other actors.

6.3.1 Seed venture idea across the cases

6.3.1.1 An overall pattern: unjust social equilibrium

An overall pattern in social entrepreneurs’ practice in forming seed venture ideas across cases was “*Unjust Social Equilibrium*” (USE), referring to contextual circumstances which enable some people, including social entrepreneurs, to form seed venture ideas

but also constrains others to do so. USE was considered in the social entrepreneurship literature as the reason for social problems, such as “the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own” (Martin & Osberg, 2007: 35). But my empirical finding also suggested that it created favourable environment for the creation of social enterprises.

USEs were objective contextual situations which could be perceived by social entrepreneurs or others as social needs or social problems when they form seed venture ideas in different ways. For example, social entrepreneurs in the discovery cases interpreted information about particular USEs through searching and scanning their close circumstances, while social entrepreneurs in the creation cases obtained this information through serendipitous surprises. Nevertheless, no matter how social entrepreneurs interpreted these unjust contextual situations, my data suggested that USEs existed independently of individuals. Without these USEs, social entrepreneurs could not form their social missions; consequently SE opportunities would not exist. My findings suggested that USEs could be understood in two ways: contextual constraints which hindered the Chinese public and private sectors from addressing social problems in the current social system, or as contextual enablement which created favourable conditions for SE.

6.3.1.2 Contextual constraints

The first contextual constraints appeared to be a mismatch between the supply and demand of social goods or services, which had resulted from the systematic retreat of the government as a social welfare provider and the lack of market applications of new technologies from the private sector in providing new social goods. In Case 8 for example, the social entrepreneur found after her market research that one in ten children were likely to suffer from dyslexia. This meant that almost 15 million children in China required dyslexia treatment, which is a huge social demand. However, while the research on dyslexia in China was actually internationally pioneering, none of the research outcomes was actually applied to the real practice of treating dyslexic children. Therefore, the lack of involvement of the public and private sectors in providing such social goods formed a social problem which social entrepreneurs could perceive as potential opportunities of social value creation.

I found that the provision of social goods or services from the public and private sectors could be constrained by formal institutions, such as the changes relating to the Chinese government and education systems, laws and regulations. For example, the social entrepreneur in Case 26 was an American who started a school for deaf children in Zhejiang Province and a social enterprise to hire deaf people to produce affordable hearing aids in China, as he explained:

In Zhejiang, 10 years ago, there was a government enterprise, textile, and almost all employees were deaf or disabled. When that was closed, virtually 100% of deaf people in that city, thousands, lost their jobs and ten year later, still have no job. (For) the people with disabilities, nobody built a bridge for them to go into market economy. ... Why does IBM with 5000 employees in China have no people with disabilities? I think part of the reason is... the education system and the government programmes for the most part in China... are not, at this point, readily capable to provide the same education opportunities with people with disabilities, and provide the same training. (Participant 26-1, founder, disability)

The involvement of other social sector market actors in providing sufficient social goods or services could also be constrained by *social norms*. As mentioned in my earlier discussions in Case 6, some NPOs in China were constrained by their non-profit mindset, or social norms in general, that not-for-profit organisations should be completely non-profit. As a consequence, Chinese NPOs who had this non-profit mindset had to spend most of their effort in applying funding from the government and foundations, which limited their capabilities in providing more social goods or services, as reported (Case 13 and 22).

6.3.1.3 Contextual enablement

The lack of provision of social goods or services from other social sector market actors, or social problems in general, could at the same time be considered as a contextual enablement specific to social entrepreneurship, as “where others see problems, social entrepreneurs see opportunity” (Dees, 2001). I also found that the Chinese context created some favourable conditions for social entrepreneurs to develop seed venture ideas in China, such as the growing government spending on purchasing public goods

and the allowing grassroots not-for-profit organisations to legally register. This is in line with previous studies which suggest that formal institutions are opening up opportunities for Chinese social enterprises (Ding, 2007; Zhao, 2012). Contextual enabling situations also included a growing practice of corporate social responsibility, especially in large commercial companies, and a favourable public awareness of not-for-profit activities and social enterprises especially after the Sichuan earthquake in 2008. For instance in Case 25, without the attention from the media on social entrepreneurial activities, the social entrepreneur would have never obtained essential information from an art exhibition and form a seed venture idea, which eventually changed him from an artist to a social entrepreneur. Therefore the contextual enabling situations created an environment for social entrepreneurs to obtain cross-sector experiences and knowledge which were essential for social entrepreneurs to obtain information needed. These situations also facilitated the establishment of a large number of private foundations and partnerships between companies and NPOs, which provide support for social enterprises in terms of funding, business processes and managerial talents. As a participant said:

We were lucky because the concept “social enterprise” had become more and more popular at the time we started our organisation (in 2010). When I was originally trying to set up a business, or even a NPO, nobody would pay attention to me. But because the public and the media now recognise me as a social enterprise, and we are considered as a new way of solving social problems, so people like to give us resources, and we have received a lot. (Participant 22-1, founder, disability)

My findings from cross-case analysis did however not support the opportunity discovery view which may define (social) entrepreneurial opportunities by these contextual conditions (Companys & McMullen, 2007). While these contextual constraints and enablement could create social needs that social entrepreneurs can address, the findings suggested that they are not specific to social entrepreneurship. I found that certain social problems, such as disability and poverty, were addressed not only by social entrepreneurs but also by commercial entrepreneurs (in the form of CSR) or non-profit organisations, hence different types of opportunities. For example, when asked why he wanted to set up a social enterprise, a participant answered:

We can definitely start up a traditional NPO ... but still I think it is better to try an innovative and self-sustainable way to do it. I studied economics before, so I believe in market, and we don't have to rely on external funding as long as there is demand in the market. That is why I positioned the organisation as a social enterprise. (Participant 13-1, founder, volunteering)

From this example it could be seen that, given the same USE, a seed venture idea can lead to the creation of a social enterprise, or the creation of a traditional NPO, depending on how the social entrepreneur intend to implement the idea. Therefore, a USE alone cannot be used to distinguish social entrepreneurial opportunities from other types of opportunities and non-opportunities, as different agents may form different perceptions about a USE, and their personal choices and preferences largely determine whether and how a SE opportunity was developed. So the contextual constraints and enablement are essential and necessary for social entrepreneurs but not sufficient for distinguishing social entrepreneurial opportunities from other types of opportunities, hence an internal but asymmetrically necessary relation.

6.3.2 Social entrepreneurial actions across the cases

6.3.2.1 An overall pattern: social entrepreneurs' beliefs behind their actions

As described earlier, social entrepreneurs implemented their seed venture ideas in different ways. These actions could be normative decisions and goal-oriented actions which led to the creation of the creation of a (potential) social enterprise, or a trial and error process which was based on resources on hand, or adaptive actions based on environmental feedback. When comparing and contrasting these various actions, I found a common pattern that could be labelled as *social entrepreneurs' beliefs* (SEBs) behind their actions. SEBs were used here to refer to social entrepreneurs' subjective beliefs about whether their (potential) solutions to USEs could achieve possible ends of social and economic value creation. SEBs do have implications for the individuals' future actions, namely when making an opportunity "socially entrepreneurial" rather than potentially commercial or charitable. This pattern is consistent with the literature on opportunities creation where entrepreneurs' beliefs are considered as one of the

constituents of entrepreneurial opportunities (Sarasvathy et al., 2010). However, it is also important to notice that social entrepreneurs' beliefs may be right or wrong, as social entrepreneurs can make mistakes such as identifying wrong social needs or providing ineffective solutions, especially when there is a lack of specific knowledge about social entrepreneurship. As a result, any SE opportunity must include the possibility of failure.

Social entrepreneurs' beliefs firmly played a primary role in implementing seed venture ideas through social entrepreneurial actions, especially in the context of SE in China where environment is still characterised by uncertainty and complexity. Case 24 offered a good example for the importance of SEBs in such a business environment. Her organisation was part of an international franchising company which trained and employed visually impaired people to provide services to exhibitions and business workshops to their clients in a completely dark environment. This concept was introduced to China in 2007 but was not successful until 2010 when she joined and managed to successfully establish and legally register the Chinese franchise. The manager told us how she understood its earlier failure:

A social entrepreneur is the most important thing needed to start a social enterprise. The social entrepreneur doesn't have to be the best or strongest, he or she has to be suitable, and the key thing is that the social entrepreneur is totally buying the value and has a great passion and desire to get things done. People don't really understand social entrepreneurship (in China)... so it's important to let people know ... including the government, other organisations and companies; you cannot just focus on operations... The overall environment is complicated... especially for social enterprises ... (The early failure) is largely due to the lack of this kind of person to push things forward. (Participant 24-1, founder, disability)

This quote illustrates that social entrepreneurs are “not simply driven by the perception of a social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work” (Dees, 2001: 4). This “vision”, or SEB used here, suggests three sources of SEB in understanding the role of

human agency in implementing seed venture ideas and eventually form SE opportunities: for an opportunity to come into existence, would-be social entrepreneurs must firstly have intentions (“*passion and desire*”) to address certain USEs, then they have to be willing to develop means or solutions to achieve social and economic ends (*buying the value*), and finally they need to believe their solutions can be successfully implemented now or in the future to the best of their knowledge and experiences.

6.3.2.2 Intentions towards social entrepreneurship

My study provided evidence to clarify the role of intentions in forming SE opportunities in China. While the discovery cases supported the idea that some social entrepreneurs purposively looked for specific solutions to specific social problems, intentions towards social entrepreneurship were not necessary based on rational evaluation and decisions. Findings from all the three types of cases showed that social entrepreneurs’ intentions to develop SE opportunities could start with either very general ideas, interests or moral judgements. For example, this included social entrepreneur’s beliefs in the market (Case 13), a general dream of “influencing more people to read and think” (Case 8), being passionate about charitable activities (Case 22), a general inspiration of the idea of crowdsourcing behind Wikipedia (Case 5), just being inspired by a book (Case 4), or with the search for solutions for a (social) need they had themselves (e.g. Participants 29 are themselves disabled people). Given the absence of social entrepreneurship education in China, I found that Chinese social entrepreneurs’ intentions helped them form strong beliefs to act “socially entrepreneurial” in future.

So when I quit my job (in the IT company), I thought I could use a more business-like way to run the organisation as I worked in businesses before. Because if I don't have independent sources of income and rely on donations, the organisation is not going to be sustainable. I can't build my enterprise on someone's kindness. So when I quit that job, I wanted to do a social enterprise which could create income and be sustainable. (Participant 5-1, founder, rural education)

6.3.2.3 Means-ends frameworks

Intentions of creating social enterprises alone however did not mean that seed venture ideas could be successfully implemented. To guide future actions, I found that social

entrepreneurs generated ideas about providing possible solutions to address specific USEs. I use the term “means-ends framework” to refer to these ideas and willingness of developing means (i.e. solutions) to achieve social and economic ends. Means-ends framework is an important part of entrepreneurial opportunity definition in the discovery theories (Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010). It is also seen as a key component of entrepreneurship on which the creation and discovery theories share common ground (Sarasvathy, 2008; Busenitz et al., 2014). In the cases studied, I found that social entrepreneurs in all the three types of cases developed beliefs to provide either general or specific methods to achieve their social goals. In other words, social entrepreneurs developed means-ends frameworks in some way or other. Specifically, I found that social entrepreneurs developed means-ends frameworks normally in the forms of innovative business plan (Case 1, 4, 6, 13, 22, 28), existing business models such as microfinance and fair trade (Case 2, 3, 16, 24, 26, 27), or just a general business idea such as the idea of using business methods to address social problems (Case 5, 21, 25). For example, the social entrepreneur in Case 1 described her business plans to address the cultural preservation of the traditional Miao handicrafts before she founded the organisation:

I started an investigation soon after I return to China which lasted 4-5 years, from rural to urban areas, from raw materials to production process, and then I started to consider some business models which will allow some of the traditional ways of life to be handed down. But how can I achieve this goal? (I figured out that the business model should include) production, marketing and sales, besides, (I also need to know) what kind of skills and techniques (those handicraftsmen) have, what are their living conditions, and (how the business model can be) sustainable. (Participant 1-1, founder, fair trade and cultural preservation)

In this example, the means-ends framework provided a useful footprint to guide her future actions towards social entrepreneurship. Therefore, for a SE opportunity to exist, a social entrepreneur must believe that their seed venture ideas, implemented according to his or her means-ends framework, would create social and economic value in the future. This echoes Eckhardt & Shane’s (2010) argument that entrepreneurs’ beliefs on their new means-ends frameworks is a necessary part of the entrepreneurship process.

6.3.2.4 Beliefs based on personal experiences and knowledge

Social entrepreneurs also developed their beliefs to implement their means-ends frameworks on the basis of their experience and knowledge. Specifically, I found that social entrepreneurs' personal and professional experiences were important to the process of developing SE opportunities, as one of the participants summarised:

Starting up an organisation largely depends on its founder. If the founder has commercial background, he or she may have more feelings about money, and it is likely that he or she will develop a product or some (commercial) organisation to (achieve social missions). But if you were previously working in traditional NPOs, you probably would try to try to find external funding opportunities to make your services or projects sustainable. (Participant 6-1, founder, autism)

This quote illustrated that social entrepreneurs were likely to develop entrepreneurial beliefs to address social problems, namely “*feelings about money*”, if they had experiences in the private sector. That said, I found that personal experiences were necessary but not sufficient (asymmetrically necessary) for individuals to develop promising SE opportunities. Furthermore, similar experiences could lead to different ways of developing SE opportunities; this was due to the difference in knowledge and expertise of social entrepreneurs. In the following example, the founder's idea of setting up a social enterprise was inspired by another social entrepreneur in Botswana who employed deaf people to produce affordable hearing aids. Although both social entrepreneurs had a similar business background, they chose to implement their ideas in different ways, particularly in funding. As the participant said:

It is simply very different in its funding, and I think when you take a different approach to funding, we are forced to be much more like a regular business, even though Harvard has a business background, I think when you accept money and you have three years and a half million dollars, it is easy to get into not worrying about growing the business. Forest and I have got to develop revenue quite rapidly. So I think we should take a different mental path. In long term, I think our path is going

to be (that) we will be bigger, have more profits, and can give back to the community, hire more deaf people. (Participant 26-1, founder, disability)

While the Motswana social entrepreneur mainly focused on applying funding from foundations and other funding bodies, Participant 26-1 took “a different mental path” and adopted a more business-like model to attract business investors. This was due to the expertise of his co-founder, Forest, who had developed considerable knowledge about business investment in Shanghai. As a consequence, they formed strong beliefs that obtaining business investment could help the social enterprise generate more profits as well as social impact.

Knowledge was important for social entrepreneurs to form strong beliefs, but the knowledge was not necessarily related to SE. In fact, I found that most participants did not have a clear understanding of what a social enterprise was, except for some well-educated social entrepreneurs (such as Participants 24-1 and 26-1) who had developed considerable knowledge about social entrepreneurship and social entrepreneurship business models before they started up their social enterprises. Most participants had not heard about the concept “social enterprise” when they started their organisations. Interestingly, a number of participants believed that social enterprises should be registered in the form of a company and the main function of it is generating income for non-profit projects until receiving free training from British Council on Social Enterprises in 2008. However, this lack of knowledge in social entrepreneurship did not affect their actions in implementing their seed venture ideas in a social entrepreneurial way.

6.3.3 Social and market exchange relationships across the cases

6.3.3.1 An overall pattern: social feasibility

While my previous findings acknowledged the importance of social entrepreneurs’ beliefs in facilitating actions to implementing seed venture ideas, these findings also revealed that these actions were either facilitated or constrained by resources embedded in their market exchange relations. As illustrated in the quote above from the founder of an international social enterprise franchise (participant 24-1), even with a successful social enterprise model and adequate resources from its headquarter, sustainable social

sector market exchange relations could not be successfully established and maintained unless there was an understanding and support from key stakeholders such as the government in China. In other words, the social entrepreneur's beliefs, including her intention to set up a social enterprise and knowledge about social entrepreneurship, did not necessarily guarantee a position in the social sector market. For the social enterprise, the success in the social sector market also required external resources such as government support to be available, but the availability of such resources was out of her control. I use the term "*social feasibility*" (SF) to refer to the availability of these tangible and intangible resources which affect the likelihood of SE opportunities to be developed.

This social feasibility is "embedded" as these resources were inherently available in social entrepreneurs' social sector market exchange relationships (note not in all of their social networks). This is in line with the general entrepreneurship literature entrepreneurial opportunities are considered as instituted in market structures (Dimov, 2011), while entrepreneurs are considered as part of the local structure and "being embedded actually created opportunities" (Jack & Anderson, 2002: 467). However, it is also important to distinguish between SF and social capital which is seen as the inherent causal power or enabler to access resources in social networks. First, I use the term SF to address the extent to which the resources are available, rather than the aggregation of the resources. Second, the resources are embedded only in social entrepreneur's market exchange relationships which may or may not be part of the social entrepreneurs' social networks where social capital is embedded. More importantly, these resources, such as the government support in Case 24, are not directly possessed by social entrepreneurs. As these resources are out of social entrepreneurs' direct control, their existence is likely to be independent of the social entrepreneurs, consequently SF should be considered as an objective entity.

Most definitions of entrepreneurship opportunities include economic or market feasibility as a key element – i.e. that goods or services can be sold at prices which are greater than their cost of production (Shane & Venkataraman, 2000; Sarasvathy et al., 2010) and technological feasibility (Eckhardt & Shane, 2013). Findings related to SF extended this view by defining social feasibility as a key constituent of SE opportunities. Without it, regardless of the strengths of a social entrepreneur's beliefs, his or her

actions of pursuing an opportunity would not be successful. However, unlike evaluating the ‘economic feasibility’ of a project, measuring feasibility in SE contexts is more complicated as social entrepreneurship to some extent does not follow traditional market and economic disciplines and therefore hardly be measured solely by economic means (Zahra et al., 2008). Furthermore, social entrepreneurship sometimes works in exactly those areas where commercial entrepreneurs judge an opportunity not to be economically worthwhile (Austin et al., 2006; Monllor, 2010). I found that SF mainly appeared in two forms: the availability of social assets and social resources.

6.3.3.2 Social assets

Social assets are normally intangible valuable resources embedded in a community (Guclu et al., 2002) which may not be directly relevant to the focal social enterprise, but form surviving conditions for a feasible opportunity to come into existence. Examples included Case 1 in which a social entrepreneur who – despite not belonging to the Miao ethnic group – decided to start her social enterprise to preserve the culture and handicraft of Miao, one of the 55 ethnic minorities in China. An essential resource behind the opportunity and core idea of this social enterprise was the continued existence of the richness and uniqueness of Miao’s culture and handicrafts, thus offering potential to commercialise its cultural products, even on an international level. Without this important resource, the application of the same business model to other ethnic minorities (e.g. the Han arts and crafts) was unlikely to be successful, hence ‘unfeasible’. Furthermore I have to point out that these (Miao) resources are not just available for the focal social entrepreneurs, nor do they rely on her or other individuals’ perceptions or actions to exist. Nevertheless, they were key to transforming this mission (of preserving the Miao culture) into a realistic SE opportunity. Another example of social assets embedded in beneficiaries was the autistic children’s capabilities of drawing in Case 6, which were discovered by the social entrepreneur:

I saw those drawings he made, and I was so impressed that these pictures were completely different from those from normal kids. When I actually saw the kid after a few days, I was even more surprised that although he couldn't physically keep balance and was less able in many other ways, he became extremely quiet and calm when he was drawing. For him drawing

was a way to find some relaxation, and he really enjoyed it. (Participant 6-1, founder, autism)

This social asset embedded in the autistic children as a social group provided valuable resources for the social entrepreneur to form a business model which used art therapy to provide affordable treatment for autistic children, while commercialising their drawings to generate income for sustainable development.

6.3.3.3 Social resources

I found that the establishment of a sound social sector market position was also facilitated or constrained by the availability of more tangible resources embedded within the social entrepreneurs' exchange relationships with other market actors. Some of the resources existed outside of a social entrepreneur's immediate networks and were therefore independent of the individual entrepreneur, such as the resources held by friends' friends. Nevertheless, these resources were potentially available. This can be illustrated by the case of Participant 25-1, the artist who "accidentally" became a social entrepreneur. Here, the social entrepreneur failed to formally register the organisation in Beijing when starting his venture; however, after the introduction of one of his friends to a non-profit incubator in Shanghai with close relationships with the local government, the organisation was soon successfully registered. With the support of the incubator, considerable commercial and political resources were brought in and this SE opportunity started to take shape. In this case, the availability of the non-profit incubator determined how feasible the opportunity of setting up a social enterprise in art recovery for mental disability could be.

Such resources however cannot be seen as given. The availability of these resources requires the social entrepreneur's abilities to meet and justify expectations from different parties in their extended social networks or other social sector market actors, and social entrepreneurs have to constantly act and react to different stakeholders in order to generate satisfactory outcomes, which are difficult to measure solely by economic means. Furthermore, the development of SE opportunities also requires individuals' actions which are not purposively linked to social entrepreneurship, such as networking activities with friends in Case 25. These findings differ from Grenier's (2010) argument that successful social entrepreneurs' actions are consistent with their

pre-set goals and visions. Consequently an SE opportunity is not merely “created” or “discovered” by an individual’s actions, but “emerges” as a result of their actions and interactions with their social structure and the larger society. The next chapter moved on to explore how the causal power of social entrepreneurs’ guanxi relations, i.e. the social capital that a social entrepreneur has, are exercised to form a “real” SE opportunity.

6.4 Chapter summary

This chapter presents findings regarding the explication of SE opportunities, as a theoretical concept located in the domain of actual, from experienced SE opportunities located in the domain of empirical. The research process began with a detailed examination of SE opportunities in 22 social enterprise cases based on three units of observation: seed venture ideas, social entrepreneurial actions, and social and market exchange relationships. Findings suggested that SE opportunities in the cases studied could be seen as discovered, created, or both.

In the discovery cases, I firstly found that the formation of seed venture ideas derived from social entrepreneurs’ active searching and scanning for information which could take place at personal, organisational, industrial, national or international levels. Information was collected and evaluated on a rational basis. As a result, social entrepreneurs in these cases could develop a clear understanding of particular social problems or social needs, and they purposively looked for potential solutions to these pre-identified social problems. I also found that the interpretation of these social problems or social needs did not simultaneously lead to the generation of a seed venture idea. Instead, social entrepreneurs’ prior knowledge and experiences allowed them to form “knowledge and experience corridors” which helped them to form ideas of setting up social enterprises before others were able to do it. Second, social entrepreneurs advanced their seed venture ideas towards actions through a series of normative decisions and goal-oriented actions. These decisions and actions included market research and investigations, evaluation of possible alternatives, risk assessment, goal selection in terms of operating models, potential stakeholders, legal forms and positioning, and resource acquisition. A manifest outcome of these normative decisions and goal-oriented actions could be seen as in the form of a potential social enterprise

which made SE opportunities possible. Third, findings in these cases also demonstrated that social entrepreneurs did not only create exchange relationships with traditional market actors such as customers with demand, but in fact acted in a much wider “social sector market” where at least five major actors could be identified, including their beneficiaries, the government, foundations, commercial companies and volunteers. Social entrepreneurs in these cases purposively established exchange relationships with carefully selected social sector market actors in order to reduce risks.

Finding from the creation cases suggested three patterns of SE opportunities. The first pattern was labelled as “serendipity” by which social entrepreneurs formed their seed venture ideas through collective actions, chances or unexpected circumstances, and a non-linear and recursive path. I found the second pattern, the “trial and error” process, meaning that social entrepreneurs experiment with their ideas through different projects while making mistakes and taking necessary risks. The trial and error process involved decision making based on affordable losses which improved efficiency in dealing with uncertain and unpredictable environment, recursive attempts of experimenting ideas based on resources at disposal rather than clear goals, and the manifestation of social products which were adaptive to environmental contingencies and uncertainties. In the third pattern, social sector market collaboration, social entrepreneurs actively engaged in establishing partnerships, collectively developing and promoting social products or services based on mutual-selection. Every actor in these exchange relationships was part of greater social sector market collaboration. As a result, the development of social products and the marketing for these products happened relatively simultaneously and in a recursive fashion, and the traditional boundaries between sellers and buyers in the social sector market in these cases became blurred.

Findings in the organic cases revealed a rather “organic” pattern of SE opportunities which contained some seemingly conflicting elements from both discovery and creation opportunities. Specifically, the pattern involved social entrepreneur’s practice of growing and refining social venture ideas with rational planning and decision making on one hand, but also being open and adaptive to contingencies on the other:

- 1) The selection of a “seed”: social entrepreneurs form clear ideas through searching and scanning their circumstances for information about certain social needs or social problems;

- 2) “*Plan to seed*”: social entrepreneurs make normative decisions, set goals and plans in order to take further actions;
- 3) Growing the seed and “*adjust to where the sun is*”: social entrepreneurs continuously adjust, advance and refine their seed venture ideas based on unexpected environmental contingencies;
- 4) “*Being ready to take parts you didn’t anticipate*”: Being able to take potential risks, losses and unexpected result.

Through cross-case abstraction informed by critical realism, this chapter also identified three internal and necessary constituents which allowed a SE opportunity to exist. The first constituent was “Unjust Social Equilibrium” (USE), referring to contextual circumstances which enable individuals, including social entrepreneurs, to form seed venture ideas but also constrains others to do so. USE existed independently of individuals. It created social problems which could be perceived by social entrepreneur to form seed venture ideas, it also created a favourable environment for social entrepreneurs to create social enterprise while hindering the Chinese public and private sectors from addressing social problems in the current social system. The second constituent of a SE opportunity was “Social Entrepreneurs’ Belief” (SEB) behind their social entrepreneurial actions. SEB was used to refer to individuals’ beliefs about whether their (potential) solutions to USEs could achieve possible ends of social and economic value creation. It required social entrepreneurs to have intentions to develop means-ends frameworks to achieve their social missions they perceive as arising from USEs, also to have adequate knowledge and experiences (not necessarily in SE) to implement these solutions now or in future. I found the third constituent, “Social Feasibility” (SF), meaning the availability of tangible and intangible resources embedded in social entrepreneurs social sector market exchange relationships which affected the likelihood of SE opportunities to be developed. These resources are out of social entrepreneurs’ direct control and can be considered as independent of the social entrepreneurs. I found that SF mainly appeared in two forms: the availability of social assets and social resources. Social assets are normally intangible valuable resources embedded in a community (which may not be directly relevant to the focal social enterprise, but form surviving conditions for a feasible opportunity to come into existence. Social resources were more tangible resources embedded within the social entrepreneurs’ exchange relationships with other market actors.

CHAPTER 7: Findings and Analysis – Empirical Corroboration

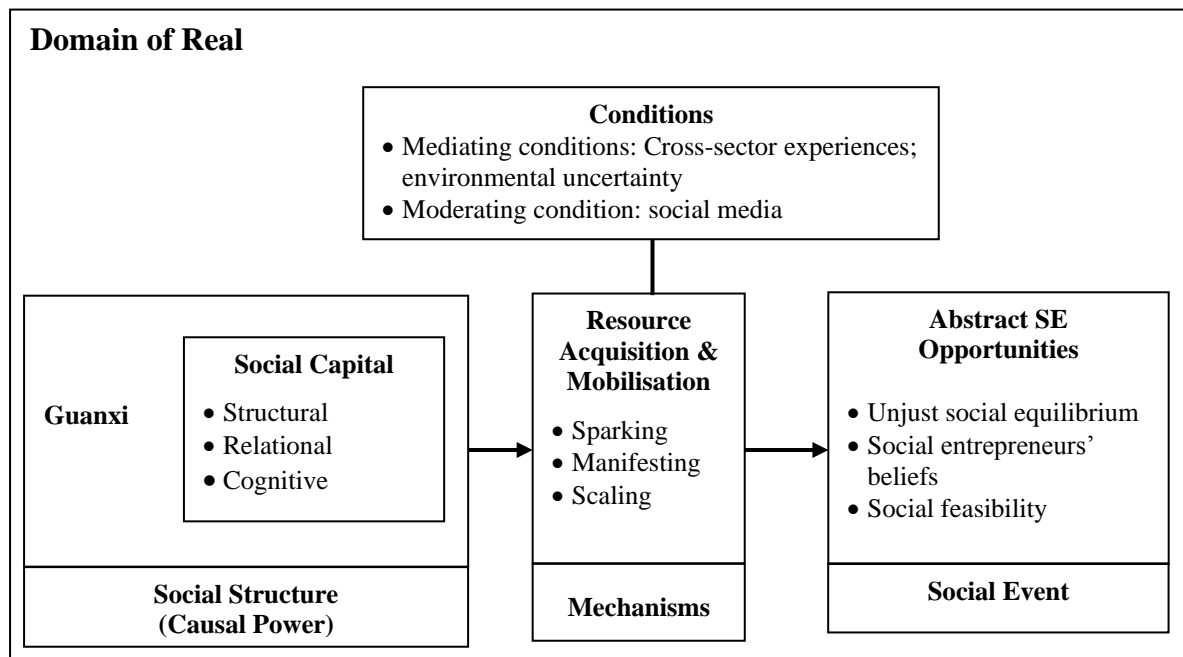
7.1 Introduction

This chapter presents findings from the Step three “empirical corroboration” of my research design and discusses the structures, causal powers, generative mechanisms and conditions of SE opportunities which are located in the domain of real. In the previous chapter, I have conceptualised SE opportunity as a construct located in the domain of actual which comprises three constituents: unjust social equilibrium (USE), social entrepreneurs’ beliefs (SEB), and social feasibility (SF). Although these three constituents are internal and necessary components of a SE opportunity, any of them alone cannot be seen as the opportunity itself. A “real” SE opportunity is not simply an “add up” of these constituents (Sayer, 1998), instead it emerges from generative mechanisms which derive from social structure and its inherent causal powers (Wynn & Williams, 2012). Therefore, to understand how SE opportunities emerge, one has to understand the generative mechanisms through which social capital as causal power inherent in guanxi (social structure) lead to the emergence of USE, SEB and SF (event), which I seek to address in this chapter.

In this chapter, I firstly provide an overview of the fundamental role of social capital (inherent in guanxi) in causing the emergence of SE opportunities. Major findings regarding the effects of the structural, relational and cognitive dimensions of social capital in the three categories of cases (i.e. discovery, creation, organic) are demonstrated and summarised in three tables. Then I present more detailed findings in the following section where the effects of each dimension of social capital in and across the three categories of cases are discussed and compared. This section also includes some conditions under which the effects of social capital may be influenced. Finally this chapter moves on to the data analysis where I summarise and discuss the generative mechanisms which lead to emergence of SE opportunities, the mediating conditions which lead to different SE opportunities (discovery or creation) across cases, and moderating conditions which affect the strengths of the mechanisms. It is however important to note that the multifinality that critical realism holds indicates the existence

of other causal paths through which similar outcomes may occur (Henfridsson & Bygstad, 2013). Therefore, the generative mechanism I discussed in this chapter should not be considered as a covering law, but as a possible explanation which may require further refinement. Figure 7.1 below summarises the findings in this study.

Figure 7.1. Generative Mechanisms and Conditions of SE Opportunity Emergence



7.2 An overview of the effects of social capital on social entrepreneurship opportunity emergence

This section provides an overview of the findings regarding how social capital affects the emergence of SE opportunities in the discovery, creation, and organic cases. Findings are organised according to the three dimensions of social capital, namely the structural, relational and cognitive dimensions, with a specific focus on the relations between the three dimensions and the three constituents of SE opportunities (i.e. USE, SEB and SF). The content of each social capital dimension is observed based on the literature discussed in Chapter 5. Specifically, I approach the structural dimension by empirically examining the appropriable organisation, openness and closure, clusters within the network, individuals as special nodes, strength of ties, structural holes, size, stability and durability of Chinese social entrepreneurs' guanxi networks. I describe the relational dimension by examining reciprocity, identity and identifications,

mianzi/reputation, trust and renqing/obligation which indicate the quality of guanxi relations between social entrepreneurs and their contacts. In addition, my examination of the cognitive dimension mainly focuses on the shared understandings and shared norms and values between social entrepreneurs and their contacts.

The following three tables (Table 7.1, 7.2, 7.3) provide an overview of the effects of each dimension of social capital on forming SE opportunities, and the distribution of demonstrating cases found in the study. As shown in the tables, there are some similarities and differences in the effects of social capital between the discovery and creation cases. In addition, because the organic cases contain elements from both SE opportunity discovery and creation, findings from these cases tend to be a mixture of what is found in both discovery and creation cases. Therefore, for the purpose of this chapter, my presentation and discussions of the findings mainly focuses on the discovery and creation cases. Findings from the organic cases are used as a supplement.

Surprisingly little evidence has been provided by the participants about the effects of some particular types of social capital, such as the size, stability, centrality and hierarchy of one's guanxi networks under the structural dimension. Also there are some fluctuations in terms of the number of demonstration cases for each type of social capital. However, the lack of evidence or the number of demonstration cases here does not necessarily indicate that these types of social capital are less important than others from a critical realist perspective. As discussed in Chapter 4, my critical realist stance supports the view that causality, or the causal mechanism I am trying to investigate here, is not based on the regularity or repeated observations. Therefore, further studies may be needed to explore the effects of these less evidenced types of social capital. Here I mainly focus on those types of social capital which are supported by my empirical data and have major impacts on the emergence of SE opportunities.

Despite the differences in the effects of social capital across different cases, in general my empirical findings show that Chinese social entrepreneurs attach critical importance to social capital that is inherent in guanxi. The importance is particularly reflected in the role of social capital in providing access to vital social entrepreneurial resources at relatively low costs, such as information, influence and market access. As one of the participants explained:

I think guanxi is really the same thing in the United States... (but) a more sophisticated system. ... We got all the free advice by building a network and meeting people. So my understanding of the system is ... (only having a good idea or being rich is not enough for you to do a social enterprise) ... the whole thing is to build a broad base of people. (Participant 26-1, founder, disability)

These findings also support discussions in the entrepreneurship literature where it is generally agreed that social capital helps entrepreneurs to gain access to various resources in starting and developing ventures (Jack, 2005; Liao & Welsch, 2005; Neergaard, 2005; Cope et al., 2007). The following Section 7.3 presents these findings in more detail about what resources are available and how social entrepreneurs get access to them, which are less discussed in the SE literature. After that, I discuss the similarities and differences between different categories of cases which eventually reveal the generative mechanisms and conditions.

Table 7.1. Effects of Structural Social Capital on SE Opportunity Emergence		
Social Capital	Empirical Findings	Demonstration Cases
Discovery Cases (Case 1, 2, 3, 4, 6, 13, 15, 18, 27, 28)		
Clusters and Structural Hole	<ul style="list-style-type: none"> • Provide access to non-redundant information (USE) • Provide access to essential knowledge across sectors to justify normative choices (SEB) • Form “network corridor” that leads to competitive advantage (SF) 	1, 2, 3, 4, 6, 13, 15, 18, 27, 28
Closure	<ul style="list-style-type: none"> • Access to widely shared information, knowledge and motivation (SEB) • Facilitate interactions between members which lead to cooperation and partnerships building in new product and new market (SF) • Reduce operating costs and uncertainty (SF) 	2, 3, 4, 13, 15, 27, 28
Strong/ direct Ties and Gatekeeper	<ul style="list-style-type: none"> • Provide reliable and stable access to social sector market (SF) • Access to complex information, tacit knowledge and implicit rules (SF) • Act as referees to influences, external networks and resources (SF) • Reduce costs and improve efficiency in selecting and mobilising resources (SF) • Strong ties with the government provide access to influence (SF) 	1, 2, 3, 4, 6, 15, 18, 27, 28
Weak/ indirect Ties	<ul style="list-style-type: none"> • Access to less complicated and detailed information (USE) • Provide access to social sector market with lower costs (SF) 	6, 8, 13, 15, 18, 24, 28
Creation Cases (Case 5, 7, 21, 25, 29)		
Clusters and Structural Hole	<ul style="list-style-type: none"> • Provide access to information which can be used at contingent events (USE) • Influence actions to implement venture ideas (SEB) 	5, 7, 25, 29
Closure	<ul style="list-style-type: none"> • Access to widely shared information, knowledge and motivation (SEB) • Facilitate collective actions without pre-specified goals (SF) • Reduce uncertainty and overcome early difficulties (SF) 	21
Strong/ direct Ties and Gatekeeper	<ul style="list-style-type: none"> • Access to complex information, tacit knowledge and implicit rules (SF) • Act as referees to external networks and resources (SF) • Facilitate cooperation and improve quality (SF) • Sources of intensive collaborative actions (SEB, SF) 	5, 21, 29
Weak/ indirect Ties	<ul style="list-style-type: none"> • Access to information at contingent events (USE) • Provide access to social sector market and resources (SF) 	5, 25, 29
Organic Cases (Case 8, 9, 16, 20, 22, 24, 26)		
Clusters and Structural Hole	<ul style="list-style-type: none"> • Provide access to non-redundant information (USE) • Provide access to essential knowledge across sectors to justify normative choices (SEB) • Provide access to information which can be used at contingent events (USE) 	8, 9, 16, 22, 26
Closure	<ul style="list-style-type: none"> • Access to widely shared information, knowledge and motivation (SEB) • Facilitate collective actions without pre-specified goals (SF) • Reduce uncertainty and risks (SF) 	8, 9, 16, 22, 26
Strong/ direct Ties and Gatekeeper	<ul style="list-style-type: none"> • Provide reliable and stable access to social sector market while reducing uncertainty (SF) • Access to complex information, tacit knowledge and implicit rules (SF) • Act as referees to external networks and resources (SF) • Sources of intensive collaborative actions (SEB, SF) • Strong ties with the government provide access to influence (SF) 	8, 9, 24, 20, 22, 26
Weak/ indirect Ties	<ul style="list-style-type: none"> • Access to information at contingent events (USE) • Provide access to social sector market and resources (SF) 	8, 9, 24

Table 7.2. Effects of Relational Social Capital on SE Opportunity Emergence		
Social Capital	The Role of Social Capital in SE Opportunity Emergence	Demonstration Cases
Discovery Cases (Case 1, 2, 3, 4, 6, 13, 15, 18, 27, 28)		
Reciprocity	<ul style="list-style-type: none"> • Key principle in mean-ends framework development (SEB) • Help establish and maintain good market exchange relationships (SF) • Access resources and support from target stakeholders (SF) • Facilitate knowledge transfer and sharing (SEB, SF) • Access to authorities and political influences (SF) 	1, 2, 4, 6, 13, 18
Identity and Identification	<ul style="list-style-type: none"> • Access to social sector market (SF) • Improve public trustworthiness (SF) • Access to resources while reducing risks (SF) 	6
Trust	<ul style="list-style-type: none"> • Calculative trust • Access to political support, market and resources at costs (SF) • Influence target stakeholder's decision-making and norms (SF) 	4, 6, 15
Mianzi/ Reputation	<ul style="list-style-type: none"> • Indirectly improve public trustworthiness (SF) 	6
Renqing & Obligation	<ul style="list-style-type: none"> • Influence intentions towards SE (SEB) 	1, 18, 27
Creation Cases (Case 5, 7, 21, 25, 29)		
Reciprocity	<ul style="list-style-type: none"> • A key principle in collective actions and social product design (SEB) • Facilitate collaborative social product development and collective marketing (SF) 	5, 29
Identity and Identification	<ul style="list-style-type: none"> • Attract external resource holders (SF) • May cause overembeddedness which leads to social entry barriers and reduce competition (SF) 	5
Trust	<ul style="list-style-type: none"> • General trust • Facilitate stakeholder self-selection which leads to access resources and market 	5, 7, 21
Mianzi/ Reputation		
Renqing & Obligation		
Organic Cases (Case 8, 9, 16, 20, 22, 24, 26)		
Reciprocity	<ul style="list-style-type: none"> • A key principle in collective actions and social product design (SEB) • Facilitate collaborative social product development and collective marketing (SF) 	8, 9, 20, 22, 26
Identity and Identification	<ul style="list-style-type: none"> • Attract external resource holders (SF) • May cause overembeddedness which leads to social entry barriers (SF) 	8, 9, 20, 22, 26
Trust		
Mianzi/ Reputation		
Renqing & Obligation		

Table 7.3. Effects of Cognitive Social Capital on SE Opportunity Emergence		
Social Capital	The Role of Social Capital in SE Opportunity Emergence	Demonstration Cases
Discovery Cases (Case 1, 2, 3, 4, 6, 13, 15, 18, 27, 28)		
Shared Understanding	<ul style="list-style-type: none"> • Provide basis for partnership creation and cooperation (SF) • Access to social sector market and resources (SF) • Lack of shared interests leads to motivation (SEB) 	1, 2, 13, 28
Shared Norms and Value	<ul style="list-style-type: none"> • Lower monitoring costs in accessing resources (SF) • Higher commitment leads to larger social impact (SF) 	6, 18
Creation Cases (Case 5, 7, 21, 25, 29)		
Shared Understanding	<ul style="list-style-type: none"> • Provide basis for collaborative actions (SF) • Lack of shared interests leads to motivation (SEB) 	5, 21
Shared Norms and Value		
Organic Cases (Case 8, 9, 16, 20, 22, 24, 26)		
Shared Understanding	<ul style="list-style-type: none"> • Provide basis for collaborative actions (SF) • Lack of shared interests leads to motivation (SEB) 	8, 16, 22, 24
Shared Norms and Value	<ul style="list-style-type: none"> • Lower monitoring costs in accessing resources (SF) 	8

7.3 Structural social capital and opportunity emergence

7.3.1 Clusters and structural hole

Table 7.4 briefly describes social entrepreneurs' guanxi clusters in the cases studied. As shown in the table, Chinese social entrepreneurs' guanxi clusters tend to vary in different categories of cases. In the discovery cases, I found that social entrepreneurs relied heavily on different clusters of guanxi networks. All the participants in the discovery cases established a wide range of guanxi clusters in different areas. For example, in Case 1, the social entrepreneur was widely connected with her former restaurant employees who then worked for her again in the social enterprise, government or quasi-government organisations such as the Ministry of Culture, Beijing government, Beijing Women's Federation and All-China Women's Federation, foundations such as the Ford Foundation, British Council and the China Federation of Literary and Art Circles. Similarly, in Case 13, these guanxi clusters included the social entrepreneurs' connections with his educational ties, the government, NPOs, foundations and large multinational companies that he established during education and working. One of the characteristics the discovery cases shared was that the clusters of guanxi networks were not only located in a single sector (public, private or non-profit), but across two or even three sectors. Organisations in these sectors included the central

and local governments, NPOs and foundations, and small and large commercial businesses. In other words, in the discovery cases, social entrepreneurs tended to be situated in structural holes between often disconnected guanxi clusters and economic sectors which they had access to. This also reflects my discussions in Chapter 2, that SE often contains a combination of power and resources partly, if not all, from the public, private and third sectors. The word “disconnected” used here means that people in different sectors tend to focus on “their own activities such that they do not attend to the activities of people in the other group” (Burt, 2000: 353).

By contrast, social entrepreneurs’ guanxi clusters in the creation cases tended to be less various than the discovery cases. Most of the social entrepreneurs in this category tended to have a limited number of guanxi clusters based on their personal and working experiences, while these clusters were normally located in a certain economic sector which was not closely related to the industries these social entrepreneurs entered. Take Case 7 for example, before she had the seed venture idea of setting up an organisation promoting fair trade in China, the social entrepreneur was working for the public relations department in a commercial company which was not relevant with fair trade or SE at all. Also in Case 25, before the social entrepreneur set up the social enterprise, he was a professional artist who had no interests with volunteering or charitable activities. Even after setting up the social enterprise to provide arts recovery courses to people with brain or mental disabilities, he still kept his artists’ mind-set that the organisation was only “*meaningful from an artist’s perspective*”. Therefore his guanxi relations were only limited in art circles and institutions.

Table 7.4. Social Entrepreneurs' Guanxi Clusters in the Cases Studied	
Discovery Cases	Clusters
1	Government, business (former employees), international institutions, foundations, government-sponsored NPOs
2	Education (US and China: economics, microfinance, business schools), research institutes (microfinance), NPOs, microfinance institutions
3	Education (Belgium: development economics), foundations, commercial companies, NPOs
4	Government, NPOs, international institutions, local communities
6	Business, foundations, government, international institutions
13	Education (business), government sponsored NPOs, commercial companies
15	Education (UK: theatre studies), universities (US: public policy), local communities (China: migrant workers)
18	Government, government-funded career schools (women empowerment), NPOs
27	Government, NPOs (business background: Disabled Entrepreneurs' Committee)
28	Online networks for disabled people, commercial companies
Creation Cases	Clusters
5	Business (IT), volunteering
7	Business (public relations)
21	Online groups for blind people
25	Art
29	Business (family business in Singapore)
Organic Cases	Clusters
8	Education (finance), Business (radio station, publishing), research institutions
9	Business (MNC, film production), disabled people
16	Business, government (distance education)
20	Business (calculator manufacturing)
22	Business (IT), NPO, schools for disabled people
24	Business, social enterprise
26	University, Schools for deaf people, social enterprise, business

The differences in guanxi clusters between discovery and creation cases can to some extent help to explain some of the social entrepreneurs' tendencies towards SE opportunity discovery or creation. In the discovery cases, I found that social entrepreneurs' positions in structural holes could provide them access to various sources of non-redundant information and knowledge which were not shared between disconnected sectors. This ability to access non-redundant information across sectors brought advantages in identifying USEs and forming seed venture ideas over those who did not have such positions. As a consequence, social entrepreneurs in the discovery cases were likely to form specific social goals and solutions in the areas they were familiar with. Take Case 2 for example, as China's one of the largest peer-to-peer (P2P) microcredit platforms for rural development, the founders initial inspiration of developing microfinance in China came from his experiences in the US where he studied finance, then worked in the financial industry and developed professional networks with financial institutions, venture capitalists (private sector). More importantly, he also established personal connections with Mr. Yunus, one of the world's most famous social entrepreneurs in microfinance who founded Grameen Bank (third sector). In addition, his seed venture idea of developing a peer-to-peer (P2P) microcredit company rather than creating a bank as Yunus did in Bangladesh came from the information obtained through networking with China's grassroot microfinance institutions, China Association of Microfinance, and the government including China International Centre for Economic and Technical Exchanges under the Ministry of Commerce (public sector). With all the specific knowledge and information obtained from these networks and sectors about the financial needs and the Chinese business environment for microfinance in both rural and urban areas (USE), he was eventually able to develop a seed venture idea which aimed to provide professional microfinance services to farmers, small businesses and students by combining the strengths of the microfinance social enterprise model with his own financial expertise.

Compared with other international and grassroot microfinance institutions which either knew little about the Chinese business environment or relied on external support in funding, his social enterprise particularly fit well with the USE he identified while allowing him to obtain starting capital from the venture capitalists he had connections with, which gave him competitive advantages. Without any of these sources of information and knowledge across different sectors, one could conclude that the seed

venture idea behind the microfinance company would not be developed, and the social enterprise would not exist. For other microfinance institutions mentioned above, the lack of connections with the public sector, trade associations or venture capitalists limited their capability of developing such a sustainable venture idea to combine the strengths of both the microfinance model and financial management. Particularly for the grassroots microfinance institutions, as they relied heavily on the financial support from foreign institutions especially in the 1990s, they experienced severe financial difficulties when the foreign institutions became less supportive a few years later. In this sense, the networks position of structural holes that the social entrepreneurs occupied tended to form a “network corridor”, which gave him structural advantages over others.

The example above also showed that the structural holes between different guanxi networks and sectors not only helped social entrepreneurs to access information located in different sectors, but also to screen and evaluate the information obtained from a single network or sector during the process of interpreting USEs and SEBs accordingly. In this case, the information obtained from Chinese microfinance institutions and government seemed to be a useful supplementary to the original knowledge and information about microfinance he obtained from Yunus, which helped him to develop a modified business model suitable for China. This point was also evidenced in other discovery cases. In Case 6, the social entrepreneurs’ careers change from a private business owner to a foundation manager helped him to discover the differences between these two sectors in terms of the reputation and resources available, which helped her to develop a social purpose business model. In Case 4, the social mission of the social enterprise was formed based on the founder’s working experiences in the non-profit sector where she found that not too many services are provided to older people at the community level. However, although she could be able to recognise the USE, the lack of knowledge on social enterprises and experiences in the business sector hindered her from further developing this idea to a SE opportunity in the first place. So her first intention was to register a NPO which took her five years to get registered. During this period, the lack of knowledge on SE and business skills was overcome through developing guanxi networks in other sectors which gave her an opportunity to attend the social entrepreneurs’ skills training sources provided by the British Council. Finally, with the new information, knowledge and skills, she amended her original plan of setting up a traditional NPO and developed a sustainable social enterprise.

In the creation cases, as social entrepreneurs had limited guanxi clusters, they did not have as many sources of information as their discovery counterparts had. As a result, they could not obtain adequate information and knowledge from their own guanxi networks in order to create opportunities. Alternatively, they had to be open and adaptive to external changes and environmental contingencies. However, this did not mean that their existing guanxi clusters were useless. Instead, their existing guanxi clusters provided essential information or motivation which could sometimes indirectly influence their interpretation of USEs and further actions when contingent events took place.

Case 5 was a case in point. Before he set up the social enterprise, the social entrepreneur worked for an IT company in Beijing, he also had some experiences as a volunteering teacher in schools for migrant workers and juvenile rehabilitation facilities outside of the city. Although he was able to access the information and knowledge about volunteering and organising volunteering events, he did not form the intention and idea to set up an organisation until one of his friends told him a story about the poor educational conditions in rural China (USE). This piece of essential information allowed him to link his experiences and knowledge in volunteering with education, which formed the basis of his seed venture idea to improve rural education through volunteering. Similarly, in Case 26, although the social entrepreneur's original intention was to set up a school for young deaf people in China as he did in the US, his previous guanxi relations with a social enterprise in Botswana gave him new inspirations in a contingent event, which finally affected his seed venture ideas of setting up a social enterprise to employ deaf people to produce affordable hearing aids in China. Furthermore, still in Case 5 the social entrepreneur's seemingly irrelevant IT business experiences also influenced his social entrepreneurial mindset, which made him different from many traditional NPOs leaders who mainly focused on fund raising and making donations to rural schools:

This year we decided to make some changes (to a more social entrepreneurial way), I think by doing so we can be much more professional than traditional NPOs in terms of the way we work with funding providers. Traditional NPOs see funding providers as donators, but for us, they are customers (as we bring value to them). (By applying

commercial methods) we can be more professional in marketing and service. ... So this is one of our advantage ... we can use commercial methods to optimise our working process and to improve efficiency and quality of our products. (Participant 5-1, founder, rural education)

From the examples above it could be seen that in the creation cases, social entrepreneurs' existing guanxi clusters provided access to essential information in forming seed venture ideas, and to some extent influence their ways of thinking when implementing these ideas. However, as they did not have the same variety of guanxi clusters as their discovery counterparts, the information they obtained from these clusters could overlap, which meant that anyone in the same cluster could obtain such information. For example, the founder's colleagues in the same IT company were likely to develop similar commercial awareness. Therefore, while social entrepreneurs in the discovery cases were able to position themselves at structural holes in order to form "network corridor" and gain information advantages, the variety of social entrepreneurs' guanxi clusters in the creation cases tended to be limited, which urged them to be more open and adaptive to contingent or unexpected events.

Findings from the organic cases are in line with the findings from both discovery and creation cases above. While some social entrepreneurs (Case 8, 9, 16, 22) benefited from the information advantage based on the variety of their guanxi clusters, others (Case 26) tended to exploit contingencies as a supplement to the information obtained from their limited guanxi clusters. For example, in Case 8, the social entrepreneur greatly benefited from her guanxi clusters in interpreting a USE and the continuous adjustment and refinement of a seed venture idea. Although the social entrepreneur was never involved or interested in not-for-profit activities or social enterprises, she obtained key information and knowledge through social networking which allowed her to develop an opportunity. The information and knowledge included his initial inspiration of "*influencing more people to read*" and information about dyslexia formed when she was working in a radio station and then in the publishing industry, the information about potential solutions to dyslexia and teaching materials obtained from a Hong Kong NGO, and the knowledge of the effects of these solutions obtained through the experimental teaching in a primary school that she had connection with. Finally, with all the information and knowledge obtained from these guanxi clusters in different

areas, she decided to start an organisation to help dyslexic children to improve their reading and learning abilities, and a SE opportunity started to emerge. By contrast, the social entrepreneur in Case 26 started with a clear purpose of looking for sustainable sources of income to support his school for deaf people in China, finally he ended up with a seed venture idea of setting up a company to hire deaf people to produce affordable hearing aids. This adjustment could be explained by his limited guanxi clusters developed in China as he was a foreigner, therefore her information and knowledge about the education for deaf people in the US might not be sufficient, instead he had to be open to options given at contingent events which were not previously expected.

Comparing the findings between discovery and creation cases, I found that cross-sector experiences appeared to be an important condition underlying the differences in clusters between social entrepreneurs in the discovery and creation cases, and consequently different effects on SE opportunity emergence. “Cross-sector experiences” is used here to refer to education and working experiences in different organisations across two or three economic sectors. For example, the social entrepreneur in Case 8 had an educational background in finance, and working experiences in a Stock Exchange Centre, a radio station as a presenter of a reading programme, a book chain store as a co-founder and then in a book publisher as the vice-president. Social entrepreneurs who had such experiences tended to develop more cross-sector guanxi clusters than others, therefore they were more likely to obtain the “network corridor” and information advantage and discover SE opportunities. In opposite, for those who did not have such experiences and advantages, they have to rely more on contingent events in order to create SE opportunities. So cross-sector experiences here can be seen as a condition of structural social capital which affected the effects of guanxi clusters and structural holes.

7.3.2 Closure

The second type of structural social capital I investigate is the closure of guanxi networks, meaning that the guanxi networks are only open for certain people while members within the networks were highly interactive (Moran, 2005). In the cases studied, closed guanxi networks mostly appeared in the forms of formal trade associations (Case 2, 8, 9, 27), conferences and training events (Case 2, 6, 13, 15, 16,

28), social enterprise incubators (Case 21, 22, 24, 25, 26, 27, 29), and informal industrial networks such as the so called “non-profit circle” (Case 3, 4, 13, 15). These networks and networking events were considered as closed because they were normally open to a small group of people, such as members and invited participants, while outsiders had very limited access to them. In general I found that closed networks in all of the three categories of cases provided quite similar benefits for the members within these networks, although their impacts on opportunity discovery and creation tended to be a little different. These benefits included providing access to information, knowledge and motivation which are widely shared and exchanged within these closed networks. The following quote illustrated how Chinese social entrepreneurs could benefit from these closed networks. In this case, even though the social entrepreneur himself was a university lecturer teaching economics and had extensive knowledge about social enterprise, he still attended social enterprise training courses organised by the British Council in China. He explained the reasons:

We attend those (SE training courses) because we can still learn something anyway. The ... more important reason is to build our networks, to create some guanxi relations, so people will know about us, which is really useful. The third is to motivate each other, to see how other people are doing their businesses, see what we can learn from others' successful stories, get motivated and do my job better. (Participant 13-1, founder, volunteering)

In this example, the guanxi network of course participants could be considered as a closed network because these training courses were only open for carefully selected applicants, and the members in this network knew each other. As can be seen from this quote, being a member of such a closed network could offer a lot of benefits, including access to knowledge (*learn something*), external networks (*build our networks*), and motivation (*motivate each other*). The rest of this section illustrates these benefits in greater detail.

First, I found that closed networks could help members within these networks to get access to information and knowledge which were widely shared between each other. In the discovery cases, the information and knowledge obtained from closed networks contributed to the identification of specific USEs. An example of this shared

information and knowledge was Case 16. Before he set up the social enterprise, the social entrepreneur attended a professional conference organised by Asian Association of Open Universities where the major theme was “quality education for all”. Inspired by the conference, the social entrepreneur identified a specific USE – inequality of education resources across China – which eventually became the social mission of the social enterprise. For more mature social enterprises like Case 2, essential information obtained from closed networks like industrial conferences helped the social entrepreneur to select partnerships and develop new products (SF). As a member of the China Association of Microfinance (formal trade association), the social entrepreneur was invited to attend the 2nd China Microfinance Investor Conference which helped him to establish cooperation with some microcredit institutions and finally to develop microfinance products for rural farmers. Similarly, in the creation cases, I found that social entrepreneurs inside closed networks could access specialised and complex information, including experiences, which contributed to the identification of USEs and collective actions. This point was evidenced in Case 22. Before the social entrepreneur set up the organisation, he worked for a NPO on hospice care and got the chance to attend the Beijing International Fair for Trade in Service. As the conference was specially organised for NPOs, he had the opportunity to share and exchange ideas and resources with many NPOs. As a result, he had a deeper understanding of Chinese NPOs, their operating environment, and limitations particularly in funding, which finally led to his initial inspiration of creating a self-sustainable social business model.

Second, I found that closed networks could facilitate networking and interactions within the networks in all of the three categories of cases. In the discovery cases, these increased networking opportunities and contacts provided important information about the sources of funding and potential customers (SF). One important type of closed network found in the cases was the so called “non-profit circle” where third sector organisations widely shared information through word-of-mouth and social media. In Case 3, through frequent contact with other actors within the “non-profit circle”, the social entrepreneur could get access to various pieces of information and resources which proved to be vital for the early survival of the social enterprise, such as funding opportunities sponsored by foundations across China and charity sales events hosted by large MNCs like Siemens, Lenovo and CISCO. For larger social enterprises like Case 16, frequent interactions within a closed industrial network meant that people were

more familiar with each other, and that it would be easier for the social entrepreneur to find customers through acquaintances rather than strangers. As he said: “*we have been in this industry for a long time, so we know each other very well, I know who are likely to be my customers and how to connect with them*” (Participant 16-1, founder, education). These funding opportunities and access to the social sector market actors tended to be vital for the survival of social enterprises, especially at the early stages. In the creation cases, I found that interactions between different actors within closed networks tended to be more interactive than in the discovery cases. For example, Case 21, 22 and 26 were social enterprises inhabited in the NPI, an incubator for social enterprises in Shanghai which was supervised by Shanghai government. While the incubator provided support such as rooms, office equipment and connection as many business incubators did, it also encouraged interactions and collaborations between its members. In the incubator, I found that regular meetings were held every week where every organisation attended, connections and contacts with external organisations and companies were often shared, and organisations in the incubator often attended each other’s activities and events to share experiences. As a result, social enterprises in the incubator worked closely with each other in terms of social product development and marketing.

Furthermore, I found that collective actions resulting from closed networks in the creation cases might not lead to pre-specified goals or outcomes, which were different from the discovery cases. For example, Case 21 was an organisation founded by disabled people with the aim to employ and empower disabled people. The whole organisation itself was also an online platform where disabled people were connected through interests groups based on an online chat software. In these closed interests groups, group members could frequently exchange their ideas and thoughts such as job hunting tips and advice, based on which new projects were then initiated by the organisation. An important characteristic of these closed online networks was that no topics or projects were pre-determined; anything that could help disabled people to start their own businesses or find jobs could be discussed and considered. As a result, the interactions between group members gave birth to a number of projects in various areas, including a restaurant that employs disabled people, conference organisation, careers services for the employability of disabled people, and an online store of organic groceries with home delivery services, etc.

Third, closed networks also facilitated exchanges of ideas and experiences through networking and knowledge sharing between actors, which helped social entrepreneurs to reduce operating risks (SF) and improve their motivation and confidence (SEB). In the discovery cases, participants reported that they did not have to spend much time in networking with outsiders in order to obtain information. This was because as members within closed networks shared information and resources, and they were more familiar with each other. Therefore, for these social entrepreneurs, having access to closed networks meant lower operating costs and less uncertainty in business environment, which reduced the possibility of failure and therefore helped to develop more feasible opportunities. The Disable Entrepreneurs' Committee in Case 27 is a case in point. As a member of the Committee, the social entrepreneur was part of a team which offered to bail out another member's unprofitable restaurant which employed disabled people. As a result of this effort, the restaurant achieved break-even in less than 9 months. He explained the reason of doing this:

The Disabled Entrepreneurs' Committee is constituted by entrepreneurs who are disabled people. We are not powerful large businesses so we have to work together. Some entrepreneurs in the Committee are quite successful but some are having difficult times, so the more experienced ones will help them. By working together we can diagnose the problems and how to solve them. ... Everyone helps. (Participant 27-1, founder, disability)

Therefore, the sharing of information, knowledge, experiences and even risks within a closed network could provide collective benefits which helped individual members within the network to overcome difficulties and reduce risks. I found similar effects of closed networks in the creation cases. As information and resources were widely shared between the organisations in closed networks such as the incubator mentioned above, social enterprises could overcome early difficulties such as renting offices and registration. Using the word "collective strength", the social entrepreneur in Case 6 described how NPI as a closed network of organisations could provide benefits for all of its inhabitants:

They provide the collective strength, if we went to other building, everything we did we will be doing it alone, and we will be making mistakes that other people have made, we'd have to make them all for ourselves. ... So there are many intangible benefits, all these benefits are back to the organic, the guanxi, networks. (Participant 26-1, founder, disability)

These findings supported the literature that social capital came through closed networks could “engender robust individual and collective action” thus reducing uncertainty and risks (Moran, 2005: 1131).

7.3.3 Strong ties and gatekeepers

It was well evidenced in all the three categories of cases that strong ties were important to Chinese social entrepreneurs. These ties were normally in the forms of close friends, family ties, working connections like former employees, and educational relations such as classmates which were characterised by frequent contact and communications. I found that strong ties often acted as resource providers and gatekeepers to external networks for social entrepreneur. Furthermore, among various types of strong ties, strong ties with the government were important for Chinese social entrepreneurs to access the social sector market and influence, particularly when the market was not yet well developed.

First, strong ties provided instant access to the social sector market, which was particularly important for new social enterprise start-ups. For example, Case 22 was a social enterprise which employed deaf people to provide professional design and printing services. The early customers of the social enterprise mainly came from the founders' acquaintances and friends in NPOs which he had connections with. Although the main customer base later became the government and CSR departments in large commercial companies, those strong ties in NPOs were the most important sources of income for the survival of the social enterprise at early stages. However, my empirical study revealed some differences between the discovery and creations cases. Specifically, I found that when the target market was not well developed, developing good and strong

guanxi relations with the government⁴ appeared to be a particularly important and reliable way for social entrepreneurs in the discovery cases to create market demand. Take Case 1 for example, in the first three years after the social enterprise was established, the social entrepreneur experienced early market failure as the product design of original Miao handicrafts was not appealing to the customers living in modern cities. Then she turned to the Women's Federation, a quasi-governmental organisation she had guanxi relations with, which finally became a wholesale customer. The Federation purchased these Miao handicrafts as gifts and souvenirs and send to its guests every year, which meant that it was a stable and reliable source of income for the social enterprise. Findings were similar in the creation cases. In Case 24, since its entry to the Chinese social sector market in 2007, the international social enterprise franchisee was quite struggling with a number of setbacks such as registration, copycat and marketing. The situation was improved in 2010 when the Shanghai government (Shanghai Civil Affairs Bureau) invited the social enterprise to inhabit at its newly established Social Innovation Park (Non-profit Incubator). After the social enterprise settled, the government purchased five training workshops for its senior officials. It also provided vital support in helping the social enterprise to obtain a NPO legal status, which was generally considered as very difficult in China. By contrast, social entrepreneurs in the creation cases were less likely to rely on strong ties with the government as their market access was based on mutual-selection rather than market positioning, which was illustrated in the last chapter. Therefore, under the condition of a less developed target market where there was a lack of ethical consumers, or some social enterprise concepts like Fairtrade were not well accepted in the market, strong ties with the government could play a more important role in the discovery cases in providing access to the social sector market than the creation cases.

Second, as reflected in the literature, social entrepreneurs' strong ties appeared to be an important source of complex information, tacit knowledge (Adler & Kwon, 2002) and various support at low or even no costs. In the discovery cases, these information, knowledge and support were vital for social entrepreneurs to develop market exchange relationships and survive in the market (SF). For instance, when the social entrepreneur

⁴ In this study, the government includes government departments at different levels and quasi-governmental organisations (GONGO) such as the Women's Federation and China Disabled Persons' Federation which are established, funded and supervised by the government.

in Case 6 intended to host an international research forum on art therapy treatment for autism, she turned to a leader of the Beijing Disabled Persons' Federation for help whom she had connection with. The leader was very interested in the idea, but also pointed out that although there was not regulation about it, the government would not like a private organisation to organise an international "forum". As a result, the social enterprise and the Federation co-hosted the event, using the title "symposium" instead of "forum" to get government support. The Federation also covered all the expenses for renting the venue, guestrooms and food. In addition, the leader also introduced the social entrepreneur to a local Charity Association where she gained financial support for another event. Also in Case 2, one of the social entrepreneur's strong ties was with Mr. Xiaoshan Du, one of the advocators and pioneers of microcredit in China who was also called "Father of Microfinance" in China. This strong connection provided the social entrepreneur intensive and detailed information about the microfinance industry and institutions in China, which became extremely important when he was selecting partners. As the social entrepreneur described:

Xiaoshan and his colleagues were involved in and supported the early development of microfinance in China, so they knew which institutions were doing well and which ones were not so good. ... Because of this, we started to cooperate with some microcredit institutions recommended by Xiaoshan. (With his help), when we were selecting our partners, (we knew) how reliable those institutions were, what kind of employee they had, the types of their organisations, their customers' conditions, how they managed credit, how they controlled risks and what were their thoughts about further development. (Participant 2-1, senior manager, microfinance)

Similar findings could be seen in the creation cases, too. For example, Case 29 is a social enterprise targeting at poverty alleviation and environment sustainability. One of its many projects was set up to help poor HIV patients in rural Henan Province to develop and sell handicraft products. Information about the village (USE) came from one of his close friends. The examples above demonstrated that strong ties could carry complex information and various resources, including financial support, clarifying implicit rules and expectations (particularly from the government), and act as a referee to bring in external networks and resources. These ties provided useful supplements to

social entrepreneurs' own knowledge about industries and business environment. In addition, an important fact underlying this support was that the provision of these information, knowledge and resources was almost free of charge, such as in Case 1 the social entrepreneurs' strong ties with the Women's Federation provided full financial support for her to attend overseas exhibitions. In other words, strong ties honour obligations and forego personal costs (Tichy et al., 1979). These free advice and support allowed social entrepreneurs to reduce running costs and risks therefore enhance SF.

Third, as indicated in the examples above, social entrepreneurs' strong ties in the discovery cases also acted as gatekeepers that bridged the focal social entrepreneurs and their external networks. Through strong ties, social entrepreneurs could easily connect with people with whom they did not have connections before, which could consequently save their time and money looking for resources and networking. For example, the social entrepreneur in Case 26 described how one of his friends helped him to recruit deaf employees:

I went to a deaf friend, the president of Shanghai Deaf Association. I was talking not in his government job, but talking to him as my friend and colleague, and I said: I need six deaf people, can you help get the word out there and help me scream? So in a few weeks we had 50 applications, interviewed 20 people, and selected the six best ones. If I went to the government agency, I would probably have to hire the friend of a friend of a friend, but in this way, I got to hire the (best employees). (Participant 26-1, founder, disability)

Similar examples could be seen in creation cases such as Case 5 where the social entrepreneur recruited an important team member through the reference from previous working connections. In these cases, the strong tie did not just provide access to potential human resources that were not readily available for the social entrepreneur, but also helped to improve the efficiency in selecting and mobilising these resources and increase the chances of future success (SF). Therefore, strong ties can be seen as important trust brokers who facilitated and improved the quality of cooperation. The same effects could also be seen in Case 6 where the social entrepreneur's strong ties with British Council in China let to the cooperation with an international consulting

company, which significantly improved the social enterprise's capabilities in strategic planning and partnership management. Also in Case 3, the social entrepreneur's strong tie with the YouChange Foundation led to the cooperation with some of the most important partners which were vital to her success, such as China Eastern Airline and Aiyou Huaxia Charity Foundation.

In the creation cases, strong ties also served as sources of intensive collaborative actions. Take Case 8 for instance, as an organisation dedicated to improving the educational environment and learning ability of dyslexic children, the social enterprise carried out experimental teaching in a primary school where her new teaching methods for dyslexic children were tested and evaluated. During this project the social entrepreneur intensively collaborated with strong ties such as the head of the primary school and a researcher at Beijing Education Science Research Institute. Also in Case 26, the social entrepreneur's initial intention of connecting with a German pharmaceutical company, Boehringer Ingelheim, was just asking for "*a bunch of computers and other equipment*". But as the relation became stronger, the close relation led to new ideas and collaborative projects which were not planned in the beginning, such as a project training and hiring disabled people as janitors. As the social entrepreneur described:

For me this is like a dream, to work with people like Boehringer Ingelheim. So now it's not just my 6 deaf employees, but we start growing them. And if (our cooperation with) Boehringer Ingelheim may be successful, and it will be, then ... we are not gonna stop at janitors, but janitors is a nice low-tech thing that we can teach deaf people to have their own business. So our partnership with Boehringer Ingelheim, yes it helps SoE, but we are also doing bigger things. It is organic. It is supposed to be a project. As our relationship develops, new opportunities arrive. (Participant 26-1, founder, disability)

Finally, for social entrepreneurs in China, I found that having strong connections with the government was also a way of getting access to influence. In China, it is regulated by law that the registration of a Civil Non-enterprise Organisation (i.e. NPO) requires a supervisory body from the government. Therefore, being able to obtain such a NPO status became an evidence of having good guanxi relations with the government. This

gave a social enterprise validity when it established cooperation with others thereby enhancing SF. Case 26 offered an example of this point. The social enterprise established cooperation with Boehringer Ingelheim, a German pharmaceutical giant which provided the social enterprise marketing support and equipment as part of its CSR projects. While its CSR projects were normally open to NPOs rather than profitable social enterprises, Boehringer Ingelheim supported the social enterprise because it was located in NEST, a non-profit incubator co-founded by the Shanghai Bureau of Civil Affairs and NPI. As the founder explained:

People like Boehringer Ingelheim, when we first started talking to them, and we were in the other (commercial) building, Boehringer Ingelheim kept going “we don’t want to give money or computers or whatever to a business”. But the day we moved into NPI and NEST, we were part of the Social Innovation Park ... they said “OK, you are part of a bigger innovation project with the blessing of the government, so you have been validated”. So for us the benefit (was that) we quickly got that validation in the eyes of others. (Participant 26-1, founder, disability)

In this case, the government acted as a trust broker between the social enterprise and the Boehringer Ingelheim as a resource provider. This quote also explained why some social entrepreneurs, like in Case 4 and 6, spent months or even years in order to get registered as a NPO in addition to their company forms. As a consequence, having such connections with the government could bring in resources for the social enterprise. For example, in Case 4, having the legal status as a NPO allowed the social enterprise became an official public service provider which could access to government procurement.

7.3.4 Weak and indirect ties

My previous discussions on structural holes could be considered as a special type of weak ties in Granovetter’s (1973) and Burt’s (1992) terms where social entrepreneurs acted as bridges between otherwise disconnected economic sectors. But the weak ties I discuss here are defined by infrequent contact and low density, for example guanxi

relations with trivial acquaintances ties (Granovetter, 1983) or with friends of friends (Jack, 2005).

In both discovery and creation cases, weak ties were important sources of information when social entrepreneurs' were searching for solutions (SEB) to the USEs they identified, but the information provided by weak ties tended to be quite different from those by strong ties. I use Case 6 to illustrate this point. In Case 6, the social entrepreneur's initial interpretation of USE, i.e. helping children who suffered from autism, came from a visit from an autistic child and his mother a long time before she started up the social enterprise. At that time, the social entrepreneur was still working in her own commercial company, and the mother wanted to publish a book for her child's drawings. Although the project did not finally work out and they never met again, the social entrepreneur obtained two important pieces of information from them as weak ties: autistic children and the potential of their drawings for large scale commercialisation. Many years later, this information turned out to be essential for the development of a SE opportunity of providing art therapy treatment for autistic children and commercialising their drawings to generate income.

From this example we can see at least two characteristics of the information provided by the weak ties. First, in contrast with information obtained from strong ties where it was provided almost at the same time when people turned to strong ties for help, information obtained from weak ties may not be exercised at the time it was provided. The activation of the information required certain conditions. In this case, it was the social entrepreneur's searching activities which helped to link the information with her resources and experiences in the private and non-profit sectors. Second, information obtained from weak ties tended to be less complicated and detailed than from strong ties. In this case, information about autism could be obtained by anyone who had acquaintance or saw someone who had autism. But detailed information, such as using art therapy as a treatment for autistic children and designing products required frequent contact and feedback therefore could only be obtained from strong ties. In the creation cases, however, information carried by weak ties may not be exercised by searching activities but more likely to be obtained randomly in contingent occasions, and it would be vital for social entrepreneurs to embrace these contingencies. For example, the social entrepreneur in Case 25 obtained essential information about NPOs and incubators at a

contingent art exhibition, which finally led to the formation of his seed venture ideas of developing arts recovery courses for people with mental disabilities.

Another benefit provided by weak ties in the cases studied was that they expanded customer base for social enterprises, which helped social enterprises to survive and develop in the social sector market and consequently enhanced SF. For example, in the discovery case 28, the majority of the customers for its customer service call centre services came from its acquaintances from Taobao University (an online training site for new sellers provided by Taobao, the largest online shopping website, similar to eBay). In Case 13, most of the marketing had been done through newsletters and the introduction from gatekeepers. While strong ties like gatekeepers firmly played a role in connecting focal social entrepreneurs with their weak ties, I found that what more important was that the weak ties' effect on customer base expansion was further facilitated by the development of internet and social media in China, such as Weibo, the Chinese version of Twitter. Weibo followers and connections as weak ties appeared to be an essential channel for Chinese social entrepreneurs to obtain resources and customer. As one of the participants said when she was asked about how to find customers:

Through Weibo, also I send emails to all my friends, so they can tell their friends (about our products and what we are doing), even our customers' customers can become our potential customers. We also organise exhibitions in different places so we've got opportunities to meet many people. ... (People may think that) I have so many resources, but for me, it is all about active searching. Just like some people say, you can reach anyone through five connections at the most via Weibo. For example, if I want to connect with Ms Ju Ping (a famous TV presenter), I will look at my own connections to see who have possible connections with her, and then I will contact them. (Participant 6-1, founder, autism)

As shown in this quote, the founder relied heavily on weak ties, including email contacts, customers' customers and Weibo connections, to find a stable market for her products. For the social entrepreneur, weak ties were particularly important in the first few years of starting up the organisation when she had only one employee. At that time,

most of the promotion and sales were conducted through Weibo and Taobao. Therefore, through the amplifying effect of internet (such as email) and social media (weibo), online weak ties allowed social entrepreneurs to access to a large number of potential customers and resources, which could considerably reduce the social enterprises' costs in terms of promotion and advertisement. In addition, from the example above it could also be seen that weak ties which were bridged through strong ties could help the social entrepreneur to access to resources which was not previously available, such as the famous TV presenter. This was further evidenced in this case by employees' ties as weak ties for the social entrepreneurs. For example, one of the employees in the social enterprise (Participant 6-2) was once a teacher in a primary school. She then became one of the social entrepreneur's Weibo followers, which finally led her to join the social enterprise. While the employee still connected and discussed teaching issues with her previous colleagues in the primary school through Weibo, the social enterprise benefited from these weak ties which helped to improve the teaching quality of art lessons in the social enterprise.

Similar findings could be seen in the creation cases that weak ties could help social entrepreneurs get access to the social sector market and resources. A typical example of the effects of weak ties was word-of-mouth (WOM) in obtaining customers and expanding customer base. As participants 24-2 reported, the social enterprise did not spend any resources in marketing at all because of the shortage of staff, most of the customers they obtained were through WOM and other weak ties like contacts made in networking events. Also in Case 9, one of the social entrepreneur's conference contacts, the general manager of Bayer China, actively contacted the social entrepreneur a year after they met and provided support critical support which helped her to overcome early difficulties caused by a deceitful employee.

For social entrepreneurs in the creation cases, social media appeared to be an equal important condition which amplified the effects of weak ties as found in the discovery cases. As one of the participants said:

90% of our recruitment and newsletters are released on the internet, mostly through Weibo, (and it has a lot of advantages). ... First it doesn't have any cost if you don't take the time spent into account, and it would be

impossible to do this for free through traditional media. Second it (social media) is based on friendship relations. If you place a piece of advertisement on a newspaper, almost all the readers are strangers to you. But if you place one on Weibo, the people who see this are normally your friends or followers who really care about you, and if they share your message, it becomes more trustworthy (for their friends). (Participant 5-1, founder, rural education)

In China, Weibo nowadays has over 300 million users in China and 100 million messages are shared every day, it is therefore a very powerful tool for social entrepreneurs find potential customers and partners. During the field research, I found that Chinese social entrepreneurs frequently used Weibo and other social media tools to update information on their projects or products, while information such as training events, funding opportunities and vacancies were widely shared with their followers on the social media. With the blessing of internet, people can connect to each other much more easily and quickly, while trust can be more easily built than traditional ways among strangers who share the same identity of Weibo user or follower. Therefore, Weibo or social media can be seen as a stimulus condition which enhances the use of social capital.

7.4 Relational social capital and opportunity emergence

7.4.1 Reciprocity

In all of the three categories of cases studied, I found that reciprocity tended to be above all the most important type of relational social capital. In the discovery cases, I found that reciprocity was a key principle when social entrepreneur evaluated potential stakeholders' (including social sector market actors') needs, forming means-ends frameworks and acting according to these different needs (SEB). In other words, social entrepreneurs did not only think about what resources and support they could receive from others, but also what benefit they could offer to others. As a consequence, these reciprocal guanxi relations allowed social entrepreneurs to establish and maintain good exchange relationships with other social sector actors and obtain support from target stakeholders like the media (SF). A typical example of these reciprocity relations was Case 6 where the social entrepreneur had a clear understanding of what kind of benefits

she could provide to different stakeholders, including the government, the media, business partners, university volunteers and beneficiaries:

For the government, first your (social missions) have to match the bigger political environment and trends, you need to have some innovative ideas which could eventually be some of the highlights in their political careers and benefit their career promotion. ... For the media, they wish to report something new and interesting ... (or) there are some celebrities (who can draw public attention). For our business partners, they have their CSR programmes ... you have to provide the right products to match the specific needs of these programmes. Then the university students nowadays are under pressure of earning credits from extra-curricular activities and social practice ... we have to match their needs, too. Then there are (autistic) children and their parents. Our target is to help these parents to secure a brighter future for their kids, which is possibly the most important thing they expect from us. (Participant 6-1, founder, autism)

In addition, reciprocal guanxi relations could also be seen between the social enterprise and incubator in Case 26 where the social enterprise facilitated knowledge transfer and sharing within the incubator by setting an innovative and sustaining SE example for other struggling organisations. Overall, these reciprocal guanxi relations with different stakeholders in the examples above allowed the social enterprise to form a growing customer group, and to obtain adequate resources and support for rapid growth without relying on external sources of funding from foundations and donations.

In the creation cases, social entrepreneurs certainly shared some of the benefits that reciprocal guanxi relations could bring about. Reciprocity appeared as a key principle in collaborative social product development (SF) in the creation cases. For example, while the social enterprise in Case 5 was mainly focusing on developing its social products – 1kg boxes – which could be used to guide volunteers to teach lessons in rural schools, it also collaborate with The One Foundation to develop a social product for post-disaster education, as the foundation was involved in disaster rescue and recovery in the earthquake but did not have the ability to develop its own products. Second, because the establishment of social sector market exchanges were mostly based on social

collaboration as Chapter 6 discussed, reciprocity also served as a key principle which made such collaboration possible. Still in Case 5, the social entrepreneur described how reciprocal relations could help his social product evolve and circulated:

We encourage the users of our boxes to share their experiences of using these products online through Weibo, how they design their classes (based on our boxes), and their students' works. It brings at least two benefits. First it benefits us because our products and brand can be known by many people, through word-of-mouth and recommended by numerous people. Also our products can be widely known in our specific target groups such as education and NPOs (as people in the third sectors normally follow each other in Weibo). Second, it provides a great opportunity for these volunteers to develop their skills. As there are so much experience shared online, volunteers could see and learn what other people are doing, which finally helps themselves in terms of their teaching skills and class designs. So it is mutual benefit. (cut down)

Again this collaborative product development based on reciprocity was further facilitated by the diffusion of social media in China. From this case it can be seen that through the amplification of social media, reciprocal relations allowed social entrepreneurs to access to numerous shared information and resources, which allowed the social product to collectively evolve and distributed in a way that a single organisation would never have achieved.

I found that the lack of personal connections seemed to be a condition underlying the different kind of reciprocity developed in the discovery and creation cases. In other words, social entrepreneurs in the discovery cases tended to establish reciprocal relations with their target social sector market actors if there were few personal connections between them. For example, among all the reciprocal guanxi relations it was frequently reported by participants that the establishment of good governmental relations particularly relied on reciprocity. While obtaining government support was vital for the success of Chinese social enterprises, getting access to the support was not easy for social entrepreneurs. One way of getting such access was through the personal references from social entrepreneurs' strong ties that had such connections (gatekeepers)

as reported by Participant 1-1. However, in the circumstances where personal guanxi relations were barely involved, reciprocity became the most important principle to establish and maintain exchange relations with the government. Take Case 13 for example, as an organisation providing professional volunteering services for non-profit organisations in poverty alleviation, it regularly organised volunteering events which involved tens of thousands volunteers every year. Given that without governmental approval, such large scale assembly could possibly be considered as illegal, obtaining acknowledgement and support from the government became particularly crucial for the organisation. Without any personal connections with governmental officials, the social entrepreneur still maintained very good guanxi relations with the governments and registered a NPO in Shanghai under the supervision of the Shanghai Bureau of Civil Affairs. The social entrepreneur attributed his success with the government to reciprocity:

The premise (of keeping good relationships with the government) is that we can deliver something good for them (i.e. government officials), and the cooperation with us can bring them political achievements. ... (Also because) we have some business resources (that they don't have), so they are willing to cooperate with us. (Participant 13-1, founder, volunteering)

As shown in this quote, the reciprocal relations between social enterprises and government could be demonstrated in two ways. First, while social enterprises could obtain legitimacy and support from the government, they also contributed to the political promotions of government officials who worked with them. In fact, many participants (Case 1, 4, 6, 9, 13, 18, 22, 26) reported that their reciprocal relations with the government were based on the premise that government officials' involvement in social enterprises could help with their own career promotions. Second, social enterprises also contributed to solving social problems which the government was less able to deal with. As Participant 26-1 said: *"I think the Chinese government has figured out that they cannot solve every problem, so we make contribution to help to develop a third sector through social innovation."* Examples could be seen in Case 1 where the social entrepreneur obtained support from the Beijing Women's Federation as the social enterprise could help them employ laid-off women workers, and in Case 4 where the

social enterprise obtained contract with the government as it provided more professional elderly care services at lower costs than the government did.

Second, in the creation cases, as social entrepreneurs in general did not have a pre-specified goal or stakeholders in mind, they tended not to expect immediate return from networking with target stakeholders as their discovery counterparts did. Reciprocity in the creation cases therefore differed from the discovery cases in terms of “generalised reciprocity” meaning that “I’ll do this for you now, in the expectation that down the road you or someone else will return the favour” (Putnam, 1993: 3). This was exemplified in Case 26 where the social entrepreneur described how he needed to be adaptive to the Chinese culture of generalised reciprocity:

The part about Chinese culture for me is ... it is all these harmonious (rules), trying to keep everybody moving. In American it would be much more going to the meeting, yes or no. Now I go and maybe I don't get to talk about what I originally wanted, but other doors open. ... I would say the social enterprise and even other businesses have to be more organic, trying to take some ideas with this and try to fit them into a system or a situation that is not clear. (Participant 26-1, founder, disability)

7.4.2 Identity and identification

In the discovery cases, I found that social entrepreneurs carefully selected their identities in a specific guanxi relation with their target social sector market actors. As a consequence, appropriate identification became a useful and effective way to get access to the social sector market, establish trustworthiness and obtain resources from target stakeholders, which could eventually enhance SF of the opportunities. For example, Case 22 was a social enterprise providing design and printing services where 80% of its income came from orders from large multinational companies and the government. When talking about his relations with the company customers, the social entrepreneur acknowledged that he would not consider the identity of his social enterprise as a qualified supplier of the large companies, simply because large companies normally would not send orders to a micro social enterprise as it was never able to handle large orders. Instead the social entrepreneur tried to identify himself as a friend to the CSR

departments of these large companies, normally through casual conversation and participating in informal events the companies organised. As a result, the CSR departments would give small orders to the social entrepreneur when they thought any of these orders were suitable for him. In this way, he did not have to compete with larger suppliers of the company, while still receiving small orders which matched for the capability of his social enterprise.

For social entrepreneurs in the discovery cases, the right choice of formal identities, i.e. legal forms, played an important role in increasing their trustworthiness when dealing with target stakeholders. As discussed in the last chapter, because there is a lack of legal regulations regarding social enterprises, also because the term “social enterprise” is often translated as “social business”, the general public may sometimes misunderstand the meaning of “social enterprise” as profit-driven therefore opposite to charitable purposes. Under these circumstances, some Chinese social entrepreneurs tended to label their organisations as NPOs rather than “social businesses” in order to feature their social purposes and to gain trust from the society. For example, in Case 6, although the social entrepreneur adopted a social purpose business model (i.e. using business-like methods to create social value), she still chose to register a NPO rather than commercial company in order to dispel any doubts from the public regarding her social missions of helping autistic children. As she said:

If I want to create long term relations with the parents (of autistic children), I have to be very trustworthy, and it will be very difficult (if I identify myself as a business). Because I want to adopt a business-like model, but if I take a company form, people may say that I am making money from these autistic children. (So I spent more than half a year to register a NPO) ... I wish people to understand that, although I am making profit, the money won't fall into my own pocket, I am still not-for-profit. A NPO form sounds more trustworthy for them. (Participant 6-1, founder, autism)

In addition, data suggested that carefully selected identities allowed social entrepreneurs to access resources embedded in chosen networks while reducing potential risks (SF). For example, the social entrepreneur in Case 26 selected to join the business group rather than the CSR group in the American Chamber of Commerce in China. As he

explained, this business identity gave him opportunities to work and network with CEOs in large American MNCs where lots of finance and professional resources were available. But if he chose to join the CSR group, he can only get resources from “these small departments who want to work with charities”. Furthermore, this business identity also gave him more autonomy than a charitable identity in operating the social enterprise without being overly interfered by authorities. In this case, although the social entrepreneur intended to establish a social enterprise which employed disabled people to make affordable hearing aids, he did not try to register a Social Welfare Enterprise (SWE)⁵ in order to receive tax exemption, because SWEs were regulated by the China Disabled People’s Federation which he thought was a very bureaucratic organisation. Instead he applied a general business licence and identified the social enterprise as “a business which just happens to hire people with disabilities”. In this way, the social enterprise did no longer need supervision from bureaucratic authorities but “follow the same rules as every entrepreneur in China” in a more dynamic, open and entrepreneurial private sector.

Unlike the discovery cases where social entrepreneurs tended to have proper identities in order to get access to the social sector market and target stakeholders, appropriate identification in the creation cases appeared to be an important factor attracting unspecified external resource holders. Case 22 offered a good example to illustrate this point. The social entrepreneur mentioned that as the concept “social enterprise” was becoming more and more popular in China, his identity as a social entrepreneur helped him to obtain attentions and resources from the media, government and commercial companies. For example, he was interviewed by a TV channel and a magazine in the first day when his social enterprise moved into NPI, also commercial companies were more willing to offer support to social enterprises rather than donations to other NPOs. However, identification did not always have positive social impact. In Case 5, although the social entrepreneur was a passionate advocator of “crowd sourcing” – a business model originated from Wikipedia which encourage public involvement and collective actions, he was worried about the volunteers who were not willing to be independent because of the different identifications they had:

⁵ A legal form of business in China which employs at least 10 disabled people, and at least 25% of its employees should be disabled people.

We have always been encouraging volunteers to development their independent teams ... but we don't want to treat them as employees and just give them money. But many volunteers (don't think so), they just consider us as the boss, like the central government, which is completely not how we position ourselves. We want them to be independent but they are just not willing to, how ironic! ... I think it might be because people rely more on guanxi between each other in the Chinese culture, so (by giving them such an identity as our volunteers) they could show that they have guanxi with our organisation, and this guanxi is very important for them. (Participant 5-1, founder, rural education)

The quote above illustrated how the volunteers' self-identities within the network and obedience to authorities could enhance the dominance of the social enterprise in this network, while making them "overembedded" (Uzzi, 1997) in their relations with the organisation. In other words, the dominance of the social entrepreneur tended to stifle other's SE tendencies. However, these identifications also to some extent created social entry barriers (influence) that the volunteers would rather follow orders than becoming independent social entrepreneurs themselves, which meant less potential competitors for the social enterprise. Therefore, although the social entrepreneur did not enjoy the identities between him and the volunteers, these identities also meant some potential benefits for the social enterprise.

7.4.3 Mianzi/reputation

There was insufficient evidence in the cases studied that mianzi and reputation directly helped Chinese social entrepreneurs to form SE opportunities. However, in some discovery cases, personal reputation had an indirect impact on social entrepreneurs' effort of discovering opportunities, particularly on improving their trustworthiness and strengthening their beliefs in their seed venture ideas (SEB). For example, the social entrepreneur in Case 6 persuaded some of her friends and celebrities to give her "mianzi" to become members of her Board of Directors, including a retired leader of a government authority, CEO of a large media company, artists, researchers on disabled people's welfare from Peking University and Chinese Academy of Social Sciences. Although these directors did not have actual decision making power to influence the

social entrepreneur's actions nor real commitment to the social enterprise, the social entrepreneur still thought they were fairly important. As she said:

It actually didn't matter if they (directors) cared about me as a friend, or just gave me face (mianzi), or really wanted to support my business. I didn't expect them to do too much for me. I just thought I would have mianzi if they could attend some of our events ... and people may think we had a very powerful Board, and that would be enough for me. (Participant 6-1, founder, autism)

This quote illustrated that through gaining mianzi from target stakeholders, social entrepreneurs could share the reputation of these celebrities and specialists, which could eventually influence the trustworthiness of the social enterprise for the general public.

7.4.4 Trust

Trust played an essential role in the process of SE opportunity emergence, and almost half of the participants (10 out of 22) mentioned the important of trust. My earlier findings about the effects of strong ties, weak ties, identity and *mianzi* also revealed the importance of trust in facilitating cooperation and accessing resources across different cases. Despite the similar effects of trust in different cases, however, the type of trust I found in discovery and creation cases tended to be different.

Social entrepreneurs in the discovery cases described the process of obtaining trust from target market actors as a costly process. Take Case 6 for instance, the founder spent half a year to deal with the red tapes in order to register a NPO, which is six times more than registering a commercial company. However, for a new start-up like the social enterprise, trust from stakeholders tended to help them to gain access to resources and overweigh the time loss. This point was also exemplified in other discovery cases. For example, in Case 4, the social enterprise organised a number of social events which covered various communities and beneficiaries while being influential in terms of media coverage and social impact. After so much effort in drawing the attention from the government, the social entrepreneur finally gained trust from the related governmental body, the Social Work Committee. As a result, the social enterprise successfully

acquired the legal status as a NPO which was under the supervision of the Committee, also received government procurement orders in social services. A similar case was Case 18, a social enterprise aimed to provide free training courses to poor women and female business leaders in rural areas in China. By working with the government at different levels for years, the organisation obtained trust from many stakeholders such as universities, non-profit organisations and multi-national corporates. Trust from these stakeholders led to various support, donations such as funding and equipment.

In the discovery cases, I also found that trust which came from long-term guanxi relationships could be transformed into influences which eventually affect the chances of obtaining social resources and being successful in the social enterprise's target market (SF). Still in Case 4, the social enterprise provided community and home-based residential care services for the elderly. However, the social entrepreneur found that it was very difficult to charge elder people for the services provided. Because traditionally Chinese elder people were taken care of by their children or by the state in China's previous welfare economy system, they were not used to paying for professional care services. Furthermore, she found that many elder people did not expect to appreciate professional care services and to live very high quality lives, as being alive was just good enough. Under these circumstances, professional residential care companies, including some of her competitors which trained professional nurses to provide home care services, were extremely difficult to survive. The social entrepreneur then realised that the only way to resolve this sustainability problem and compete with other companies was to gain trust from her target customers, as she said:

So (in order to provide services that match their needs) you really have to gain their trust, you really have to change their minds, and you have to immerse yourself in the communities, become part of them and establish very good guanxi relations, like companions and friends. ... I know it will be very difficult, especially when we try to charge for these services, but I think they will finally change their minds. (Participant 4-1, founder, residential care)

To build trust, the social entrepreneur established long-term partnerships with around 300 elder volunteers in 26 teams in 7 target communities, together they organised

various community activities and events to offer help and support to the elderly. Finally the social enterprise could quickly scale up and provide residential services to thousands of elder people in these communities. From this example it could be seen that through trust building and long-term guanxi relations, social entrepreneurs were able to influence the norms and decisions of target stakeholders, which consequently helped them to get access to target social sector market.

While trust in the discovery cases certainly benefited social entrepreneurs in terms of accessing resources, support and target market, these examples also demonstrated that trust building was a process based on the awareness and evaluation of possible outcomes and difficulties. These normative actions of trust building reflect the concept “calculative trust” (Williamson, 1993: 467), under which individuals “proceed with a relationship only if net gains can be projected or definite benefits identified”. In the creation cases, however, I found that social entrepreneurs relied more on another type of trust, namely “general trust” (Neergaard & Ulhø, 2006), meaning that individuals initiating new relationships with unfamiliar parties based on an experiential process.

Unlike the calculative trust in the discovery cases which was built between social entrepreneurs and their target stakeholders, the general trust in the creation cases could be built between strangers. This was because the development of social products in the creation cases was normally based on stakeholder self-selection, meaning that stakeholders may have never developed direct ties with social entrepreneurs before the exchange relationships were established. One example of this “general trust” in the creation cases was Case 5. Some online sellers from Taobao.com⁶ contacted the social entrepreneur through the CSR department of the Alibaba Group in order to get involved in some charitable activities. Participant 5-2 described the reason behind this self-selected cooperation:

He (the founder) worked with the CSR department of Alibaba in some projects before, so when these sellers contacted us through the CSR department ... they just invested some money (on our social products) but never said a word about how to use it, completely trusted us. ... Now we

⁶ Taobao is China’s largest online shopping site, part of the Alibaba Group.

are also negotiating partnerships with Amway, The One Foundation, Huayi Brothers this year ... they contacted us. We follow very strict rules and stick to our value when designing our social products, and I believe we have demonstrated our trustworthiness after so many years' work.
(Participant 5-2, line manager, rural education)

In this case, the trust that the social entrepreneur obtained from these online sellers facilitated the self-selection process which eventually attracted external stakeholders to bring in financial resources, and supported the development of his social products. However, differing from the discovery cases, the trust was built based on the fact that both parties did not know each other, and the social entrepreneur did not have to do anything to obtain such trust from the potential stakeholders. In this sense, the trust building is a rather experiential process (Neergaard & Uhlø, 2006), it can be increased if both parties have positive experiences, while it can be easily impaired if it involved calculative orientation or self-interest seeking behaviour.

The differences between the discovery and creation cases in terms of the types of trust developed in SE opportunity emergence can be conditioned by environment where Chinese social enterprises operated. For social entrepreneurs in the discovery cases, obtaining trust from target market actors became particularly vital in such a business environment where the term “social enterprise” could be easily misunderstood as profit-driven, and when the public and media tended to value NPOs more than commercial companies in terms of morality. Through the reputation from trust brokers and localised knowledge obtained from long-term relations, trust could be used to transfer the reputation and knowledge to resources, including the establishment of social sector market exchange relations. My findings showed that this effect reduces the risks of failure in such an environment and gain competitive advantages (SF). For social entrepreneurs in the creation cases, the lack of exchange relationships with target market actors (which were normally direct ties) meant that the market environment was largely unknown or less developed than in the discovery cases. Therefore calculative trust were less likely to develop as it was based on frequent social interaction, and social entrepreneurs in the creation cases had to build social sector market exchange relationships based on an incremental adjustment of the experiences of trustworthiness. A NPO leader I interviewed summarised how these experiences or feelings of

trustworthiness could help social organisations (including social enterprises) to survive and expand their businesses in the non-profit circle:

I felt that having good guanxi networks in the non-profit circle could help you to get many things done. If people felt that your organisation was trustworthy, they would contact you when they were doing something related to your organisation. At that time, there was not a so called “mature” market; every organisation did their business on the basis of this interpersonal trust.

7.4.5 Renqing & obligation

There was a lack of data regarding the effects renqing/obligation on SE opportunity emergence in the creation cases. But in the discovery cases, obligation appeared to be an important part of social entrepreneurs’ intentions of implementing their seed venture ideas (SEB). In Case 27, the social entrepreneur was working in a government department which was responsible for providing social welfare for disabled and poor people. After he retired, he set up the social enterprise to provide affordable caring services to children and youth who had mental disabilities. He explained why he started the organisation, and why he did not intend to charge the beneficiaries for the services provided but to look for other ways to generate income:

I simply couldn’t ask them for money. Because I was an official working on civil affairs, I had been helping disabled people for so many years, and I was a Party member. I couldn’t send these children back and see them suffering, and I would rather leave the difficulties for myself. So finally I accommodated 27 children (Participant 27-1, founder, mental disability).

This quote illustrated that, as a Party member and a former official who was dedicated to help disabled people, the social entrepreneur saw helping those mentally disabled children as his obligation of conscience and as a renqing he owed to these beneficiaries. This obligation served as his motivation to find a sustainable way to earn income to help these children rather than directly charge their parents like traditional care home did.

7.5 Cognitive social capital and opportunity emergence

7.5.1 Shared understanding

In all of the three categories of cases, shared understandings normally appeared to develop from common goals, interests, or areas of practice shared between the focal social entrepreneurs and their target stakeholders. I found that these shared understandings played an essential role in forming partnerships, accessing social sector market and resources (SF) through these partnerships. In addition, surprisingly I found that the lack of shared understandings within a social entrepreneur's guanxi relations could also provide motivation and intention to take social entrepreneurial actions (SEB).

In the discovery cases, shared understandings based on common interests between social entrepreneurs and target stakeholders could help them better understand each other's needs, which formed the basis of cooperation, partnerships and market exchange relationships. In discovery cases such as Case 4, this was evidenced by the social entrepreneur's attempts to market home-based residential care services to target residential communities. Although the social entrepreneur tried to talk to her previous working connections, mostly directors of these communities, none of them agreed to allow her to operate the social enterprise in their communities. The only exception was made by a community director who was interested in the social enterprise idea and willing to become a partner of the social enterprise. As the social entrepreneur said:

If you want to do a social enterprise in community services in China, it will be extremely difficult if you don't have very good guanxi relations and partnerships with the local community residential committees. But (the key point of building such partnerships) is not how good your idea is, but how interested they are, they have to be willing to be part of it. (Participant 4-1, founder, residential care)

Similarly, when the social entrepreneur in Case 22 had a seed venture idea of training deaf students to provide professional design and printing services, he turned to one of his acquaintances for advice: the deputy-director of a social enterprise incubator. This networking action eventually allowed his organisation to inhabit in the incubator, because the director was happen looking for sustainable non-profit businesses to serve

disabled people at the same time. In this case, a shared understanding of the social enterprise business idea between the two parties formed the basis of this cooperation, which also gave the social enterprise access to various resources provided through the incubator.

From these examples it can be seen that shared understandings between social entrepreneurs and their target stakeholders could increase the chances of success in establishing partnerships and getting access to the market and resources, such as the market access provided by community authorities in Case 4 and resources provided by the incubator in Case 22. Furthermore, shared understandings were also exemplified between interest groups or trade associations which were formed based on common interests or areas of practice. For example, In Case 8, after the social entrepreneur established connection with a Hong Kong-based NGO specialised in dyslexia, she was also introduced to a larger interest group which was formed by NGOs in related areas. With these extended connections built on shared understandings, the social entrepreneur obtained essential information about the classes and teaching materials on the application of DFMM (Drug-free, multi-sensory, mental gymnastics) methods to aid dyslexic children, which was then used by her own social enterprise in the mainland China.

In the creations cases, I found that shared understandings also formed the basis of collaborative actions in terms of social product development in many cases, which was again facilitated by the development of internet and social media in China. For example, in Case 21, many of the projects that the social enterprise carried out were initiated by its online interests groups where disabled people widely shared their ideas and experiences. Also in Case 5, suggestions about how to improve the products provided by the social enterprise were normally came from Weibo where volunteers frequently shared their understandings, experiences and new ideas about using the products to do volunteering teaching in rural schools.

While shared interests between the social entrepreneurs and other actors within their networks could help to extend the social entrepreneurs' connections and access social sector market and resources, data suggested that the lack of shared interests within social entrepreneurs own networks may result in the social entrepreneurs' intentions of

leaving the network and looking for new ways of achieving things like SE. Take Case 13 for instance, the social entrepreneur was working at a NPO which was dedicated to poverty alleviation and regional development in China, while he was responsible for a project which was focused on liaison with large companies' CSR departments and volunteers. As the project grew, the social entrepreneur planned to further expand the project, recruit more people and increase their salaries. However, the leaders of the NPO only saw the project as a way to help other projects to obtain connections with large commercial companies. In order to keep the focus on poverty alleviation and a balance between different projects within the organisation, they would not agree to further expand the project and make it more autonomous, hence the divergence. As a consequence of this divergence and the lack of shared understanding of the prospect of the project, the social entrepreneur had to leave the NPO and establish his own organisation. Also because funding from the NPO was no longer available, he had to find a new way to generate income to support the project financially, which led to the birth of the social enterprise. This point was also exemplified in the creation cases such as Case 16 where the social entrepreneur quit his job at Peking University and started his social enterprise on distant learning because of the lack of shared understandings.

7.5.2 Shared norms and values

Findings from the discovery cases support the social capital literature where shared norms and values could lead to lower monitoring costs and higher commitment (Ouchi, 1980). In the discovery cases studied, lower monitoring costs and higher commitment normally appeared as stable and consistent cooperation between social entrepreneurs and their target stakeholders, particularly with the government. This cooperation provided essential resources for the social enterprise to develop. For example, in Case 18, the success of the organisation, as a government contractor providing career training services for rural women, largely came from its close cooperation with the government. In order to establish such close cooperation, the organisation worked in line with the government's values and goals and consistently changed its services in order to match these values and goals. As the general manager said:

We are not just training these rural girls for a better career, but also keeping a close eye on what kind of employees are needed in the market. (It

is difficult because) you'll never know exactly what market expect ... but I do know that promising industries are always closely connected to people's ordinary lives, and that can be interpreted from the government's national plans. (Participant 18-1, general manager, women empowerment)

As national plans made by the central government could normally be seen as reflection of the medium-to-long-term trend of social and economic development, being consistent with these values and goals allowed the organisation to develop services and products which could be more easily supported by the government. For instance, a result of the manager's interpretation of the central government's No.1 policy on agriculture led to a successful project on organic and safe food supported by a provincial government. A similar example can be found in Case 8. As an organisation providing services to improve the learning abilities of dyslexic children, this social enterprise charged a higher price for children from high-income families, while part of the revenue was used to subsidise children from low-income families so they could afford the services. Because this so called "cross subsidisation" pricing strategy was in line with the government's effort and policies on poverty alleviation, it was highly appreciated by government officials in an open bid for government procurement, which consequently helped the social enterprise to receive orders from the government.

For social entrepreneurs in the discovery cases, similar norms and value were also seen as an important criterion in selecting potential partners with real commitment to the social enterprises. This was evidenced in Case 6. In this case, volunteers from university societies appeared to be one of the most important social sector market actors as they helped the organisation to sell products through organising charity sales events across universities. Therefore, the social entrepreneur had to be very careful in selecting student societies and their leaders on whom she relied. She explained why she was doing this and why shared values between those society leaders and her were particularly important for the increase of sales and social impact:

I am very picky in selecting student societies as they are representing us. ... The criterion is to look at the leaders of the student societies, see if he holds the same value as ours. Although these leaders are very young, some of them are extremely realistic people. Some of them choose to help me not

because they are really passionate about the value of our business, but they do everything for their own benefit, to just want to please their supervisors. So you'll find the final outcome (of a partnership) is largely determined by the character of this person we work with. If he really appreciates our value, such as loving kids and art, he will make positive influence on his classmates, and the final outcome will be totally different. But if he just do it perfunctory, it will be a disaster, and it will definitely damage our reputation. (Participant 6-1, founder, autism)

As illustrated from this quote, whether or not a partner shared the same value as the social entrepreneur had tended to affect the actual commitment to the social enterprise. For the social entrepreneur, this commitment allowed her to access almost free human resources, which meant lower costs in employing sales personal. In addition, it also meant greater social impact which could not be achieved by her alone. In other words, those partnerships which were built upon the same norms and values shared between different parties could lead to higher commitment and better outcomes in business performance and social impact.

7.6 Generative mechanisms and conditions

7.6.1 Overarching pattern: resource acquisition and mobilisation

How does social capital as the inherent causal power contribute to the emergence of SE opportunities? My findings from the above sections revealed four mechanisms that could be used to answer the question: one overarching mechanism and three other mechanisms which fit within the broader one (Table 7.5).

Table 7.5 General Mechanisms for SE Opportunity Emergence			
Overarching mechanism: Resource acquisition and mobilisation			
Specific Mechanisms	Resource Types	Social Capital	SE Opportunity
Sparkling Mechanism	Information and knowledge	Structural social capital <ul style="list-style-type: none"> • Clusters and structural holes • Closure • Strong ties 	USE
Manifesting Mechanism	Information and knowledge Power and Influence	Structural social capital <ul style="list-style-type: none"> • Clusters • Closure • Weak ties 	SEB
		Relational social capital <ul style="list-style-type: none"> • Reciprocity • Renqing/obligation • Mianzi/ reputation 	
		Cognitive social capital <ul style="list-style-type: none"> • (lack of) shared understanding 	
Scaling Mechanism	Information and knowledge Business resources Market and distribution channel	Structural social capital <ul style="list-style-type: none"> • Closure • Strong and weak ties 	SF
		Relational social capital <ul style="list-style-type: none"> • Reciprocity • Identity • Trust 	
		Cognitive social capital <ul style="list-style-type: none"> • Shared understanding 	

As shown in Table 7.5, I found one overarching mechanism across all of the three categories of cases, which I called *resource acquisition and mobilisation*. My findings demonstrated the importance of accessing resources through social capital in the resource constrained context, just like one of the participants said:

When you don't have too many resources on hand, the biggest capability that a social entrepreneur should have is to mobilise all sorts of resources and use them to support your business ... you have to find all the guanxi relations which can be used to support you. (Participant 4-1, founder, residential care)

In general, my findings showed that social capital can generate various resources to help social entrepreneurs develop SE opportunities. These findings supported the claim in the existing entrepreneurship literature that social capital helps entrepreneurs to gain access to various resources in starting and developing ventures (Jack, 2005; Liao & Welsch, 2005; Neergaard, 2005; Cope et al., 2007). Specifically, I found at least four types of resources generated through social capital that were used by Chinese social entrepreneurs to develop SE opportunities: information and knowledge, business resources, power and influence, and market and distribution channel.

In line with existing literature, my findings firstly confirmed that Chinese social entrepreneurs used different forms of social capital as sources of information and knowledge. The information and knowledge varied across cases. They could be the information about particular social needs or social problems which was used by social entrepreneurs to identify USEs at very early stages. They could also be key formation which could be used to gain competitive advantages (Liao & Welsch, 2005) such as specialised knowledge (e.g. knowledge about the application of DFMM methods to aid dyslexic children in Case 8) used to develop and expand social enterprises at later stages. In addition, I found that social entrepreneurs mostly obtained information and knowledge from different network clusters, closed networks, strong ties, weak ties and shared understandings.

Second, my study also demonstrated that social capital assisted social entrepreneurs to access more tangible business resources such as financial resources, human resources,

equipment, offices and professional advice. While the accessing these tangible business resources via social capital are well established in the entrepreneurship literature (Cope et al., 2007), my findings expanded this view to include the legislation as an essential resource which is particular vital for social enterprises. Like many other resources, a legal status (e.g. NPO form) allowed social entrepreneurs to survive and develop their social enterprises. But unlike other resources, being able to obtain a legal status in China often meant the recognition and support from the government. Social entrepreneurs could transfer governmental influences into other resources such as government procurement and trustworthiness at low risks.

My discussion on legal status above also indicated another important type of resource, namely power and influence. I found that social entrepreneurs' social capital did not only influence their own motivations, decisions and actions (such as by clusters and mianzi), but also could be used to influence their stakeholders' norms and decisions (for example by trust). In the cases studied, power and influence obtained from social capital could help to reduce environmental uncertainty and risks, facilitate cooperation and partnerships, and improve trustworthiness and commitment.

The fourth type of resources identified in the study was market and distribution channels, meaning that social entrepreneurs used their social capital to get access to the social sector market, expand their customer base and distribution channels. While weak ties, reciprocity, identity, trust and shared understandings were important forms of social capital which helped social entrepreneurs to access the market, I found that strong ties with the government were particularly important when the market environment was unknown or uncertain. Strong ties with the government could provide a stable and reliable way to create market demand.

Although these four types of resources were commonly seen in all of the three categories of cases, my findings showed that they were likely to have different effects on the emergence of SE opportunities. Without exception, I also found similarities as well as differences between the discovery and creation cases in terms of the way that these resources led to the emergence of USE, SEB and SF. These findings revealed three specific mechanisms under the overarching mechanism of resource acquisition and mobilisation, which I named the sparking mechanism, the manifesting mechanism,

and the scaling mechanism. Note that the notions “sparking”, “manifesting” and “scaling” were used here to refer to the different effects that social capital had on SE opportunity emergence, the occurrence of these mechanisms did not necessarily follow a linear process. By contrast, they could occur simultaneously or in a recursive manner. While these three mechanisms could be used to explain the similarities across cases, I also found two types of conditions, namely mediating and moderating conditions, which were useful to explain to differences between the discovery and creation cases. The following part of this section discusses these mechanisms and conditions in greater detail.

7.6.1.1 The sparking mechanism

I refer to the first mechanism as *the sparking mechanism*, that is, an information and knowledge acquisition process by which Chinese social entrepreneurs perceive and identify USEs in order to “spark” seed venture ideas of creating both social and economic value through social capital. It is part of the broader resource acquisition and mobilisation mechanism.

Although USEs were contextual circumstances which were independent of individuals, my findings suggested that developing SE opportunities from these USEs required social entrepreneurs to perceive and identify specific USEs. Examples of this process included identifying autistic children’s special needs and capabilities in drawing through searching actions in Case 6, and perceiving the need for rural education from a friend’s visit by chance in Case 5. To do so, Chinese social entrepreneurs had to use social capital to obtain and process information and knowledge to interpret social needs, such as information about particular social problems and knowledge obtained from education and work experience.

Among various forms of social capital, my findings suggested that structural social capital was particularly relevant to the sparking mechanism. A possible exaptation here is that social entrepreneurs may rely more on the structure rather than quality of their *guanxi* in order to get access to a variety of sources of information. Specifically, I found that social entrepreneurs’ *guanxi* clusters could provide access to essential information about USEs. For social entrepreneurs in the discovery cases, their positions in structural holes could provide them access to various sources of non-redundant information and

knowledge which were not shared between disconnected economic sectors. This ability to access non-redundant information across sectors brought advantages in identifying USEs and forming seed venture ideas over those who did not have such positions. For social entrepreneurs in the creation cases, their guanxi clusters within certain economic sectors also provided them access to information and knowledge about these sectors. Second, I found that closed networks could help members within these networks to get access to complex information and knowledge, including experiences, which were widely shared between each other. Third, it was found that strong ties such as close friends also served as an important source of information that helped social entrepreneurs to identify specific USEs. Through the acquisition and mobilisation of information and knowledge obtained from structural social capital, social entrepreneurs could develop comprehensive understandings about certain social problems, and finally form their initial inspirations of social and economic value creation.

7.6.1.2 The manifesting mechanism

The second mechanism that I identify across different cases is named *the manifesting mechanism*, that is a process of information, knowledge and influence acquisition by which Chinese social entrepreneurs form SEB in terms of ideas, plans, confidence and means-ends frameworks through social capital. The notion “manifesting” is used here to emphasise that SE opportunities start to evolve from “hidden” inspirations to more perceptible outcomes such as social entrepreneurial ideas, business plans and beliefs which guide future SE actions. It is also part of the broader resource acquisition and mobilisation mechanism.

As discussed in Chapter 6, SEB includes the development of means-ends frameworks such as business ideas and plans. It also includes social entrepreneurs’ intention or motivations to implement these ideas and plans, and beliefs about the possible outcomes that the ideas and plans could eventually achieve. My findings suggested that the development of these ideas and beliefs could be attributed to the information, knowledge and influence that social entrepreneurs obtained through social capital. As evidenced by the testimonies of the participants across different cases, the information and knowledge included complex knowledge about certain industries such as microfinance, the business or non-profit mind-set, and other people’s entrepreneurial experiences.

I found that various social capital forms in all of the three dimensions contributed to the development of SEBs by providing access to these information and knowledge. First, my findings suggested that social entrepreneurs' guanxi clusters, weak ties and reciprocity contributed to the development of SE means-ends frameworks. Specifically, participants described that their connections with the different economic sector influenced their ways of thinking in achieving their social missions. For example, their connections in the private sector allowed them to develop a business mind-set and skill set which could be used to address social problems. In all of the three categories of cases, weak ties served as rich and important sources of information when social entrepreneurs looked for solution to the USEs they identified. Moreover, reciprocity appeared as a key principle when social entrepreneurs evaluated their potential stakeholders' needs and then formed their business models, which was well evidenced in Case 6. Second, my findings suggested that renqing/obligations provided an important driving force for social entrepreneurs to implement their seed venture ideas, while the lack of shared understanding could also influence social entrepreneurs' motivations and intentions to take social entrepreneurial actions. Third, it was also well evidenced that closed networks facilitated exchanges of ideas and experiences through networking and knowledge sharing between actors, which improved social entrepreneurs' confidence in implementing their ideas by learning from others. In addition, my findings in some discovery cases also suggested that social entrepreneurs could transfer their stakeholders' reputation into their trustworthiness and strengthen their beliefs in their seed venture ideas.

7.6.1.3 The scaling mechanism

The third mechanism that my findings reveal is called the *scaling mechanism*, that is, a resource acquisition process by which Chinese social entrepreneurs develop feasible opportunities by getting access to social assets and resources through social capital. I use the term "scaling" as the mechanism is often accompanied with scaling up the impact of SE opportunities. For Chinese social entrepreneurs, being able to get access and making use of various social assets and resources means intensive interactions with either target or non-target social sector market actors. As a consequence, the ideologies, values and social missions they have can be widely diffused, and their SE opportunities could create impact on a broad range of audience, which may not be pre-planned. The

mechanism is also encompassed within the broader resource acquisition and mobilisation mechanism.

As discussed in Chapter 6, SF of a SE opportunity depends on the availability of social assets and social resources. However, such resources are not simply as given, being able to access and to utilise these resources requires great effort from social entrepreneurs. Not mentioning in a resource constrained environment like China, social enterprises have to compete with various rivals, such as NPOs and sometimes commercial companies in order to generate income for survival. My findings suggested two ways that social entrepreneurs' social capital could help to access to utilise these resources in order to develop feasible opportunities.

For Chinese social entrepreneurs, one important way of developing feasible SE opportunities was to create and develop social sector market exchange relationships through social capital. Through social sector market exchanges, social entrepreneurs could access to a great variety of social resource held by other market actors, including information and knowledge, financial resources, human resources and market access. The data suggested that structural and relational social capital could help to either establish or to facilitate social sector market exchanges, including closure, strong ties, weak ties, reciprocity, identity and trust. Specifically, In terms of structural social capital, I found that closed networks, such as the “non-profit” circle, could facilitate networking and interactions between actors within the networks. These increased networking activities provided important information about the sources of funding and potential customers. Strong ties often acted as resource providers and gatekeepers to external networks. Through the references from strong ties, especially from the government, Chinese social entrepreneurs could easily expand their market and survive market competition. For example in Case 1, the social entrepreneur's connection with the Women's Federation helped her to overcome early market failure in the retail market. I also found that weak ties also helped social entrepreneurs to expand their customer base, although the market exchanges were not as stable as created by strong ties. A typical example of the effects of weak ties was word-of-mouth (WOM) in obtaining customers and expanding customer base. In terms of relational social capital, I found that reciprocal guanxi relations allowed social entrepreneurs to establish and maintain good market exchange relationships with other social sector actors and obtain

support from target stakeholders like the media. Appropriate identification could help social entrepreneurs to either access resources held by target stakeholders and reduce risks (the discovery cases) or attract unspecified external resource holders (the creation cases). It was also evidenced that trust could facilitate market exchange relationships and help social entrepreneurs obtain various social resources such as funding and donations and outweigh the time loss in creating such trust. Furthermore, trust that came from long-term *guanxi* relationships could be transformed into influences which eventually affect the chances of obtaining social resources and being successful in the social enterprise's target market.

Another important way of developing feasible SE opportunities was to create and develop cooperation and partnerships through social capital, by which social entrepreneurs could access shared information, knowledge (including experiences) and other resources. For social entrepreneurs, getting access to these shared resources often meant lower costs than obtaining these resources through market exchanges, which could eventually reduce their operating risks and improve the efficiency in resource acquisition and mobilisation. My cross-case findings suggested that social capital in all the three dimensions contributed to the establishment and development of cooperation and partnerships with either pre-specified or unspecified stakeholders. While relational social capital such as reciprocity appeared as a key principle in establishing partnerships and social collaborations, my findings suggest that Chinese social entrepreneurs relied more on structural and cognitive social capital to acquire and mobilise resources from cooperation and partnerships. In terms of structural social capital, I found that information obtained from closed networks such as industrial conferences helped social entrepreneurs to develop partnerships. Closed networks also provided "collective strength" for actors within closed networks. As actors within closed networks shared information and resources, they were more familiar with each other. As a result, compared with networking with outsiders, social entrepreneurs within closed networks could spend less networking time on obtaining information and resources, which led to lower costs and less uncertainty in the business environment. I also found that social entrepreneurs' strong ties appeared to be an important source of complex information, tacit knowledge and various support at very low or even no costs. In addition, strong ties also served as gatekeepers who bridged social entrepreneurs and their external networks. Through strong ties, social entrepreneurs could easily connect with people

with whom they did not have connections before. It considerably saved their time and money looking for resources and networking, which therefore improved their efficiency in resource acquisition and mobilisation and increased the chances of future success. In terms of cognitive social capital, I found that the shared understanding between social entrepreneurs and their stakeholders played an essential role in forming partnerships which provided access to the social sector market and other resources in the discovery cases. Similarly, shared understanding in the creation cases also formed the basis of collaborative actions in terms of social product development. Finally, those partnerships which were built upon the same norms and values shared between social entrepreneurs and their partners could lead to higher commitment and better outcomes in business performance and social impact.

7.6.2 Conditions

My empirical findings also revealed several important conditions which could to some extent explain the different effects that the mechanisms could have on SE opportunity discovery and creation (mediating conditions). Certain other conditions in turn could reinforce the effects of social capital on SE opportunity discovery and creation across different cases (moderating conditions).

7.6.2.1 Mediating conditions

Although the overarching mechanism – resource acquisition and mobilisation – was found in all of the three categories of cases, my findings also showed fundamental differences between the discovery and creation cases in terms of how the three specific mechanisms worked (i.e. the effects of social capital as described in this chapter) and eventually what the SE opportunities looked like (i.e. the empirical examination of SE opportunities in Chapter 6). With the findings from Chapter 6 and 7 combined, Table 7.6 provides an overview of how the sparking, manifesting and scaling mechanisms may follow different empirical tendencies of SE opportunity emergence.

As illustrated in the table below, the sparking mechanism in the discovery cases appeared as a USE recognition process where social entrepreneurs gather and evaluate information based on their network positions such as their connections in different guanxi clusters. In the creation cases, however, social entrepreneurs were more likely to

obtain information about specific USEs through closed networks and strong ties in their limited guanxi clusters in unexpected contingent events. Second, social entrepreneurs in the discovery cases tended to use social capital to form their beliefs such as means-ends frameworks based on pre-specified goals and normative decisions. By contrast, social entrepreneurs in the creation cases tended to do this through trial and error process which started with existing means in hand. In terms of developing socially feasible opportunities, I found that social entrepreneurs in the discovery cases used social capital to get access to resources held by pre-specified and purposively selected social sector market actors, while their creation counterparts achieved this through mutual-selected partnerships and social collaboration.

Table 7.6. Mediating Conditions and their Relations with SE Opportunity Emergence				
Mediating Conditions	Mechanism	Opportunity Constituents	Discovery Cases	Creation Cases
Cross-sector experience	Sparking	USE	Recognition	Serendipity
Cross-sector experience; Environmental Uncertainty	Manifesting	SEB	Ends orientation	Means orientation
Environmental Uncertainty	Scaling	SF	Selection	Collaboration

Through cross-cases analysis, I found that cross-sector experiences and environmental uncertainty might explain the diverse tendencies of sparking and manifesting mechanisms towards SE opportunity discovery and/or creation. First, my findings suggested that cross-sector experiences appeared to be an important condition underlying the differences in clusters between social entrepreneurs in the discovery and creation cases, and consequently different effects on SE opportunity emergence. “Cross-sector experiences” is used here to refer to education and working experiences in different organisations across two or three economic sectors. This supported Cope et al.’s (2007) argument that an entrepreneur’s experience not only determines the range of contacts, but also influences opportunity perceptions and courses of actions.

Specifically, I found that social entrepreneurs in the discovery cases were more likely to have cross-sector experiences and develop more cross-sector guanxi clusters than others. Therefore they were more likely to obtain information advantage than others in terms of USE recognition. In contrast, social entrepreneurs in the creation cases did not have such experiences and advantages, they had to rely more on contingencies in order to obtain adequate information to identify USEs. Furthermore, cross-sector experiences conditioned the manifesting mechanism by influencing social entrepreneurs' mind-sets which appeared to be an important part of knowledge resources obtained through social capital in forming SEBs. I found that social entrepreneurs' connections with different economic sectors could influence their ways of thinking about achieving their social missions. Social entrepreneurs in the discovery cases who had cross-sector experiences, particularly in both the private and non-profit sectors, were more likely to develop business solutions to pre-specified social problems. By contrast, a social entrepreneur who did not have such experiences, such as the artist social entrepreneur in Case 25, could only rely on the means based on his existing experiences – art training – to address a social problem, while he developed business skills gradually later, through his recursive attempts of experimenting with initial ideas.

I found another mediating condition, environmental uncertainty, which helped to explain the different outcomes that the manifesting and scaling mechanisms had in the discovery and creation cases. My findings showed that environmental uncertainty in the context of SE in China came mainly from three sources: a lack of personal connections, a less developed market, and unfavourable social norms. Chinese social entrepreneurs in discovery and creation cases responded differently to these environmental uncertainties. First, as Chinese social entrepreneurs particularly relied on personal connections, such as guanxi with gatekeepers, to get access to potential social sector market actors, the lack of personal connections created uncertainties when they tried to survive market competition and expand their businesses. To deal with the uncertainty, social entrepreneurs in the discovery and creation cases relied on different types of reciprocity to establish new market exchange relationships. For social entrepreneurs in the discovery cases, reciprocity firstly appeared to be a clear principle when they form their means-ends frameworks. These pre-specified reciprocal relations then allowed social entrepreneurs to establish and maintain good exchange relationships with pre-selected market actors like beneficiaries, also to obtain support from target stakeholders such as

the media. However, social entrepreneurs in the creation cases in general did not have a pre-specified goal or pre-selected stakeholders in mind. Their method of adapting to the uncertainty was to establish a wide range of networks based on generalised reciprocity, and they tended not to expect immediate return from networking with stakeholders as their discovery counterparts did.

Second, the data suggested that social entrepreneurs in the discovery and creation cases acted differently under the condition of a less developed target market where there was a lack of ethical consumers, or some social enterprise concepts like Fairtrade were not well accepted in the market. In the discovery cases compared to the creation cases, social entrepreneurs relied more on strong ties, such as ties with the government, to get access to the social sector market. The third source of uncertainty was “unfavourable social norms”. For example, in China, as the term “social enterprise” is often translated as “social business”, the general public may misunderstand the meaning of “social enterprise” as purely profit-driven which is opposite to charitable purposes. To tackle this uncertainty, social entrepreneurs in the discovery and creation cases developed different strategies to gain trust from the public. Social entrepreneurs in the discovery cases tended to develop market exchange relationships based on “calculative trust”, that was, building trust based on social entrepreneurs’ normative evaluation of possible outcomes and difficulties, and that normally occurred between social entrepreneurs and their acquaintances. In addition, the calculative trust building process also contained social entrepreneurs’ careful selection of their identities such as legal forms in order to access their target market. For social entrepreneurs in the creation cases, the lack of exchange relationships with target market actors (which were normally direct ties) meant that the market environment was even more uncertain than in the discovery cases. Therefore they had to build market exchange relationships based on general trust, that was, an incremental adjustment of the experiences of trustworthiness between parties who barely knew each other. Furthermore, unlike in the discovery cases where social entrepreneurs tended to select proper identities in order to get access to the social sector market and target stakeholders, appropriate identification appeared to be an important factor for attracting unspecified external resource holders in the creation cases.

7.6.2.2 Moderating condition

The condition found to be an essential moderator of the scaling mechanism was the development and diffusion of internet and social media in China. I found that social entrepreneurs' involvement in networking through the internet and social media significantly strengthened the effect of scaling mechanism triggered by social capital, especially by weak ties. The weak ties' effect on customer base expansion was facilitated by the development of internet and social media in China, such as Weibo, the Chinese version of Twitter. Through the amplifying effect of the internet (such as email) and social media (*weibo*), online weak ties allowed social entrepreneurs to access to a large number of potential customers and resources, which could considerably reduce the social enterprises' costs in terms of promotion and advertisement.

7.7 Chapter summary

This chapter presents findings regarding the causal power, generative mechanisms and conditions which are located in the domain of real and cause the emergence of SE opportunities in China. My findings show that despite some similarities and differences between the discovery and creation cases, social capital inherent in *guanxi* can be seen as the causal power generating resource acquisition and mobilisation mechanisms which lead to SE opportunity emergence at the individual level.

Findings on the effects of structural social capital suggested that four types of social capital in this dimension were particularly relevant and important to SE opportunity emergence in China, namely clusters, closure, strong ties and weak ties. First, I found that Chinese social entrepreneurs relied heavily on different clusters of *guanxi* networks to get access to information, knowledge and motivation. In the discovery cases, social entrepreneurs' positions in structural holes between different economic sectors provided them access to non-redundant information and knowledge which were not shared between these sectors. This information and knowledge could be used to form advantages in identifying USEs, justifying normative decisions and competing with others. In the creation cases, although social entrepreneurs had limited *guanxi* clusters, their existing clusters still provided essential information or motivation which could sometimes indirectly influence their interpretation of USEs and further actions when contingent events took place. Second, closed *guanxi* networks mostly appeared in the

forms of formal trade associations, conferences and training events, social enterprise incubators, and informal industrial networks such as the so called “non-profit circle”. I found that social entrepreneurs across different cases benefited from closed networks. These benefits included providing access to widely shared information, knowledge and motivation in identifying USEs, facilitating networking and interactions which led to cooperation, partnership building, and collective actions, and facilitating exchanges and sharing of ideas, experiences and knowledge which reduced costs and uncertainty. Third, strong ties in the forms of close friends, family ties, working ties, educational ties appeared as resource providers and gatekeepers to external networks for Chinese social entrepreneurs. In the discovery cases, I found that social entrepreneurs’ strong ties provided instant access to the social sector market, complex information, tacit knowledge, political influence and other resources which were vital for the development of market exchange relationships. Strong ties also bridged social entrepreneurs with external networks, thus reducing costs in searching for resources. While social entrepreneurs enjoyed similar benefits from strong ties such as information, knowledge and access to external networks, they relied less on strong ties in market access than social entrepreneurs in the discovery cases. In addition, strong ties in the creation cases were also found to be sources of cooperation and intensive social collaboration. Finally, I found weak ties were important sources of information in both the discovery and creation cases, while they also helped social entrepreneurs to expand their customer base.

Findings on the effects of relational social capital suggested that five types of social capital in this dimension were particularly relevant and important to SE opportunity emergence in China: reciprocity, identity, mianzi/reputation, trust, and renqing/obligation. First, I found that reciprocity was one of the most important forms of relational social capital. In the discovery cases, reciprocity was a key principle when social entrepreneurs formed means-ends frameworks. It also facilitated knowledge transfer in closed networks and helped social entrepreneur to access the market and resources. In the creation cases, reciprocity also served as a key principle in social collaborative social product development. But social entrepreneurs in these cases tended to develop generalised reciprocal relations with un-specified stakeholders, which was different from the discovery cases. Second, in both discovery and creation cases, I found that social entrepreneurs’ appropriate identities could help them to either obtain

trustworthiness from target stakeholders or attract resource holders. Findings also suggest that social entrepreneurs' identification within a network might cause over-embeddedness which led to social entry barriers and reduced competition. Third, *mianzi*/reputation had an indirect impact on social entrepreneurs' effort of discovering opportunities, particularly on improving their trustworthiness and strengthening their beliefs in their seed venture ideas. Fourth, different types of trust were found in the discovery and creation cases. In the discovery cases, I found that social entrepreneurs developed calculative trust in order to obtain political support and resources from target stakeholders, and to influence the norms and decisions of target customers. In the creation cases, however, trust building was a rather experiential process that occurred between parties who barely knew each other. This general trust facilitated stakeholders' self-selection which helped social entrepreneurs to access resources and markets. Finally, the effects of *renqing*/obligation were also found in the discovery cases, which appeared to be an important part of social entrepreneurs' intentions.

My findings also suggested two forms of cognitive social capital, shared understanding and shared norms/values, contributed to the emergence of SE opportunities. I found that shared understandings played an essential role in forming partnerships/social collaboration and accessing market and other resources (SF) through these partnerships/social collaboration. The lack of shared understandings within a social entrepreneur's *guanxi* relations could also provide motivation and intention to take social entrepreneurial actions. In addition, I also found that shared norms and values contributed to opportunity emergence in the discovery cases by lowering monitoring costs and increasing commitment to the social enterprises.

Through cross-case analysis on the effects of the three dimensions of social capital, I identified one overarching mechanism, "resource acquisition and mobilisation", which occurred in all of the three categories of cases. This mechanism generated four types of resources through social capital which were used by Chinese social entrepreneurs to develop SE opportunities: information and knowledge, business resources, power and influence, and market and distribution channels. I also identified three specific mechanisms comprised by the overarching mechanism, namely the sparking mechanism, the manifesting mechanism, and the scaling mechanism. Specifically, the sparking mechanism is an information and knowledge acquisition process by which Chinese

social entrepreneurs rely on structural social capital to perceive and identify USEs in order to “spark” seed venture ideas of creating both social and economic value. The manifesting mechanism is an information-, knowledge- and influence acquisition process by which Chinese social entrepreneurs form SEB in terms of ideas, plans, confidence and means-ends frameworks through social capital. The scaling mechanism is a resource acquisition process by which Chinese social entrepreneurs develop feasible opportunities by getting access to social assets and resources through social capital.

In addition, this study also revealed two mediating conditions which could be used to explain the different effects that the mechanisms generate between the discovery and creation cases, and one moderating condition which reinforced the effects of mechanisms across different cases. The first mediating condition identified in this chapter is “cross-sector experiences”, which to some extent explained the diverse tendencies of sparking and manifesting mechanisms towards SE opportunity discovery and/or creation. The second mediating condition, environmental uncertainty, could help to explain the different empirical tendencies that the manifesting and scaling mechanisms had in the discovery and creation cases. Finally, I found that the development and diffusion of internet and social media in China was an essential moderating condition for the scaling mechanism.

CHAPTER 8: Discussion and Conclusion

8.1 Introduction

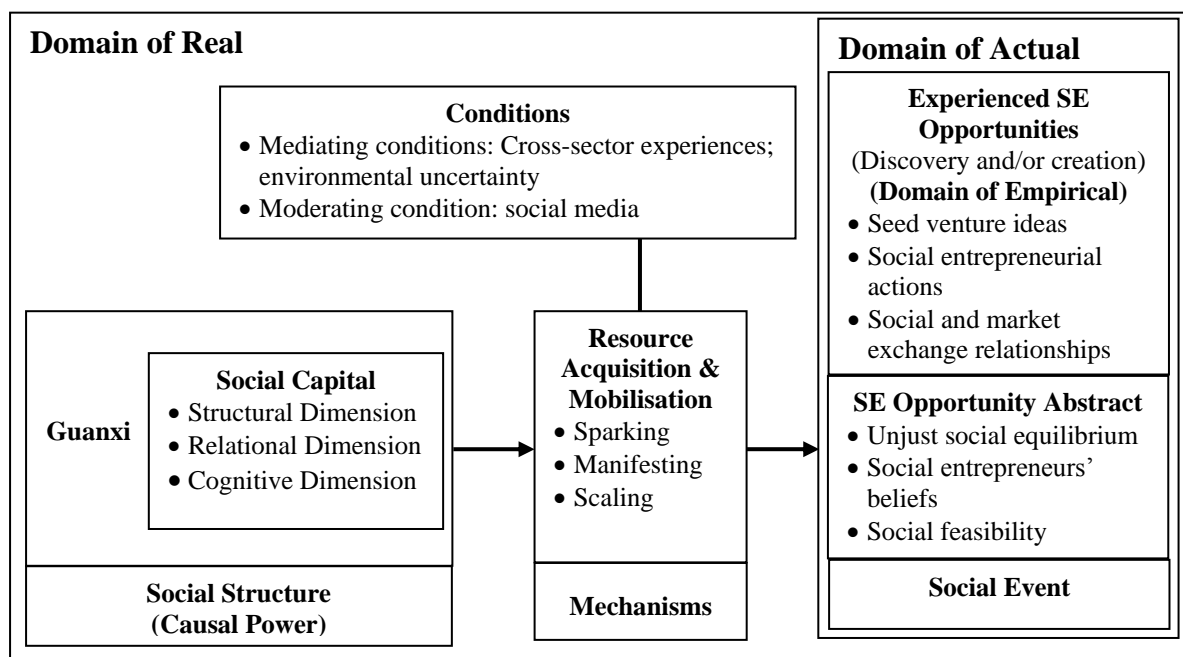
This study is an attempt to empirically explore opportunities in the context of social entrepreneurship in China. It is a response to the call for more exploration and a comprehensive theoretical understanding of opportunities in the context of SE (Dutta & Crossan, 2005; Austin et al., 2006; Hockerts, 2006; Mair & Mart í 2006; Companys & McMullen, 2007). The study addressed two research questions: what are SE opportunities in China? How do they emerge? Existing SE and entrepreneurship literature surrounding these questions in general, i.e. regardless of the country context, focused mainly on two alternative explanations: opportunity discovery (nexus theory) and opportunity creation (effectuation theory). While the discovery/creation debate is still ongoing, recent theoretical advancement has shown a possible way of forwarding entrepreneurial opportunity research suggesting that research should incorporate structure and agency simultaneously in the study of opportunities. This study thus contributes to entrepreneurial opportunity research by following this path and providing a more comprehensive understanding of SE opportunities. By adopting critical realism as a research philosophy as well as methodology, I was able to explore the reality of SE opportunity in the domains of empirical, actual and real. Based on critical realism, I used a three-step qualitative multi-case study to develop an explanatory framework in which guanxi and social capital theory provide theoretical explanations of the social structure and its inherent causal power which lead to SE opportunity emergence.

The current chapter seeks to integrate the findings discussed in Chapter 6 and 7 in order to provide a comprehensive explanation of SE opportunity emergence in China. With reference to the literature, this chapter highlights the benefits that a critical realist perspective has provided in this study. It then discusses how the empirical findings address my research questions: (1) What are opportunities in the context of SE in China? (2) How do these SE opportunities emerge? Finally, this chapter summarises the research contributions, limitations and implications for future research.

8.2 A critical realist explanation of social entrepreneurship opportunity emergence

Empirical findings in this study support my hypothetical framework presented in Chapter 5 (Figure 5.3). After several rounds of comparison and iterative reflection between the hypothetical framework, data and literature, a final explanatory framework is established (Figure 8.1). The explanatory framework below synthesises these findings and presents an overall explanation of SE opportunity emergence in China.

Figure 8.1. A Critical Realist Explanation of SE Opportunity Emergence



Through a critical realist perspective, the above framework shows that the “reality” of SE opportunities takes place in *all* of the three domains rather than in a single domain. In the domain of *empirical*, SE opportunity as an experienced social event can be described as discovered, created, or as both discovered and created (organic). The description is based on empirical examination of three units of observation, namely seed venture ideas, social entrepreneurial actions, and social and market exchange relationships. In the domain of *actual*, SE opportunity as an abstract social event consists of three internal and necessary constituents: unjust social equilibrium (USE), social entrepreneurs’ beliefs (SEB), and social feasibility (SF). In the domain of *real*, the emergence of SE opportunities can be seen as the result of a resource acquisition and mobilisation mechanism where USE, SEB and SF are identified or formed through

social entrepreneurs' social capital embedded in *guanxi*. Social capital as the inherent causal power in *guanxi* takes effect through three sub-mechanisms under the overarching resource acquisition and mobilisation mechanism, namely the sparking mechanism, the manifesting mechanism and the scaling mechanism. In addition, SE opportunity emergence is influenced by two mediating conditions, cross-sector experiences and environmental uncertainty, which can be used to explain the different effects that the mechanisms generate between the discovery and creation cases. It is also influenced by moderating condition, the development and diffusion of internet and social media, which reinforced the effects of the scaling mechanism.

This study is the first attempt to apply critical realism in studying opportunities in the context of SE in China. It can be an example of a rigorous use of qualitative methods to apply critical realism in SE and general entrepreneurship research. The above framework demonstrates that critical realism can provide a useful philosophical lens as well as appropriate methodology to explain complex social events such as opportunities (Blundel, 2007). Through the application of a critical realist ontology and methodology, the explanatory framework has encompassed more aspects of opportunities compared to existing literature in SE and general entrepreneurship. Specifically, the critical realist approach allowed for the inclusion of the following aspects in the above framework: (1) the three domains of reality in studying SE opportunities as an overall aspect; (2) the three units of observation in the empirical examination of experienced opportunities; (3) both discovery and creation opportunities in the data; (4) a definition of SE opportunity; (5) a *guanxi* and social capital perspective in explaining SE opportunity emergence in China. As a result, critical realism can help us to develop a comprehensive and complete understanding of SE opportunity which has received little attention by SE scholars (Murphy & Coombes, 2008),

First, the explanatory framework elucidates the overall “reality” of SE opportunities in all of the three domains rather than in a single domain. Existing literature on opportunities mainly focuses on the empirical and/or actual domains of reality, leaving the domain of real largely ignored (Martin & Wilson, 2014). The SE literature has continuously acknowledged the existence and importance of the SE opportunity as an actual social event (Dees, 2001; Mair & Martí 2006; Monllor, 2010; Zahra et al., 2014a). However, very little rigorous empirical effort has been made to specifically

address the nature of SE opportunity. In traditional entrepreneurship research, the nexus and effectuation theories have made significant theoretical advancement on opportunities research in the domain of actual, but the domain of real remains relatively untouched by entrepreneurship scholars so far. Scholars still rely primarily on quantitative methods to explain opportunities through deductive theorising and statistical modelling (Alvarez & Barney, 2010; Suddaby et al., 2015). From a critical realist perspective, this approach is often based on repeated observations which only focus on the observable entities located in the domain of empirical. For example, Lepoutre et al. (2013) use lower level of economic development as a measure of SE opportunities as it is associated with market and institutional failure. However, approaches like this are likely to face significant definitional and empirical problems. As Alvarez and Barney (2010) point out, using economic development as a measure of opportunity is problematic as it fails to clearly distinguish the attribute of an opportunity from the outcome implications of exploiting the opportunity. Besides, as discussed in Chapter 4, these repeated observations do not necessarily imply any causality of social events.

In this study, I address these problems by including all of the three domains of reality while clearly distinguishing them in studying SE opportunities. In the domain of *empirical*, this study clarifies three observable entities, namely seed venture ideas, social entrepreneurial actions and social and market exchange relationships, which can be used to empirically examine or evaluate SE opportunities. These observable entities allow SE researchers to clearly distinguish experienced SE opportunities from other opportunity-related SE practice and its outcomes. In the domain of *actual*, the actual social event of SE opportunity is not studied based on repeated observations, nor based on subjective interpretations from the participants or from me as a researcher, but based on more rigorous critical realist abstraction guided by grounded theory principles. Finally, the explanatory framework provides a causal explanation of opportunity emergence in the domain of *real*. The causal explanation does not reflect regular patterns of observation, but describes the tendency of how the causal power of deeper social structures affect SE opportunity emergence.

Second, the critical realist approach allowed for the inclusion of the three units of observation in examining experienced SE opportunities. As discussed in Chapter 3

(Section 3.4.1), existing literature on discovery and creation opportunities has its limitations in empirically examining the nature of opportunities. In a snapshot, the discovery view assumes a “God’s eye” view of opportunities as reality (Alvarez & Barney, 2010); this makes it impossible to empirically examine the existence of these at the individual level, or to reliably distinguish opportunities from non-opportunities (Dimov, 2011). The creation view emphasises the role of human actions in creating opportunities which is directly observable, but the question to what extent actions creating opportunities can be distinguished from the actions creating other entrepreneurial outcomes (such as business ventures) remains largely unanswered (Alvarez & Barney, 2010). In the SE literature, some researchers’ observation on opportunities only focuses on social and market imperfections (Domenico et al., 2010; Monllor, 2010; Alvarez & Barney, 2014) or does not clarify the empirical descriptions of opportunities at all (Robinson, 2006; Zahra et al., 2008). Such empirical approaches therefore only represent a fairly narrow aspect of SE opportunity practice which is a much broader and more complex social event.

This study addresses this problem by examining more aspects of SE opportunities. Drawing upon Dimov’s (2011) three premises of empirical investigation on entrepreneurial opportunities, this study has identified three units of observation: seed venture ideas, social entrepreneurial actions, and social and market exchange relationships. The findings from this study demonstrate that the use of these three units of observation helps to examine opportunities. Specifically, observing SE opportunities based on the three units of observation provides at least three benefits for research: (1) it allows researchers to examine SE opportunities in individual cases; (2) it allows researchers to focus on the data which are specifically relevant to the nature of SE opportunities rather than other SE practice and outcomes, which improves the validity of the research; and (3) it allows researchers to compare and contrast SE opportunities in different cases. Therefore, it contributes to the development of empirical research methods in studying SE opportunities.

Third, the critical realism approach allowed me to include both nexus theory and effectuation theory in describing experienced SE opportunities. As a result, the explanatory framework includes both discovery opportunities and creation opportunities in the data. SE researchers are often confronted with theoretical and empirical

challenges to explain both discovery and creation opportunities in one empirical study. In the general entrepreneurship literature, these challenges firstly come from the seemingly conflicting realist and social constructionist ontological positions on which discovery opportunities and creation opportunities are based (Dutta & Crossan, 2005; Vaghely & Julien, 2010). In the SE literature, the challenges also come from the distinctive features that SE opportunities are likely to have, which make it difficult to apply discovery and creation theories to SE opportunity research. For example, Zahra et al. (2008) claim that opportunity discovery and creation theories in general entrepreneurship are not very useful in SE studies as SE does not rely on traditional market mechanisms. Furthermore, the empirical examination of discovery and creation opportunities can be challenging because of the tautology problems, in other words, “it will always be possible to explain every creation process as if it was a discovery process” (Alvarez & Barney, 2010: 570). This problem, as obvious statement as it seems, is not particularly helpful in explaining the emergence of opportunities in detail. As a result, it is not surprising that most theoretical papers mentioning SE opportunities just assume the existence of discovery opportunities without detailed discussion (i.e. objective opportunities waiting to be identified and discovered) (e.g. Hockerts, 2006; Robinson, 2006; Zahra et al., 2008; Perrini et al., 2010). Although few empirical studies (Corner & Ho, 2010; Alvarez & Barney, 2014) have included both discovery and creation opportunities in their discussions, most empirical SE opportunity studies only implicitly discuss either discovery opportunities (e.g. Engelke et al., 2015) or creation opportunities (e.g. Domenico et al., 2010).

Despite these challenges, I argue that including and reconciling both discovery and creation opportunities in one analytical framework is a necessary way to reveal SE opportunities in the domain of real. In fact, critical realism insists that “it is possible, indeed necessary, to assess competing scientific theories and explanations in relation to the comparative explanatory power of the descriptions and accounts that they provide of the underlying structures and mechanisms that generate observable patterns of events and outcomes” (Reed, 2005: 1630). This study has made it possible to conduct such a comparative analysis by describing and explaining both types of opportunities based on Dimov’s (2011) three premises of empirical investigation on entrepreneurial opportunities, as discussed in Chapter 3 (Section 3.4) and Chapter 5 (Section 5.4.1). This study also extends discovery and creation opportunities in the context of SE.

Findings from this study further show that both discovery and creation theories can be useful in describing experienced SE opportunities, although the usefulness is limited in explaining only a portion of the experienced SE opportunities.

Fourth, the critical realism approach allowed for the inclusion of a definition of SE opportunity in the explanatory framework, which is an abstract concept located in the domain of actual. This contributes to a clearer understanding of opportunities in the context of SE. As discussed in Chapter 3, SE research surprisingly lacks effort to explicitly define SE opportunity despite its central position in the SE process (Dees, 2001; Mair & Mart í 2006; Peredo & McLean, 2006; Weerawardena & Mort, 2006). Most of the SE literature takes the SE opportunity as a given or uses it as a unit of analysis without specifying its meaning (e.g. Mair & Mart í 2006; Perrini et al., 2010; Desa & Basu, 2013; Zahra et al., 2014a; Hockerts, 2015; Muñoz & Kibler, 2015). This mirrors the same problem found in the field of general entrepreneurship. Davidsson's (2015) recent review of the research on entrepreneurial opportunities revealed that more than 80% of the reviewed papers failed to clarify the meaning of opportunity in their empirical studies.

This study addresses the lack of a practical definition of opportunity in SE research by identifying its three constituents through relatively rigorous critical realist abstraction guided by grounded theory principles. More specifically, my findings highlight three co-existing internal and necessary entities which define SE opportunities: objective unjust social equilibria (USE) from which social entrepreneurs perceive social needs and problems and form seed venture ideas, social entrepreneurs' subjective beliefs (SEB) which potentially lead to actions of implementing seed venture ideas, and objective social feasibility (SF) embedded in social entrepreneurs social and market interactions which affects the social entrepreneurs' future success or failure in implementing seed venture ideas. This definition of SE opportunity echoes recent theoretical advancement in entrepreneurship that opportunity should not be considered as a purely subjective or purely objective notion (Sarasvathy et al., 2010; Venkataraman et al., 2012; Davidsson, 2015). This study has provided empirical evidence to suggest that the notion of SE opportunity should include both subjective and objective constituents. I will come back to this point in Section 8.3 below.

Fifth, the critical realist approach allowed for the inclusion of a guanxi and social capital perspective in explaining SE opportunity emergence in China, as described in the explanatory framework. This contributes to a more comprehensive understanding of the fundamental role of guanxi and social capital in SE opportunity emergence, which are not systematically discussed in the SE literature. As discussed in Chapter 5, guanxi/social network and social capital theory has been applied to numerous research topics across various situation and contexts in the field of entrepreneurship (e.g. Xin & Pearce, 1996; Park & Luo, 2001; Anderson et al., 2007; Cope et al., 2007; Lee, 2009; Puffer et al., 2010; Gedajlovic et al., 2013). In a snapshot, guanxi can provide surviving conditions for entrepreneurs through resource allocation, knowledge sharing, technological transfer, market expansion, trust building and exchange favours (Park & Luo, 2001). Social capital can provide entrepreneurs access with various resources such as motivation, support, knowledge, information, expertise, and legitimacy (Jack, 2005; Casson & Giusta, 2007; Cope et al., 2007; Myers & Nelson, 2010; Gedajlovic et al., 2013). In opportunity studies, there is a growing consensus that social interactions and network structures could drive the emergence of opportunities (Gedajlovic et al., 2013). Nexus theory suggests that structural social capital (clusters, weak and strong ties) influences entrepreneurial alertness, as it can provide entrepreneurs access to information to discover opportunities while determining the quality and quantity of that information (Eckhardt & Shane, 2010). Effectuation theory suggests that a social network is one of the three types of means which effectual entrepreneurs rely on to form aspirations. Despite the benefits from social networks and social capital described above, a comprehensive understanding of the role of guanxi/social network and social capital in opportunity emergence has not yet been established.

I argue that current studies on social capital in entrepreneurship have been suffering from two problems which hinder a clearer and more comprehensive understanding. The first problem is the disparate use of the terms “guanxi/social network”, “social capital” and “resources” in the literature. The term “social capital” has been referred to as “social networks”, “network capital”, “guanxi capital”, “social trust”, “actual and potential resources” and others (Cope et al., 2007). But whether these terms refer to the content, input or output of social capital is ambiguous in the literature (Neergaard & Madsen, 2004). The second problem is that many empirical studies claim that they are discussing the effects of social capital on entrepreneurial activities, but their empirical

examination focusses only on certain forms of social capital and ignores other forms. For example, in their discussions on entrepreneurial social capital, Bowey and Easton (2007) focus only on two form of relational social capital: trust and reciprocity. Kreiser et al. (2013) use only network structural and strength of ties to study the relations between social capital and firm-founding activities.

In this study, I address these problems by (1) clearly distinguishing the relations between guanxi, social capital and resources from a critical realist perspective, and (2) examining social capital with all of its three dimensions. Specifically, social capital is seen an enabler (causal power) embedded in guanxi (social structure) to access resources (mechanisms). I also developed 15 conceptual codes to examine the effects of different forms of structural, relational and cognitive social capital on SE opportunity emergence (Section 5.6.2 in Chapter 5). These approaches allow me to apply guanxi and social capital to SE opportunity research in a relatively systematic way. As a result, the final explanatory framework offers a clearer and more comprehensive critical realist causal explanation of SE opportunity emergence in the domain of real.

Finally, through the inclusion of the five aspects discussed above, the explanatory framework can provide a universal causal explanation to all the discovery, creation and organic cases in the study. Therefore this study may serve as a new perspective to reconcile seemingly conflicting discovery and creation theories in the entrepreneurship literature (Sarasvathy, 2003; Alvarez & Barney, 2007; Corner & Ho, 2010), and to explain the co-existence of discovery and creation opportunities. In the following section, I further discuss how the explanatory framework can be used to make theoretical contributions to address the discovery/creation debate in the general entrepreneurship literature, and how it extends existing opportunity research in the SE literature. My discussion centres mainly on the two research questions in this study: (1) What are SE opportunities in the Chinese context (are they objective or subjective social events)? (2) How do these SE opportunities emerge (are they discovered or created)?

8.3 What are social entrepreneurship opportunities?

In the entrepreneurship literature, the discovery/creation debate surrounding the *meaning* of opportunity focuses on a fundamental question: are entrepreneurial

opportunities *objective* realities or enactments of entrepreneurs' *subjective* visions (Dutta & Crossan, 2005; Alvarez & Barney, 2007; Alvarez et al., 2010; Short et al., 2010; Suddaby et al., 2015)? As outlined in chapter 3, the discovery (or nexus) theory defines entrepreneurial opportunities as exogenous situations where innovatively alert individuals can potentially introduce new goods, services, raw materials, markets and organising methods for gaining profit (Shane & Venkataraman, 2000). The central argument here is that entrepreneurial opportunities are *objective* situations formed by fundamental social and economic disequilibria (Shane, 2000; Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010; Shane, 2012; Eckhardt & Shane, 2013). Opportunities are thus seen to exist objectively, independent of and prior to, the individual perception process (Alvarez et al., 2010). This view is implicitly held in most of the SE literature where SE opportunity is considered as an objective social event waiting to be discovered, recognised or exploited (e.g. Mair & Martí 2006; Perrini et al., 2010; Desa & Basu, 2013; Zahra et al., 2014a; Hockerts, 2015; Muñoz & Kibler, 2015). By contrast, the creation (or effectuation) theory suggests that opportunities are created as through dynamic interaction and negotiation between stakeholders seeking to operationalize their often vague aspirations and values (Sarasvathy et al., 2010). Accordingly, in the SE literature, opportunity has been defined as a cognitive process by which social entrepreneurs intentionally identify solutions to specific social needs or problems, due to various motivations (Perrini & Vurro, 2006). According to this view, opportunities are an outcome of entrepreneurship, a result of *subjective* human experiences and actions, not the source of entrepreneurship (Sarasvathy, 2008).

Davidsson (2015: 680) suggests that the reason for such discovery/creation debate in the entrepreneurship literature is “because essential constructs (of opportunities) are either missing, unclear, or problematically overlapping. This leads to further problems of specifying relationships and putting them to an empirical test.” This study thus contributes to the clarification of SE opportunities by identifying the most essential constituents or entities of SE opportunities. Through cross-case abstraction informed by critical realism, this study has identified three internal and necessary entities that allow SE opportunities to exist, namely: unjust social equilibrium (USE), social entrepreneurs' belief (SEB) and social feasibility (SF). These three entities are also the most essential constituents defining SE opportunities in this study. Specifically, USE refers to

objective contextual circumstances that enable individuals, including social entrepreneurs, to form seed venture ideas (contextual enablement) but also constrains others to do so (contextual constraints). USE exists independently of individuals. It creates social problems which can be perceived by social entrepreneur to form seed venture ideas. SEB refers to individuals' subjective beliefs about whether their (potential) solutions to USEs could achieve possible ends of social and economic value creation. SEBs consist of (1) intentions or general inspirations towards SE based on personal interests, moral judgements or rational decision making; (2) the development of means-ends frameworks to provide possible means or solutions to achieve social and economic ends; and (3) beliefs that the solutions can be successfully implemented now or in the future to the best of their knowledge and experiences. SF refers to the availability of these tangible or intangible social assets and social resources which affect the likelihood of SE opportunities to be developed. SF can be viewed as being "objective" as it is not directly controlled by social entrepreneurs. SF serves as a potential that, when realised, can be used by social entrepreneurs to develop opportunities. These findings help to address the above debate by: (1) including both objective and subjective constituents in the definition of SE opportunity; (2) extending opportunity research in the SE literature.

8.3.1 The objective and/or subjective nature of social entrepreneurship opportunities

The identification of USE, SEB and SF addresses the discovery/creation debate by suggesting that the notion of SE opportunity comprises a mixture of both objective and subjective constituents. This study suggests that SE opportunities cannot be simply seen as pure objective situations as nexus theory claims, nor or as a result of a purely cognitive process as effectuation theory argues. This echoes recent theoretical advancement in entrepreneurship that opportunity should not be considered as a purely subjective or purely objective notion (Sarasvathy et al., 2010; Venkataraman et al., 2012; Davidsson, 2015). However, it does not completely deny the usefulness of nexus theory and effectuation theory in explaining the meaning of SE opportunities.

First, similar to nexus theory, my findings on USE acknowledge that objective contextual situations are an important part of SE opportunities. In nexus theory,

opportunities occur as a result of five types of changes: the discovery or creation of new products or services, new geographical markets, new methods of production, new raw materials, and new ways of organising (Schumpeter, 1934; Eckhardt & Shane, 2010). These changes exist either on the supply side, such as new production processes, or on the demand side, such as changes of customer preferences which affect ways of organising resources. Similarly, my findings confirm that contextual situation can create favourable conditions for the emergence of SE opportunities on both of the demand and supply side. On the demand side, contextual situations can constrain the government, private firms and NPOs from providing social goods or services, which in turn creates demand for SE. These contextual situations include the systematic retreat of the government as a social welfare provider, changes of laws and regulations, and social norms about non-profit activities. On the supply side, the growing government spending on purchasing public goods, changes in legal registration for not-for-profit organisations, a growing CSR practice and a favourable public awareness of SE tend to create more resources and a favourable environment for the development of social enterprises. These contextual situations are essential for social entrepreneurs. Without them, social entrepreneurs could not form their social missions, consequently SE opportunities would not exist. However, different from nexus theory, these objective situations should not be considered as the only defining element of opportunities in this study.

Second, my findings regarding SEB are in line with effectuation theory, by suggesting that individuals' subjective beliefs are one of the constituents of entrepreneurial opportunities (Sarasvathy et al., 2010). According to Sarasvathy et al. (2010), to create an opportunity, entrepreneurs have to form "beliefs about things favourable to the achievement of possible valuable ends" (ibid: 79). Davidsson (2015: 685) also suggests that "actors take action or not depending on whether they are confident that what they 'see' is an opportunity". Even nexus theory implicitly expresses the importance of beliefs in pursuing seed venture ideas. For example, Eckhardt and Shane (2010) argue that under the circumstance of information asymmetry, individuals have to form beliefs about how to mobilise resources better than their current equilibrium status. Means-ends framework is an important part of entrepreneurial opportunity definition in the discovery theories (Shane & Venkataraman, 2000; Eckhardt & Shane, 2003; Eckhardt & Shane, 2010). It is also seen as a key component of entrepreneurship on which nexus theory and effectuation theory share common ground (Sarasvathy, 2008; Busenitz et al.,

2014). This study synthesises these arguments by specifying the role of beliefs in the notion of SE opportunities from three aspects: intentions, means-ends framework, and beliefs based on personal experiences and knowledge. My findings suggest that subjective SEB have at least two features. First, SEB is fallible because of its subjective nature. This is consistent with nexus theory (Kirzner, 1997, 1999; Eckhardt & Shane, 2010). Social entrepreneurs can make mistakes such as identifying wrong social needs or providing ineffective solutions, especially when there is a lack of specific knowledge about SE. As a result, any opportunity must include the possibility of failure. Second, SEB can be formed before, during or after the actions of implementing seed venture ideas. As intentions, SEB can be formed based on the evaluation of external situations (i.e. USEs) before actions. In other words, “actors take action or not depending on whether they are confident that what they “see” is an opportunity” (Davidsson, 2015: 685). As means-ends frameworks, SEB can result from the actions of developing either general or specific methods to achieve social goals, and also provide a useful footprint to guide future entrepreneurial actions. In addition, social entrepreneurs’ actions are also influenced by their experiences and knowledge. Therefore, opportunities cannot be simply seen as existing prior to entrepreneurial actions as nexus theory claims, nor as a result of subjective actions as effectuation theory suggests. Furthermore, subjective SEBs can be used to distinguish SE opportunities from other types of opportunities, and in turn to distinguish between opportunities from other situations. Because different individuals may form different seed venture ideas about a USE, SEBs largely determine whether and how the individuals intend to implement the seed venture ideas. Finally, a seed venture idea can lead to the creation of a social enterprise, a traditional NPO or a commercial company. The identification of SEB therefore addresses one of the limitations of nexus theory where opportunities and non-opportunities are not reliably distinguished (Dimov, 2011).

Finally, this study extends the current discovery/creation debate by adding objective SF as a separate constituent of opportunity. Nexus theory includes market feasibility or profitability as an important element of opportunities – i.e. that goods or services can be sold at prices which are greater than their cost of production (Shane & Venkataraman, 2000; Sarasvathy et al., 2010). It also implicitly refers to technological feasibility as an opportunity (Eckhardt & Shane, 2013). This study extends this view in SE by explicitly defining social feasibility as a key constituent of SE opportunities. Similar to market

and technological feasibility, SF is independent of individuals as the availability of social assets and social resources is out of social entrepreneurs' direct control. In addition, SF distinguishes SEBs from pure imaginations of the outer world (Lachmann, 1986). Without it, regardless of the strengths of a social entrepreneur's beliefs, his or her actions of pursuing an opportunity would not be successful.

8.3.2 Extend opportunity research in the social entrepreneurship literature

The identification of USE, SEB and SF extends existing research on the meaning of opportunities in the context of SE by suggesting a number of distinctive features that SE opportunities have. In the SE literature, scholars maintain that SE opportunities are likely to have their own distinctive features, which separate SE opportunities from traditional entrepreneurship opportunities (Austin et al., 2006; Dorado, 2006; Zahra et al., 2008; Corner & Ho, 2010). As discussed in Chapter 3, these distinctive features include the focus on fulfilling social needs, solving social problems and leveraging social changes (Perrini & Vurro, 2006; Murphy & Coombes, 2008; Corner & Ho, 2010; Zahra et al., 2014a), the existence of a social sector market (Robinson, 2006), and the organisational forms used to address SE opportunities (Corner & Ho, 2010). This study further develops these ideas and suggests that SE opportunities have at least three distinctive features: (1) the component of USE; (2) the inclusion of social assets in SF; (3) the existence of a social sector market. These features allow researchers to clearly distinguish SE opportunities from general entrepreneurial opportunities and others.

My findings regarding USE extend Martin and Osberg's (2007) argument about "unjust equilibrium" by including the notions of "contextual constraint" and "contextual enablement". Many SE scholars claim that SE opportunity is different from its commercial counterparts because of the social change orientation embedded in SE (Austin et al., 2006; Perrini & Vurro, 2006; Murphy & Coombes, 2008; Corner & Ho, 2010; Zahra et al., 2014a). However, this approach tends to be problematic as it failed to distinguish SE opportunity from SE. Martin and Osberg (2007: 35) goes a step further by introducing the term "unjust equilibrium" which serves as the reason for social problems that SE addresses. According to them, unjust equilibrium is "the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own" (Martin & Osberg,

2007: 35). In this study, I use the term “contextual constraints” to refer to contextual situations which are responsible for the lack of the “financial means or political clout”. Social entrepreneurs can benefit from these contextual constraints which limit competition from other players in the private or public sectors. In other words, “when others see problems, social entrepreneurs see opportunity” (Dees, 2001: 4). Moreover, I extend the notion of unjust equilibrium by adding “contextual enablement”, which creates favourable circumstances for the creation of social enterprises. As mentioned earlier, these contextual circumstances include the growing government spending on purchasing public goods, changes in legal registration for not-for-profit organisations, a growing CSR practice and a favourable public awareness of SE. With contextual constraints and enablement combined, USE creates social needs for SE, which in turn spell opportunities for social entrepreneurs. Finally, the social needs that USEs create are a distinctive feature of SE opportunities. They are different from the market demand that traditional entrepreneurship addresses because certain social needs (e.g. disability) are relatively transparent and easy for people to perceive. In other words, SE opportunities “address inefficiencies that many individuals already recognize, whereas traditional entrepreneurial discoveries entail inefficiencies initially recognized by fewer individuals.”

This study extends the SE literature on opportunities by adding SF as a SE-specific constituent. Unlike evaluating the “market feasibility” or “technological feasibility” discussed in the general entrepreneurship literature, measuring feasibility in the context of SE is more complicated. The current SE literature suggests that SE does not follow traditional market disciplines and can therefore hardly be measured solely by economic means (Zahra et al., 2008). Furthermore, SE sometimes works in exactly those areas where commercial entrepreneurs judge an opportunity not to be economically worthwhile (Austin et al., 2006; Monllor, 2010). However, the current literature does not specify how feasibilities in the context of SE can be interpreted. The identification of SF in this study helps to address the issue by suggesting two aspects of SF: the availability of social assets and social resources. The availability of social resources is not special, as traditional entrepreneurs can also mobilise resources from other resource holders. But the availability of social assets is specific to SE opportunities. Social assets are normally intangible valuable resources embedded in a community (Guclu et al., 2002) which may not be directly relevant to the focal social enterprise, but form

surviving conditions for a feasible opportunity to come into existence. Examples of social assets in this study include the richness and uniqueness of Miao's culture and handicrafts found in Case 1, and autistic children's capabilities of drawing found in Case 6. Although beneficiaries are often considered as powerless in the SE literature (Hockerts, 2006), these findings suggest that they can be an important source of SE opportunities.

This study also expands Robinson's (2006) notion of "social sector market" by specifying six social sector market actors. Robinson (2006) suggests that SE opportunities differ from traditional entrepreneurial opportunities because they are embedded in a social sector market. Social sector market is defined as "geographical areas (neighbourhoods, communities, regions, or states) where a particular social problem or issue is prominent" (ibid.: 99). According to him, a social sector market can create entry barriers to those who lack access to local networks or knowledge. This study confirms the existence of a social sector market but uses it in a different way.

First, my findings demonstrate that social entrepreneurs do not only create exchange relationships with traditional market actors such as customers with demand, but also with other social actors in order to continuously make a social impact on greater society. Apart from social entrepreneurs, this study has identified five more major social sector market actors, including their beneficiaries, the government, foundations, commercial companies and volunteers. However, as social impact and these actors are hardly limited in certain geographical areas, I use the term "social sector market" to refer to the aggregation of these social and market actors, together with the exchange relationships between them.

Second, because of the existence of different actors, social sector market is not specific to social entrepreneurs. Consequently, social sector market does not create entry barriers. But quite conversely, social sector market can provides social entrepreneur essential resources through market exchanges. Examples of these resources are contracts from the government, funding opportunities from foundations and companies, and professional knowledge and manpower from volunteers. In addition, this study found that entry barriers were normally created because of contextual constraints (USE), and because of the lack of access to social assets and social resources (SF).

Third, social sector market is different from traditional market because the market actors are not the same. Generally speaking, unlike traditional market where sellers exchange goods or services with target buyers at agreed prices, exchange relationships in the social sector market were likely to be more complicated. For example, beneficiaries were the starting point of the establishment of any social sector market exchange relationships as their needs were what social entrepreneurs aimed to fulfil. However, unlike the traditional customers, beneficiaries are often unable to pay for the social products or services even they are willing to do so (Mair & Mart í 2006). My findings also suggest that government procurement and funding opportunities are normally open to organisations in the non-profit sectors, while commercial companies have limited access.

8.4 How do social entrepreneurship opportunities emerge?

In addition to the debate on the objective/subjective nature of opportunities, another aspect of the discovery/creation debate focuses on *how* entrepreneurial opportunities emerge. Here the debate focuses on two contrasting *teleological* and *non-teleological* explanations of opportunity emergence given by nexus theory and effectuation theory, respectively. Nexus theory does not explain explicitly how opportunities are formed by exogenous situations. Instead, discovery opportunities are seen as a tangible reality which is “out there” waiting to be found or discovered (Short et al., 2010). Starting with opportunities as given, nexus theory focuses mainly on a *teleological* explanation of human actions towards entrepreneurial behaviour (Sarasvathy et al., 2010). Maine et al. (2015: 55) describe the teleological explanation as a goal-driven model which “begin(s) with a given goal, focus on expected returns, emphasise competitive analyses, exploit pre-existing knowledge and try to predict an uncertain future.” By contrast, effectuation theory offers a *non-teleological* explanation. The basic assumption of effectuation theory is that entrepreneurs’ actions are not guided by pre-set goals. Effectuation theory argues that the future for entrepreneurs is essentially uncertain and unpredictable, entrepreneurs may begin with vague aspirations, experimenting with ideas and alternatives, use resources within their control, take advantages of environmental contingencies and remain flexible to deal with the unpredictable future (Sarasvathy, 2001; Perry et al., 2012; Sarasvathy et al., 2014). Entrepreneurs also engage in actions

and interactions with unspecified people to find out what ends can possibly be achieved, without extensive planning beforehand (Sarasvathy et al., 2001; Sarasvathy et al., 2014). As a result, opportunities are “co-created between the entrepreneur, customers, suppliers, and other stakeholders in the context” (Alvarez & Barney, 2014: 164). This study address the discovery/creation debate on SE opportunity emergence through (1) empirical examination and detailed description of discovery and creation opportunities in the SE cases; and (2) providing an alternative critical realist causal explanation which explains both discovery and creation cases based on comparative analysis.

8.4.1 The discovery and/or creation of social entrepreneurship opportunities

The overall results reflected in the qualitative evidence in Chapter 6 have shown that experienced SE opportunities can be explained as discovered (discovery cases), created (creation cases), or as both discovered and created (organic cases).

My findings in the discovery cases have provided empirical evidence to support that SE opportunities can be discovered. I found that the formation of seed venture ideas derived from social entrepreneurs’ active searching and scanning activities for information which could take place at personal, organisational, industrial, national or international levels. Information was collected and evaluated on a rational basis. As a result, social entrepreneurs developed clear understandings of social problems or social needs, and they purposively looked for potential solutions to these pre-identified social problems. Furthermore, social entrepreneurs’ own circumstances, knowledge background and experiences allowed them to form “knowledge corridor”, and develop ideas of setting up social enterprises before others were able to do it. Second, social entrepreneurs advanced their seed venture ideas towards actions through a series of normative decisions and goal-oriented actions. These decisions and actions included market research and investigations, evaluation of possible alternatives, risk assessment, goal selection in terms of operating models, potential stakeholders, legal forms and positioning, and resource acquisition. Third, Social entrepreneurs purposively established exchange relationships with carefully selected social sector market actors in order to reduce risks.

Not surprisingly, these findings suggest that SE opportunity emergence can be a teleological process as it is characterised by goal-setting activities and rational decision making (Sarasvathy et al., 2010). Particularly, these findings provided empirical evidence to understand the notion “alertness” (Kirzner, 1973, 1999) in the context of SE. Alertness has been central in the discovery theories’ discussions on entrepreneurial opportunities, but less is known in the study of social entrepreneurship opportunities. In my investigation of the discovery cases, social entrepreneurs’ alertness consists of three main elements: searching and scanning closer environment for information, information and risk evaluation, and goal setting and selection. These findings extend the notion of alertness in SE opportunity emergence by adding “information and risk” evaluation, and “goal setting and selection”. These findings echoes Tang et al.’s (2012) statement that entrepreneurial alertness has three complementary dimensions: scanning and search, association and connection, and evaluation and judgment.

In contrast to opportunity discovery discussed above, findings from the creation cases have shown a distinctive pathway of SE opportunity emergence. My findings suggested three patterns of creation opportunities. The first pattern was labelled as “serendipity” which is defined as “search leading to unintended discovery... a combination of search (directed effort), contingency (favourable accidents), and prior knowledge (sagacity)” (Dew, 2009: 735). Rather than purposively solving social problems identified via scanning and searching information from their close circumstances and backgrounds, social entrepreneurs in the creation cases formed their seed venture ideas through collective actions, chances or unexpected circumstances, and a non-linear and recursive path. I found the second pattern, the “trial and error” process, meaning that social entrepreneurs experiment with their ideas through different projects while making mistakes and taking necessary risks. The trial and error process involved decision making based on affordable losses which improved efficiency in dealing with uncertain and unpredictable environment, recursive attempts of experimenting ideas based on resources at disposal rather than clear goals, and the manifestation of social products which were adaptive to environmental contingencies and uncertainties. Unlike social entrepreneurs in the discovery cases who would make normative decisions based on an evaluation of the potential risks between these two alternatives, the decision making in this case did not involve effort in predicting the future and planning. In the third pattern, social sector market collaboration, social entrepreneurs actively engaged in establishing

partnerships, collectively developing and promoting social products or services based on mutual-selection. This is in contrast to the discovery cases where social entrepreneurs establish social sector market exchange relationships with targeted and selected stakeholders. In the creation cases, every actor in these exchange relationships was part of greater social sector market collaboration.

These findings demonstrate that effectuation theory could be empirically evidenced in the domain of SE. In contrast to the discovery explanation, the findings show that SE may not begin with clear social missions (Brinckerhoff, 2000). SE opportunity emergence in this study can be explained as a collective, incremental and recursive process of opportunity creation where entrepreneurial aspirations, decisions, goals and actions pursuing the goals evolve simultaneously through interacting with stakeholders (Sarasvathy, 2008). Moreover, findings in the creation cases extend our understanding of opportunity creation in the SE literature by adding the third “social sector market collaboration” pattern. In effectuation theory, market exchange relationships are discussed under the crazy quilt principle. This principle suggests that entrepreneurs build market exchange relationships or partnerships throughout the entire entrepreneurial process, the creation of opportunities is accompanied by the creation of market, which consists of self-selected stakeholders (Sarasvathy, 2008). The notion of market in effectuation theory is defined as “a community of people willing and able to commit enough resources and talents to sustain the particular enterprise” (Sarasvathy, 2001: 252). This definition expands traditional understanding of market which generally involves competition and exchange between all the possible buyers and sellers (Swedberg, 1994), and to include more self-selected stakeholders who are not necessarily buyers. However, in this definition, an effectual market is still specific to the focal entrepreneur and to the opportunity he or she creates. My findings regarding the “social sector market collaboration” pattern further develops the definition, and suggest that social entrepreneurs are not only involved in building self-selected partnerships, but also in collaborative social product development and collective marketing. In other words, not only the market is co-created (Alvarez & Barney, 2014), but product development and marketing are also collectively conducted. As a result, the social sector market can be the aggregation of all possible actors, and the traditional boundaries between sellers and buyers in the social sector market in these cases became blurred.

Findings in the discovery and creation cases have revealed two distinctive paths that social entrepreneurs might follow in developing opportunities. These findings are consistent with the assumption that opportunity discovery and creation are ontologically and empirically opposite (Dutta & Crossan, 2005; Alvarez & Barney, 2007; Perry et al., 2012). However, findings in the organic cases challenge this assumption by arguing that SE opportunities can be both discovered and created, or neither purely discovered nor purely created in individual cases.

Findings in the organic cases revealed a rather “organic” pattern of SE opportunity emergence which contained elements from both opportunity discovery and creation. It was named “organic” as it followed a path similar to growing a plant: the selection of a seed, plan to seed, growing the seed and adjust to where the sun is, while being ready to take parts that we did not participate. Within the organic pattern, social entrepreneurs grew seed venture ideas through searching and rational scanning their circumstances for information. The pattern also involved refinement and adjustment, advancing seed venture ideas through rational planning and decision making, while also being open and adaptive to unexpected contingencies and risks. An important factor that triggered the adjustment was unexpected new means which were brought in through exploiting contingencies. This finding slightly differed from the literature of effectuation where entrepreneurs create opportunities with existing means at disposal (Sarasvathy, 2008). As such, opportunities in the organic cases emerged in a way which was more complex than has been reflected in the literature. First, opportunity discovery and creation are both part of the organic opportunity emergence. Second, opportunity emergence is a dynamic path which involves continuous adjustments of human agency (Garud & Giuliani, 2013).

8.4.2 Explaining the co-existence of discovery and creation opportunities

Findings from the discovery, creation and organic cases indicate that either discovery theory or creation theory is useful in describing only a portion of the SE cases. These findings also indicate the need for a reconciling approach to studying SE opportunities which can explain the co-existence of both discovery and creation opportunities in and across different cases. To make this contribution, this study provides an alternative

causal explanation based on critical realism in Chapter 7. Through cross-case analysis on the effects of the three dimensions of social capital, this study concludes that the emergence of SE opportunities can be seen as the result of a resource acquisition and mobilisation mechanism where USE, SEB and SF are identified and formed through social entrepreneurs' social capital embedded in *guanxi*. Social capital as the inherent causal power in *guanxi* takes effect through three sub-mechanisms under the overarching resource acquisition and mobilisation mechanism, namely the sparking mechanism, the manifesting mechanism and the scaling mechanism. In addition, SE opportunity emergence is influenced by two mediating conditions, cross-sector experiences and environmental uncertainty, which can be used to explain the different effects that the mechanisms generate between the discovery and creation cases. It is also influenced by a moderating condition, the development and diffusion of internet and social media, which reinforced the effects of the scaling mechanism. These findings demonstrate that the discovery, creation and organic cases can be explained through the same explanatory framework. Therefore, these findings might offer some preliminary empirical insights on how to address the discovery/creation debate by providing critical realist explanations for the co-existence of: (1) social structure which creates discovery opportunities; (2) collective human agency which yields creation opportunities; and (3) contingent adjustment of human agency which creates organic opportunities.

First, the explanatory framework can be used to explain the existence and effects of social structure in SE opportunity emergence. As discussed in Chapter 4, structure can exist at different levels (Danermark et al., 2002). It can be the social structure where human agency is embedded, or contextual conditions which provide constraints or possibilities for human agency, or the outcomes of human agency at a higher level. In nexus theory, entrepreneurial opportunities are generally seen as the results of structural changes at a macro level (Schumpeter, 1934; Eckhardt & Shane, 2010). In this view, structures are contextual conditions which provide possibilities (i.e. opportunities) for human agency. Similar to this view, my findings regarding USE confirm that contextual situations can influence human agency in a way that enables individuals to form seed venture ideas (contextual enablement) but also constrains others to do so (contextual constraints). However, although USE is an essential part of the notion of SE opportunity, my findings suggest that its existence does not explain why SE opportunities emerge. Instead, this study has shown that *guanxi*/social network serves as the most durable

social structure which determines the emergence of SE opportunities. Although both nexus theory and effectuation theory acknowledge the role of social networks in accessing information (Eckhardt & Shane, 2010) and resources (Sarasvathy & Dew, 2008), the role of guanxi as the social structure in this study is more fundamental. As the social structure, guanxi determines the existence of causal power (social capital), which consequently determines the existence of generative mechanisms which generate SE opportunities.

Second, the fundamental role of guanxi as the social structure does not deny the existence of human agency in SE opportunity emergence in this study. Danermark et al. (2002: 43) suggest that social agents are “conscious, intentional, reflective and self-changing; we learn by being manipulated, and consciously or subconsciously we change our actions as a reaction to the experimental setting”. Starting from this understanding, opportunity creation in the creation cases is essentially an aggregation of human agency which involves collective actions, risk taking, idea experimentation, adaptation and social collaboration. The explanatory framework further explains the existence of human agency in all the cases through generative mechanisms. In this study, the generative mechanism of SE opportunity emergence involves resource acquisition and mobilisation, USE perception and identification, idea generation and planning, etc., which firmly require human agency. But adding to this, the explanatory framework has provided a guanxi/social capital perspective which extends our understanding of human agency in SE opportunity emergence towards the notion of “collective human agency”. Because a social entrepreneur is just part of his/her guanxi networks (social structure), also because the activation of social capital (causal power) firmly requires the interactions between the focal social entrepreneur and other social agents within the social structure, the generative mechanisms can hardly be seen as the results of any single social agent’s actions. Instead, from a critical realist perspective, the generative mechanisms should be seen as collective human agency, which emerges from the interactions of lower level human agency from the focal social entrepreneur and his/her network connections. This is consistent with the current shift in the conceptualisation of entrepreneurial agency “from one that considers it to be located in specific individuals to one that considers it to be an outcome of an ecology of interactions between humans” (Garud & Giuliani, 2013: 157).

Finally, the framework to some extent explains the contingent adjustment of human agency by arguing that generative mechanisms as collective human agency are conditioned by external circumstances. In this study, the identification of two mediating conditions, cross-sector experience and environmental uncertainty, suggests that generative mechanisms (collective human agency) can lead to discovery or creation opportunities, depending on the social entrepreneurs' circumstances. In other words, social entrepreneurs may adjust their decisions, choices or actions based on their circumstances, which may consequently alter the pathways of SE opportunity emergence. However, it is likely that these decisions, choices or actions between different pathways of opportunity emergence are affected by far more conditions other than the cross-sector experience and environmental uncertainty. Future research may help to address this issue.

8.5 Summary of the research contributions

This section summarises the theoretical and methodological contributions as discussed above.

8.5.1 Theoretical contribution

This study contributes to a relatively comprehensive understanding of opportunities in a largely overlooked context, SE in China. First, informed by critical realism, this study has examined SE opportunity in all of its three domains of reality, including the domain of real which is somewhat ignored in opportunity research. As a result, this study has encompassed more aspects of opportunities than existing literature in social entrepreneurship and general entrepreneurship. Second, this study has extended opportunity research in the SE literature by specifying the significance and distinctive features of opportunities in the context of SE. It has addressed the lack of a definition of "opportunity" in SE research (e.g. Dees, 2001; Mair & Mart í 2006; Peredo & McLean, 2006; Weerawardena & Mort, 2006; Perrini et al., 2010; Engelke et al., 2015) by identifying its three constituents (USE, SEB, SF) through relatively rigorous critical realist abstraction. This definition of SE opportunity echoes recent theoretical claims in entrepreneurship that opportunity should not be considered as a purely subjective or purely objective notion (Sarasvathy et al., 2010; Venkataraman et al., 2012; Davidsson,

2015). This study has provided empirical evidence to suggest that the notion of SE opportunity includes both subjective and objective constituents. Moreover, the definition of SE opportunity contributes to the SE literature by suggesting three distinctive features that SE opportunities have: (1) unjust social equilibrium which contains both contextual constraint and contextual enablement, (2) the inclusion of social assets in SF; and (3) the existence of a social sector market. These distinctive features allow researchers to clearly distinguish SE opportunities from traditional entrepreneurial opportunities.

This study also contributes to the SE and general entrepreneurship literature by providing an alternative explanation of SE opportunity *emergence* to address the discovery/creation debate (Dutta & Crossan, 2005; Alvarez & Barney, 2007; McMullen et al., 2007; Vaghely & Julien, 2010; Venkataraman et al., 2012; Garud & Giuliani, 2013; Alvarez & Barney, 2014). First, this study addresses the discovery/creation debate through empirical examination and detailed description of discovery and creation opportunities in the SE cases. As a result, my findings have demonstrated that the discovery and creation theories are useful in explaining SE opportunity emergence, and SE opportunities can be discovered or created. In addition to that, this study has extended our understanding of the discovery and creation theories through the identification of an “organic” pattern of SE opportunity emergence which suggests how opportunities can be both discovered and created in individual cases. Second, this study addresses the discovery/creation debate by providing a universal critical realist causal explanation to all the discovery, creation and organic cases. In this study, SE opportunities are seen as the result of a resource acquisition and mobilisation mechanism where USE, SEB and SF are identified or formed through social entrepreneurs’ social capital embedded in *guanxi*. This helps to address the discovery/creation debate by providing critical realist explanations for the co-existence of: (1) social structure which creates discovery opportunities; (2) collective human agency which yields creation opportunities; and (3) contingent adjustment of human agency which creates organic opportunities.

This study also contributes to the SE and general entrepreneurship literature by extending our theoretical understandings of some key concepts in the context of SE. First, this study has provided empirical evidence for the notion of “alertness” (Kirzner,

1973, 1999) in the context of SE. Alertness has been central in the discovery theories' discussions on entrepreneurial opportunities, but less is known in the study of SE opportunities. My findings suggest that social entrepreneurial alertness consists of three main elements: searching and scanning the closer environment for information, information and risk evaluation, and goal setting and selection. Second, this study has provided empirical evidence which has enriched our understanding of effectuation in the context of SE. In particular, my findings regarding "social sector market collaboration" have extended our understanding of the effectual market by emphasising the co-creation of the market, product development and marketing. Third, this study contributes the use of social capital theory in entrepreneurship research. Despite a growing interests in social capital theory in entrepreneurship research, there is still a lack of comprehensive and complete understanding of how social capital actually works in entrepreneurship (Cope et al., 2007; Myers & Nelson, 2010; Gedajlovic et al., 2013; McKeever et al., 2014; Zahra et al., 2014b). This study contributes to a more complete understanding of the role of social capital in opportunity emergence through the empirical examination and systematic analysis of social capital in its three dimensions. It also addresses the ambiguity in using social capital theory in entrepreneurship studies by clearly distinguishing, from a critical realist perspective, the relations between social networks (guanxi), social capital, and resources. Specifically, social capital is seen an enabler (causal power) embedded in social networks (social structure) to access resources (mechanisms).

8.5.2 Methodological contribution

This study makes a contribution to the development of relatively rigorous research design and research methods in studying complex social events in SE and general entrepreneurship. Given the limited application of critical realism in empirical research in the field of entrepreneurship, this study has provided an example of applying critical realism using qualitative methods. Specifically, this study has developed a comprehensive retroductive case study research design which involves three steps of research: explication of events, retroduction, and empirical corroboration. The research design has also integrated different sampling, data collection and analysis methods, including purposeful random sampling, maximum variation and snowball sampling strategies, semi-structured interviews, critical realist abstraction based on grounded

theory principles, and comparative analysis using template analysis techniques. The results of this study have demonstrated that critical realism can provide a useful methodology to explain complex social events such as opportunities.

Finally, this study addresses some of the empirical challenges that entrepreneurship scholars are facing in studying opportunities. As discussed earlier in this chapter, current empirical approaches to examining opportunities represent a fairly narrow aspect of opportunity as a much broader and more complex social event. Entrepreneurship researchers are also confronted with some empirical challenges such as how to reliably examine discovery opportunities and distinguish them from non-opportunities or the validity question of whether what is empirically examined reflect the actual social event of opportunity (Dimov, 2011). Another empirical challenge is how to avoid the tautology problem to distinguish discovery opportunities from creation opportunities (Alvarez & Barney, 2010). This study has helped to tackle these challenges through empirically examining opportunities on three units of observation drawn from Dimov (2011): seed venture ideas, entrepreneurial actions, and market exchange relationships. Findings from this study demonstrate that observing SE opportunities based on the three units of observation can provide at least three benefits: (1) it allows researchers to examine SE opportunities in individual cases; (2) it allows researchers to focus on the data which are specifically relevant to the nature of SE opportunities; and (3) it allows researchers to compare and contrast SE opportunities in different cases.

8.6 Research limitations

Critical realist causal explanations have the limitation that they do not seek for generalisation, because social events occur in an open system and human knowledge is essentially fallible (Sayer, 1992; Kempster & Parry, 2011; Wynn & Williams, 2012). Therefore, I do not claim that the explanatory framework (Figure 8.1) proposed in this study should be considered as the only explanation of SE opportunity emergence, nor that it has fully explained the SE opportunity as a complex social event in its every aspect. It only serves as a possible explanation in the context of SE in China which may require further refinement or falsification, and there will always be alternative explanations which should be explored in future research. For example, when studying

generative mechanisms through the effects of social capital on SE opportunity emergence, this study has not addressed the negative effects and costs of social capital which may have generated different mechanisms (Zahra et al., 2014b). Examples of such negative effects are the establishment and maintenance costs for information, broking activities, trade-offs and exclusion described by Adler and Kwon (2002). Future research on the negative effects may be worthwhile.

In addition, this study has offered a critical realist explanation from a guanxi/social capital perspective in the context of SE in China. This explanation is related to social entrepreneurs' external capabilities. But it has not paid much attention to social entrepreneurs' intellectual capital and internal capabilities which may provide alternative explanations of SE opportunity emergence at an individual level (Puhakka, 2011). The geographic context in this study is also limited to China, leaving other countries open for further investigation. However, this does not imply that the explanatory framework proposed in this study should be discredited. In an open system, we simply cannot expect that the explanation given in one context will occur in exactly the same way in another context (Zachariadis et al., 2013). But this study has provided a starting point to studying opportunities from other perspectives (e.g. intellectual capital) or in other geographic context (e.g. UK) in order to find out alternative explanations. To do so, researchers should identify new or different structures, their causal powers, generative mechanisms and conditions which contribute to the emergence of opportunities.

This study also has several methodological limitations. One of the limitations is that this study adopts a qualitative case study approach, which limits the use of quantitative data. While critical realism firmly rejects quantitative methodology and its underlying empirical realist ontology, it does not completely deny the use of certain quantitative methods and quantitative data. In fact, it has been widely argued that critical realist retrodution supports a variety of research methods (Wynn & Williams, 2012; Zachariadis et al., 2013). Blundel (2007) suggests that researchers should draw on multiple sources of data in order to reflect the inherent complexity of a social event, including qualitative data from ethnography, observation, interviews, archive, and quantitative data such as industry statistics. Zachariadis et al. (2013) argue that in order to identify generative mechanisms, qualitative and quantitative methods can be

integrated but in a different way. While traditional quantitative methods aim to identify social laws based on repeated observation and correlation between variables, critical realist research can use quantitative methods to describe certain characteristics of a structure or entity. This quantitative description serves as a “quantitative measure of the numbers of objects belonging to some class or a statement about certain common properties of objects” (Sayer, 1992: 100). But it does not suggest causal relations, therefore it does not jeopardise critical realist causal explanations. In this study, it could be helpful to have used quantitative methods to describe some of the structures or entities in order to generate new insights. For example, there has been little qualitative evidence in this study about the effects of some particular types of structural social capital, such as the size, stability, centrality and hierarchy. However, quantitative methods, such as questionnaires, may have been helpful to provide more detailed description of these types of structural social capital, thus providing richer data in analysing the generative mechanisms in this study.

8.7 Implications for future research

Drawing on the research contributions and limitations, this study has clear implications for future research in general entrepreneurship and social entrepreneurship, and following on from that, the methods for studying opportunities and other complex social events.

First, the findings of this study have implications for future research on the nature of SE and general entrepreneurial opportunities. This study found that SE opportunities are neither purely objective nor purely subjective; also they cannot be fully described by discovery or creation theories. The identification of USE, SEB and SF suggests that SE opportunity as an actual construct encompasses more elements than those traditionally included in SE and general entrepreneurship research. Similarly, the identification of the discovery, creation, and organic cases indicates that nexus theory and effectuation theory may represent two ends of a spectrum (Corner & Ho, 2010) rather than two completely conflicting theories assumed in the current literature (Dutta & Crossan, 2005; Vaghely & Julien, 2010). The implication of this is that perhaps any research focusing on one of these constituents or theories might only reveal a portion of opportunity, which represents a narrow view of a broader social event. This study therefore

encourages researchers to consider all of the three constituents when studying the nature of opportunities in any entrepreneurial context, and to consider both discovery and creation theories when examining opportunities. The application of critical realism makes it possible to take these approaches, and to reconcile conflicting philosophical positions underlying discovery and creation theories.

Second, the social structure, causal power and generative mechanisms revealed in the data call for a greater focus on social networks and social capital in understanding social entrepreneurship. Current findings suggest that the emergence of SE opportunities can be seen as the result of a resource acquisition and mobilisation mechanism derived from social entrepreneurs' social capital embedded in *guanxi*. From a critical realist perspective, the generative mechanism should be seen as collective human agency, which emerges from the interactions of lower level human agency from the focal social entrepreneur and his/her network connections. These findings echo the argument that opportunities result from the interaction and negotiation between the social entrepreneur and other actors in the social structure (Venkataraman et al., 2012). In this sense, SE opportunities are likely to be the result of the collective agency. The implication of the collective agency is that SE opportunities may be better studied or understood at the collective or group level (Corner & Ho, 2010). An interesting point here is to consider the duality of the term "social" in SE (Dacin et al., 2011). While traditionally the term "social" is concerned with SE as focusing on social missions, future SE research might embrace another aspect of the "social" – the collective manner in which social entrepreneurs carry out their activities.

Third, this exploratory study of SE opportunities has shown that applying a critical realist ontology and methodology to SE research can generate useful insights. The critical realist explanatory framework (Figure 8.1) developed in this study may help to tackle some of the definitional and empirical challenges that entrepreneurship researchers are facing today, such as how to empirically examine opportunities (Dimov, 2011) and the tautology problem in examining discovery and creation opportunities (Alvarez & Barney, 2010). I believe this will open up several avenues of future research. The framework can serve as a basis for analysing different types of opportunities, including non-opportunities, based on the three units of observation. As the framework includes objective and objective entities, it also helps to understand the co-existence of

the subjectivity/creativity and objective existence of opportunities (Martin & Wilson, 2014; Ramoglou & Tsang, 2015).

Fourth, this study calls for further studies to address its limitations. Critical realism does not seek for generalisation as there will always be alternative explanations in an open system like the social world (Sayer, 1992). However, further investigation into these alternative explanations may still enrich our understandings on opportunities, thereby opening up new research opportunities for entrepreneurship researcher. For example, although the explanatory framework places its focus on SE opportunities in China, I expect the research will contribute to a comprehensive understanding of SE opportunities in other developing and emerging economies where social entrepreneurship mostly operates. While this study consider guanxi as the basic social structure, future research on SE opportunities may also consider using critical realism to develop alternative explanations based on different structures at different levels. One example is to consider opportunities as part of (social) entrepreneur's cognitive structure. This line of research might be concerned with (social) entrepreneurs' personal traits or cognitive patterns in recognising opportunities (e.g. Baron & Ensley, 2006). This enables comparison and therefore provides new insights into the social event. Moreover, this study also calls for more rigorous research on the mediating conditions which might explain the differences between discovery and creation opportunities. A possible approach is to look at the institutional, cultural or biological constraints which may help explain the differences in human actions (Martin & Wilson, 2014).

Fifth, this study offers insights to researchers, policy makers and practitioners on how SE opportunities can be nurtured in China. Researchers might benefit from understanding how SE opportunities emerge in a context which is largely overlooked by academia, and enrich their understandings on SE opportunities in developing economies. Policy makers might find this study helpful for understanding the difficulties that social enterprises are facing and improve policy environment for them. For example, policy makers may consider opening up more funding opportunities through government procurement and cutting the red tape for legal registration. Furthermore, this study may help practitioners to understand different pathways (e.g. discovery, creation, organic) of developing opportunities and to choose one that fits their own circumstances. It also has implications for practitioners searching for otherwise overlooked resources and

constraints. For example, we find that social entrepreneurs are not “creating something from nothing” (Domenico et al., 2010: 699), but can benefit from social assets which cannot always be easily perceived.

Finally, I attribute the research outcome of this study to the great explanatory power of the philosophy adopted, critical realism, which offers ontological depth, rigour and a promising methodology for studying complex social events in entrepreneurship and general management. I hope this study will inspire other researchers to adopt critical realism for research topics that requires in-depth and comprehensive explanation.

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Appendices

Appendix 2.A. Social Entrepreneurship Definitions

Sources	Definitions	Key Arguments
The Commercial Non-profit Approach		
Dart (2004: 411, 413)	Social enterprise differs from the traditional understanding of the nonprofit organization in terms of strategy, structure, norms, and values and represents a radical innovation in the nonprofit sector. ... (it is an) encompassing set of strategic responses to many of the varieties of environmental turbulence and situational challenges that non profit organizations face	Social enterprise/ organisational form; business strategy
Fowler (2000: 649)	Social entrepreneurship is the creation of viable (socio-)economic structures, relations, institutions, organisations and practices that yield and sustain social benefits.	Social entrepreneurship/ social change
Mort et al. (2003: 76-77)	Social entrepreneurship as a multidimensional construct involving the expression of entrepreneurially virtuous behaviour to achieve the social mission, a coherent unity of purpose and action in the face of moral complexity, the ability to recognise social value-creating opportunities and key decision-making characteristics of innovativeness, proactiveness and risk-taking. Social entrepreneurship can be conceptualised as a multidimensional construct reflecting the key operational characteristics of NFPs.	Social entrepreneurship/ social mission, opportunity, innovation
Kerlin (2010: 164)	Broadly defined as the use of nongovernmental, market-based approaches to address social issues, social enterprise often provides a “business” source of revenue for many types of socially oriented organizations and activities.	Social enterprise/ earned income
Social Enterprise Alliance in (Defourny & Nyssens, 2010: 41)	Any earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission.	Social enterprise/ earned income
Social Enterprise Magazine Online in (Kerlin, 2006: 248)	Mission oriented revenue or job creating projects undertaken by individual social entrepreneurs, nonprofit organizations, or nonprofits in association with for-profits.”	Social enterprise/ earned income, social impact
Haugh (2006: 183)	Social enterprise is a collective term for a range of organizations that trade for a social purpose. They adopt one of a variety of different legal formats but have in common the principles of pursuing business- led solutions to achieve social aims, and the reinvestment of surplus for community benefit. Their objectives focus on socially desired, nonfinancial goals and their outcomes are the nonfinancial measures of the implied demand for and supply of services.	Social enterprise/ legal form, reinvestment

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Appendix 2.A. (continued)		
Sources	Definitions	Key Arguments
Boschee (1998: 2)	Social entrepreneurs are nonprofit executives who pay increasing attention to market forces without losing sight of their underlying missions, to somehow balance moral imperatives and the profit motives - and that balancing act is the heart and soul of the movement.	Social entrepreneur/market orientation, social mission, motivation
The Social Purpose Business Approach		
Waddock and Post (1991: 393)	Private sector leaders who play critical roles in bringing about 'catalytic changes' in the public sector agenda and the perception of certain social issues.	Social entrepreneur/ social change agent, public sector
DTI (2002: 7)	A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.	Social enterprise/ reinvestment, community driven
OECD (1998: 12)	Any private activity conducted in the public interest, organised with entrepreneurial strategy, but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment	Social entrepreneurship/ innovation, social impact
Hockerts (2006: 145)	Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission-driven public and nonprofit organizations. Thus they do not fit completely in either sphere.	Social enterprise/hybrid organisation
West Midlands Social Economy Partnership (in Kerlin, 2006: 250)	A collective term for an organization that is driven by particular social and community values, whilst aiming to operate effectively and sustainably within a competitive business framework i.e., helping the community as well as maintaining a viable business.	Social enterprise/ social value, sustainability, community
Murphy and Coombes (2008: 326)	We define social entrepreneurship as the creation and undertaking of a venture intended to promote a specific social purpose or cause in a context of mobilization. By social purpose or cause, we implicate an underlying range of basic values that are desirable and important in a civilized society. ... By mobilization, we refer to a specific, strongly shared orientation about a social purpose or cause, which can transcend the boundaries of a venture and subsume many constituents.	Social entrepreneurship/ social value, civil society,

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Appendix 2.A. (continued)		
Sources	Definitions	Key Arguments
The Third Sector Approach		
EMES in (Defourny & Nyssens, 2010: 43)	<p>“Economic:</p> <ul style="list-style-type: none"> • A continuous activity producing goods and/or selling services; • A high degree of autonomy; • A significant level of economic risk; • A minimum amount of paid work; <p>Social:</p> <ul style="list-style-type: none"> • An explicit aim to benefit the community; • An initiative launched by a group of citizens; • A decision-making power not based on capital ownership; • A participatory nature, which involves the persons affected by the activity; • Limited profit distribution. ” 	Social enterprise/ market orientation, autonomy, community, limited profit distribution, volunteering, risk
Pearce (2003: 31)	There are six defining characteristics fundamental to social enterprise: 1. Having a social purpose or purposes; 2. Achieving the social purpose by, at least in part, engaging in trade in the marketplace; 3. Not distributing profits to individuals; 4. Holding assets and wealth in trust for community benefit; 5. Democratically involving members of its constituency in the governance of the organisation; and 6. Being independent organisations accountable to a defined constituency and to the wider community.	Social enterprise/ market orientation, limited profit distribution, democracy, autonomy, community driven
Brouard and Larivet (2010: 39)	Organizations which pursue social missions or purposes that operate to create community benefit regardless of ownership or legal structure and with varying degrees of financial self-sufficiency, innovation and social transformation.	Social enterprise/community, ownership, autonomy, innovation, social transformation
The Entrepreneurship Approach		
Austin et al. (2006: 2)	Innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors.	Social entrepreneurship/ innovation, across sectors

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Appendix 2.A. (continued)		
Sources	Definitions	Key Arguments
Alvord et al. (2004: 262)	Social entrepreneurship creates innovative solutions to immediate social problems and mobilizes the ideas, capacities, resources, and social arrangements required for sustainable social transformations.	Social entrepreneurship/ innovation, sustainability, social transformation
Bacq and Janssen (2011: 376)	We define social entrepreneurship as the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources.	Social entrepreneurship/ opportunity, social value creation
Dees (2001: 4)	Social entrepreneurs play the role of change agents in the social sector, by: <ul style="list-style-type: none"> • Adopting a mission to create and sustain social value (not just private value), • Recognizing and relentlessly pursuing new opportunities to serve that mission, • Engaging in a process of continuous innovation, adaptation, and learning, • Acting boldly without being limited by resources currently in hand, and • Exhibiting heightened accountability to the constituencies served and for the outcomes created. 	Social entrepreneur/ social value creation, innovation, social change agent, opportunity recognition, resource mobilisation
Hill et al. (2010: 21)	A disciplined, innovative, risk-tolerant entrepreneurial process of opportunity recognition and resource assembly directed toward creating social value by changing underlying social and economic structures.	Social entrepreneurship/ innovation, risk taking, opportunity recognition, resources mobilisation, social change agent
Perrini and Vurro (2006: 78)	We define SE as a dynamic process created and managed by an individual or team (the innovative social entrepreneur), which strives to exploit social innovation with an entrepreneurial mindset and a strong need for achievement, in order to create new social value in the market and community at large	Social entrepreneurship/ innovation, social value creation
Robinson (2006: 95)	I define social entrepreneurship as a process that includes: the identification of a specific social problem and a specific solution . . . to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line.	Social entrepreneurship/ social impact, sustainability, social mission

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Appendix 2.A. (continued)		
Sources	Definitions	Key Arguments
Peredo and McLean (2006: 64)	Social entrepreneurship is exercised where some person or group: (1) aim(s) at creating social value, either exclusively or at least in some prominent way; (2) show(s) a capacity to recognize and take advantage of opportunities to create that value (“envision”); (3) employ(s) innovation, ranging from outright invention to adapting someone else’s novelty, in creating and/or distributing social value; (4) is/are willing to accept an above-average degree of risk in creating and disseminating social value; and (5) is/are unusually resourceful in being relatively undaunted by scarce assets in pursuing their social venture.	Social entrepreneurship/ social value creation, opportunity recognition, innovation, risk taking, resource mobilisation
Martin and Osberg (2007: 35)	We define social entrepreneurship as having the following three components: (1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state’s hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.	Social entrepreneurship/ opportunity recognition, innovation
Mair and Mart í(2006: 37)	First, we view social entrepreneurship as a process of creating value by combining resources in new ways. Second, these resource combinations are intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs. And third, when viewed as a process, social entrepreneurship involves the offering of services and products but can also refer to the creation of new organizations.	Social entrepreneurship/ process, opportunity exploration and exploitation, social change agent
Nicholls (2006: 23)	Innovative and effective activities that focus strategically on resolving social market failures and creating new opportunities to add social value systematically by using a range of resources and organizational formats to maximize social impacts and bring about changes.	Social entrepreneurship/ innovation, opportunity creation, resource mobilisation, social change agent
Perrini (2006: 247)	Entailing innovation designed to explicitly improve societal wellbeing, housed within entrepreneurial organizations that initiate this level of change in society.	Social entrepreneurship/ social change agent

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Appendix 2.A. (continued)		
Sources	Definitions	Key Arguments
Tracey and Jarvis (2007: 671)	From this perspective, the notion of trading for a social purpose is at the core of social entrepreneurship, requiring that social entrepreneurs identify and exploit market opportunities, and assemble the necessary resources, in order to develop products and/or services that allow them to generate “entrepreneurial profit” (Schumpeter, 1934) for a given social project.	Social entrepreneurship/ opportunity identification, resource mobilisation
Weerawardena and Mort (2006: 25)	We define social entrepreneurship as a behavioral phenomenon expressed in a NFP organization context aimed at delivering social value through the exploitation of perceived opportunities.	Social entrepreneurship/ social value creation, innovation, proactiveness, risk taking, sustainability
Zahra et al. (2009: 522)	Social entrepreneurship encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organisations in an innovative manner.	Social entrepreneurship/ opportunity recognition and exploitation, innovation
Roberts and Woods (2005: 49)	Visionary, passionately, dedicated individuals	Social entrepreneur/ personal traits

Appendix 5.A. Participant Demographics

Organisation	Location	Sector	Interviewee	Background
Case 1 (Pilot)	Beijing	Culture Preservation/Fair trade	1-1, F	Founder
Case 2 (Pilot)	Beijing	Microfinance	2-1, M	Management
Case 3 (Pilot)	Beijing	Fair trade	3-1, F	Founder
Case 4	Beijing	Age Care	4-1, F	Founder
			4-2, F	Employee
Case 5	Beijing	Rural Education	5-1, M	Founder
			5-2, F	Employee, Canadian-returnee
Case 6	Beijing	Autism	6-1, F	Founder
			6-2, F	Manager
			Observation	Marketing Event
Case 7	Beijing	Fair trade	7-1, F	Founder
Case 8	Beijing	Dyslexia	8-1, F	Founder
			8-2, F	Manager
Case 9	Beijing	Disability	9-1, F	Founder
Case 10	Beijing	CSR	10-1, F	Founder
Case 11	Beijing	Autism	11-1, M	Founder
			11-2, M	Operations Manager
			11-3, F	Manager, British
			Observation	Daily Activities
Case 12	Beijing	Autism	12-1, M	Manager
Case 13	Beijing	Volunteering	13-1, M	Founder, University Lecturer
Case 14	Beijing	Disability	14-1, M	Founder
Case 15	Beijing	Women Empowerment	15-1, F	Manager
Case 16	Beijing	Education	16-1, M	Founder
Case 17	Beijing	Volunteering	17-1, F	Founder
Case 18	Beijing	Women Empowerment	18-1, F	Manager
Case 19	Hunan	Food Safety, Rural& Community Development	19-1, M	Founder
Case 20	Hunan	Education & Graduate Employability/ Entrepreneurship	20-1, M	Founder
Case 21	Shanghai	Disability	21-1, F	Founder
Case 22	Shanghai	Disability	22-1, M	Founder
Case 23	Shanghai	Food Safety	23-1, F	Founder
Case 24	Shanghai	Disability/ International Franchise	24-1, F	Founder
			24-2, F	Line Manager
			Observation	Daily Activities
Case 25	Shanghai	Autism	25-1, M	Founder
Case 26	Shanghai	Disability	26-1, M	Founder, American
Case 27	Shanghai	Autism	27-1, M	Founder
Case 28	Shanghai	Blind Employment and Empowerment	28-1, M	Founder
Case 29	Shanghai	Poverty Alleviation/ Environmental Sustainability	29-1, M	Founder, Singaporean
Stakeholder 1	Beijing	International Organisation/SE training	S1-1, F	Former director of SE project
			S1-2, M	Current officer responsible for SE training programme
Stakeholder 2	Beijing	Foundation/ SE funding	S2-1, F	Senior officer
Stakeholder 3	Beijing	NGO/SE Incubator	S3-1, F	Founder
Stakeholder 4	Hunan	University/SE Incubator	S4-1, M	Manager
Stakeholder 5	Shanghai	Research centre	S5-1, M	General Secretary
Stakeholder 6	Shanghai	SE Incubator	S6-1, F	Vice President
			S6-2, F	Project Manager
			S6-3, F	Project Manager, British

Appendix 5.B. Interview Guide

About the interviewee

- *Demographic characteristics*
Gender, returnee/non-returnee; location of the social enterprise; hometown.
- *Educational background*
- *Working experiences*
- *Media report*

About the organisation

- *Basic information:*
Year of establishment; milestones (researching beforehand);
- *Legal forms (company, non-profits)*
What is the legal form of the organisation? Why did you choose this legal form?
- *Sector of service⁷ and target group*
What is the business about? Who are your customers? What are your most significant products or services?
- *Management team:*
Education, working experiences, expertise, roles in the organisation;
- *Organisational structure:*
Departments and divisions;
- *Co-founders & Partners*
Foundations/ international agencies/ bank/ commercial companies
- *Revenue*
What are the revenues of the business? Is your organisation profitable?

Understanding of social entrepreneurship

- *Prior knowledge of SE*
What is your understanding of social entrepreneurship?

⁷E.g. Access to learning; Adult Education; Aging; Agriculture; Appropriate technology; Capacity building; Child care; child protection; Citizen/community participation; Conflict resolution; conscious consumerism; Conservation/preservation; Consumer protection; Criminal justice; Cultural preservation; Democracy; Disabilities; Disaster relief/crisis management; Early childhood development; Education reform; Employment/labour; Energy; Equality/rights; Financial services/markets; Gender equity; Health care delivery; Higher education; Housing; Income generation; Intellectual property; Intercultural relations/race relations; Intergenerational issues; Law and legal reform; Media/communications; Mental health; Microenterprise; Natural resource management; Non-formal education; Nutrition/wellness; Philanthropy; Pollution; Poverty alleviation; Public policy; Rural development; Substance abuse; Technology/information technology; Tolerance/pluralism; Trafficking; Urban development; Violence and abuse; Volunteerism; Youth development (from Ashoka).

How did you know the idea of social entrepreneurship?

Have you ever been working in/with a social enterprise/NGO before you started your business? To what extent do you think this experience is different?

➤ *Comparing social enterprise and other organisations:*

How do you think about your business, do you think it is different from others? To what extent do you think it is different?

Why did you want to found a social enterprise rather than other types of organisations?

➤ *Commitment to social entrepreneurship:*

What does this business mean to you? (a job, a career choice, or a life style?)

Experienced social entrepreneurship opportunities

➤ *Seed venture ideas:*

Why did you want to found a social enterprise?

How did the idea for your business come about?

What is the social mission of your organisation? Why and to what extent do you think it is a social problem/need? How did you spot it?

Would your educational background/previous working experiences help you to start and maintain your business?

Why do you like doing this job?

Did your family understand your business? Did they provide any support?

➤ *Social entrepreneurial actions:*

Have you ever been involved in social entrepreneurship or non-profit activities?

Why did you participate in those activities?

How did you get started in this business?

How do you describe your operating/business model? How did the idea come about?

Did you have a business plan before putting the idea into practice? What was the plan about?

Why did you choose the form and how did you get registered?

Where did the funding/starting capital come from and how did you go about getting it?

How did you obtain investment for your organisation?

What kind of people do you need to run the social enterprise? How did you find them? (e.g. expertise, common interests etc.)

➤ *Social and market interactions*

How did you decide on the location of your organisation?

How did you decide on the location of your services?

How did you go about marketing your business?

How did you find the market?

➤ *General questions*

What are the greatest problems of starting a social enterprise, and how do you manage them?

Did you have any problem to grow your business? (if yes) How do you plan to tackle these problems? (if not) How do you keep your business growing?

Could you please describe/outline your typical day (pay attention to the meetings, phone calls and other social networking activities)?

Guanxi (some questions are related to social capital)

➤ *The importance of guanxi:*

What does it mean to you and your business that having good guanxi with others? Why?

➤ *Establishing and maintaining guanxi*

Why did you want to have guanxi with him/her?

Why did you think he/she is happy to work with you, among other social enterprises, companies, or organisations?

How were you connected? / How did you get to know each other?

How often did you meet/contact each other?

How did you keep a good guanxi with him/her?

➤ *Using guanxi:*

Can you give some examples where you use guanxi to address some difficult problems? (Pay attention to the process of creating and maintaining guanxi relations and the types of social capital)

Can you please list some organisations/people with which you have good guanxi?

What kind of guanxi do you think is important for you/Chinese social entrepreneurs?

Social capital

(These questions may not be asked directly to interviewees. They are normally follow-up questions)

Structural social capital

➤ *Appropriable organisation, openness and closure*

Could anyone join the network or was it just open for a certain group of people?

How were the participants selected?

➤ *Size, clusters within the network*

Family members (How has being a social entrepreneur affected your family life?), friends, colleague, funding bodies, NGOs, foundations, other social enterprises, the media, commercial companies, government officials, universities

What was the background of ...?

Was he/she from the same industry/university/company as yours?

➤ *Strength of ties, stability and durability*

How did you maintain the relationship? Do you still keep good guanxi with him/her?

How often did you contact him/her? (say this month)

- *Individuals as special nodes*: the key individuals in the networks (liaison, gatekeepers, isolators)
Who are the people you want to thank the most for your success? Why?
What outsiders have been most important to your business success? (e.g. bankers, accountants, investors, customers, suppliers, foundations)

Relational social capital

- *Reciprocity*
How could you/he/she/they benefit from this relationship?
- *Trust*
How did you let the company/government/beneficiaries trust you?
- *Identity and identification*
How do you position yourself/him/her/them in the social enterprise?
- *Reputation (mianzi)*
How did you select the directors/board member?
- *Obligations (renqing)*
Why did you decide to keep doing this, given all these difficulties?
- *General questions*
Did you have any difficulties in dealing with someone who was really hard to get along with? What did it happen at that time? What did you think is the reason for this?
Can you list three important things which help you to keep good guanxi with other organisations/individuals and contribute to your success?

Cognitive social capital

- *Shared understanding*
- *Shared norms and values*

About future development

What three pieces of advice would you give to those who want to become social entrepreneurs?
What would you say the top three skills needed to be a successful social entrepreneur?
Where you see yourself and your business in 10 years? 20 years? How will you get there?

Appendix 5.C. Sample Interview Transcript

Case 26, Participant 26-1 (Founder)

Organisation: SoE

Duration: 1 hour 35 minutes

Before the interview we had some discussions about the background.

H (interviewer): the purpose of this interview is to discuss with you about your experiences in founding and running SoE in China, how you think it is an opportunity here, and how you get resources to make it happen.

R (participant): let me just give you a little bit background before SoE so you understand why I chose to do SoE and that also helps you understand the reasons we chose to do certain kinds of funding. I have been in a university in Washington DC, the only university in the world for deaf people, BA, MA, PhD. The University has students from all over the world, including about 30 Chinese and one of them who got a PhD with me is a deaf Chinese, and she is in Lich University in the UK ... I have to check, doing research there. But I've travelled all over the world, doing social projects, help found the school for the deaf here in China, led by a deaf man. So I was always using my money or going looking for money to support projects. But I kept thinking, you know, someday I am not gonna be alive, how these projects gonna be self-sustaining. Because unlike a business, a school or another social projects is constantly spending 50% of their time looking for money, which detracts from ability to do a good job, and this is true all over the world, especially true in a more developing country. And a school that I helped found in Jiangxi Province, Jiu Jiang, it is a poor rural area, children come from farm families. So one of my thoughts was, how to start a business in China that employs deaf people where the profits would go to support my projects like the Bo Ai School, so I was looking for a self-sustaining business. In one of my earliest ideas, in American you can buy many assistive devices for deaf people, like when a deaf person wakes up in America, most of them have an alarm clocks that flash its lights or vibrates under their pillow. All these products are made in China, and no deaf people are benefit, except for paying the money, and the money is huge in America. So that is one of the first things I looked at. Then I met a man from Canadian in Brazil, Harvard, and I'll give you some information, some in our website and you can look it there. But I met this man who started making hearing aids in Africa in Botswana. He employs deaf people, pretty small, but I like the idea and I went down to Brazil and looked at it, and I thought OK, this could be a good business. Usually I wear hearing aid ... but I left it in my bag ... my hearing aid costs 3000 dollars, but it only costs 50 dollars to make it, so there is a huge margin.

So how we can make the same quality hearing aids that cost 1-3 thousand dollars, we can make that for 50 or 75 dollars and sell for 200, still make a very good profit, but one we distribute thousands of hearing aid to people who cannot afford hearing aid, even American people cannot afford 3000 dollars' hearing aids. The other thing (is that) we hire and employ deaf people and three we share the profits with the other good projects. So that's why I wanted to start this, and I was actually in Shanghai, not talking about SoE, but somebody in Shanghai, a foundation, Chinese foundation, really small, want to start an university like mine for disabled people in Shanghai. (The foundation) had some pretty important and very very wealthy people involved, including Hu Jintao

(President of China) 's cousin that he grew up with, so with a very powerful group. But starting an university in China, a private university, was very difficult, and I just mentioned SoE and the people in the meeting became excited about SoE. The way that Harvard had founded SoE in Botswana and in Brazil was go get foundation money, so he get half a million dollars and started and that would let him operate for three years. But Harvard spent almost all his time looking for more money, meaning his business has never become truly self-sustaining. So one of my thoughts was (that it is) very very hard to get foundation money for China, many people feel China is no longer a developing country, so the foundations wouldn't be that interested, social entrepreneurship in China, and even in America, is in a grey area. It's not business, it's not charity, the tax laws are not friendly, meaning like America, if you are a charity and you make money, you lose your tax status. So social entrepreneurship is still in this grey area. So then I was introduced to Forest, and Forest was interested in investing in SoE. He's been a general manger of a Siemens factory, so he had a lot of experiences in manufacturing, technology, had a MBA from America ... so a lot of experiences. So he and I joined up together, and instead of looking for foundation money, we got investors, you know, who someday expect a return of their investments. But unlike going into a bank, it isn't like you have to start repay your money next month, and the expectation is not that kind of return on investment that they would expect if they bought McDonald's (shares) or start a business ... another word, everybody who is investing really wants to be a social investor, nobody is there looking for quick money or easy money. So that is really how we started the original capital for this. We never started with as much as Harvard did, but actually I am happy with this model, because first and foremost we must be a good business, we must have high quality products, the very best service, and we must make a profit so we can grow the business, because the more profit we make, the more people we can help. So the foundations model that Harvard uses ... I don't want to be negative about that model ... but if you always depend on the foundations, it may be very hard to function more like a business, and you again spend so much time looking for that money.

H: So SoE in China is not that similar to the one in Botswana.

R: It is simply very different in its funding, and I think when you take a different approach to funding, we are forced to be much more like a regular business, even though Harvard has a business background, I think when you accept money and you have three years and a half million dollars, it is easy to get into not worrying about growing the business. Forest and I have got to develop revenue quite rapidly. So I think we should take a different mental path. In long term, I think our path is going to be (that) we will be bigger, have more profits, and can give back to the community, hire more deaf people.

H: More sustainable.

R: I think so. So far Harvard's production has stayed quite small, so his profits - if there are profits - do not commit to accomplish social goals, he goes on to get more. You see, from his perspective, it is free money, I don't have to pay it back. But I think that is one of the challenges that social businesses face, even in this building, where do you get your money, and where does it lead you. We want to first take the money we had, we thought we would be able to additional money if we had a product and a production facility already in existence as oppose to taking a business plan - theoretical business

plan - to somebody and say we would like to expand, here we will say after a year, this is what we would like to triple the size of our production, whether it is a foundation who is interested in social businesses, or whether it is an angel investor. So when I oppose to looking for additional funds...

H: Have you got any investment from foundations or business angels? Where is the starting capital from?

R: It is ours, from myself and from Forest, and he has investors but they are not involved in the business. And the other part of is ... where Harvard was able to begin paying salaries at all levels immediately, Forest and I are not taking any salary, and we have a number of unpaid expert consultants, experts in marketing, experts in hearing aid production ...

H: So they are volunteers.

R: Yes, because they want to be involved in a social enterprise.

H: How did you find them (the volunteers)?

R: Most of (them) are been in my network having working around the world and in China for ten years, some of them we got from Harvard. For example, we have a hearing aid manufacturer in China, a Chinese hearing aid manufacturer, who is providing us all of the training for our employees, and we also make OEM hearing aids for them during the first year. So we get free training, we get the experience of their business model, and while we are getting all of our medical device licences, we can pay our employees to make hearing aids, so that is one example. Another people is one of the leading Audiologists for a big hearing aid manufacturer, and he is our technical adviser on the consume, another person is an expert in marketing, and another person is the production manager for a hearing aid company, a multinational one, a very large one, and he is providing us technical engineering assistance. We also have a large multinational company, Boehringer Ingelheim, a German pharmaceutical company here in Shanghai, and they have kind of adopted SoE China as a project. So they are providing us equipment, they are providing us technical assistance like webpage and IT help, they are providing us marketing resources, tomorrow I go down to Chengdu, they fly me to Chengdu to talk to 30 Chinese journalists, they are launching five new products in China but they are going to let me talk for an hour about SoE. So we are getting a lot free, very high-level help.

H: Can you tell me more about cases, how did you set up this kind of cooperation, how did you find these partners?

R: Two things. One is Harvard's work, Harvard is an Asoka Fellow, and Boehringer Ingelheim all over the world is affiliated with Ashoka, so Harvard started meeting with Boehringer Ingelheim in Germany. Through that he introduced me to Boehringer Ingelheim when I met with the CEO in Shanghai, and he became really excited because their corporate social responsibility ... most multinational companies ... let me back up, give you an example, IBM, big company, in America, IBM has deaf, blind and physically disabled people at all levels of the company, not just janitors but Vice-presidents, so they do a great job in America, Wal-Mart does a great job in America,

hiring people with disabilities. But if you look at their American counterparts, IBM in China, 5000 employees almost no people with disabilities, they have one deaf person, the only deaf person then came to my university so they now have zero. But IBM is like: we don't know how to hire people with disabilities in China, we now have a door in America in China, the system is more open, and the Chinese quasi-government organisation that works with disabilities does not work in the private marketplace, it only works in what I called the "old welfare economy", not in the competitive (one). Ah ... when I went to Boehringer Ingelheim, then he goes "you know, all we do is to write a cheque for earthquake relief, we do little things" he says "but I want our 5000 employees to have an opportunity to actually get involved in projects, with most of its employees is Chinese, let's get involved, let's help a school, let's become big brothers and big sisters, let's do something that's real", so I was able to provide that bridge to get involved. So it's only been a few months, but started out with helping SoE. But within like 2 weeks ago I went to the meeting with the CEO and its staff, and I was thinking giving us a bunch of computers and other equipment and he says "you know we have no people with disabilities in my organisation", he says "I have a contract for janitorial services, how about we hire to become janitors in the building"? I say "great! I'll help you do that! But I have maybe a better idea. You hire them, and then for one year, we teach them not how just to be good janitors, but let's teach them how to run their own janitorial businesses, let's teach them how to hire, supervise and market their services, so the goal is (after) one year, they are not your employees anymore, they become a janitorial company you contract with, and they can hire more janitors and go sell their products to other businesses." And he is like "wow!" You know, with no additional money, he can one hire people with disabilities, but even better, he can help them become entrepreneurs.

Because a huge thing in China is most people with disabilities are still on their welfare economy. I mean there are some who are in their own businesses, maybe have family money, but most people are not in their ... like ... an example in Zhejiang, 10 years ago, there was a government enterprise, textile, and almost all employees were deaf or disabled. When that was closed, virtually 100% of deaf people in that city, thousands, lost their jobs and ten years later, still have no job. The hearing people, who lost their jobs in those state-owned enterprises, were forced to move into the market economy. The people with disabilities, nobody built a bridge for them to go into market economy. For me this is like a dream, to work with people like Boehringer Ingelheim. So now it's not just my 6 deaf employees, but we start growing them. And if (our cooperation with) Boehringer Ingelheim may be successful, and it will be, then we can go to the next company and say ... hopefully ... we are not gonna stop at janitors, but janitors is a nice low-tech thing that we can teach deaf people to have their own business. So our partnership with Boehringer Ingelheim, yes it helps SoE, but we are also doing bigger things.

H: What is the role of SoE? Is it an investor or stakeholder of the project?

R: Well, I think it is organic. It is supposed to be a project. As our relationship develops, new opportunities arrive. We never thought about ... I mean yes, in the back of my mind, I always want to develop a job or programme with Boehringer Ingelheim. But that isn't where I began. So every time we have a meeting, ideas come up. Until last December I was Vice-president of a large university of main, very good salary, and I use my salary to support idea I had like the school with deaf in Zhejiang, or even

starting SoE. Now I am retired, that is why have two business cards, now I need to do things like I don't have, but I would like to have, a contract with somebody like Boehringer Ingelheim to help them do these CSR programmes. Because SoE, put aside me, couldn't do this go out find deaf people in the community, train them, not only train them just to be janitors but other work in hearing environment without a chip on their shoulder, how do we teach them, look, you cannot wait for the hearing people to love you, you have to go out there and build your own bridges, and how do we help the supervisors drop their stereo typical thinking about disability. So there is a lot of training involved, Forest and the rest of SoE couldn't do that. But I need ... because it costs a lot of money to live in Shanghai, so I need to actually seek CSR kinds of opportunities. For Forest, he works for Siemens, he has a house in Shanghai, so for him it is time and it is money, capital, investor.

H: So for Forest, it is a part-time job, is it what you mean?

R: In the beginning (he was but) he will transition here fulltime as we expand. But again that is another way ... that is another kind of thing with social enterprise ... you know, if you start with a million dollars or half a million dollars, with Harvard, his fulltime job, pay him full salary. For us we are using our combination of our own capital, and that we don't need SoE to pay our house and for your children. I have a retirement programme, but I do need to pay for my house in Shanghai, my transportation to see my family and all that. So that I am hoping that eventually Boehringer Ingelheim will say "this is really almost a full-time job to implement", so either contract with SoE which is me, or contract with me. So yesterday I went to the American Chamber of Commerce, and to meet with the President and Vice-president of the Chamber to tell them about SoE, and also to begin to develop another network of multinational companies that might be interested in our helping them develop.

H: How did you make it? Did you have any personal connections with the American Chamber of Commerce?

R: No. But I have ... one of the benefits of being older is that you develop those skills to develop the network, and I think we have a really good story. So when I contract with the President of the Chamber who is, you know, pretty important person when Obama comes to China, meets with her. I think we have a good story they are interested to hear it because, as I said, we are exporting American know-how in disability and social entrepreneurship, and I am willing to bet that the Chamber of Commerce does not have a social enterprise in its huge membership. They are either businesses making money, or their businesses making money with CSR programmes. And I said we are not a CSR programme, we are a real business. So that is kinda fascinating to them. So hearing aids and our deaf employees is our core but already ... you know the Dialogue-in-the-Dark, Shiyin ... we could be doing similar things to that, we could be doing training programmes on communication, deaf people specialise in number or communication. So instead of doing CSR, we actually say "no, we can help your company improve the communication skills, the strategic thinking skills of your managers". So there are a number of entrepreneurial things that we can do. Another words, we are not gonna be kind of looking down this tunnel that we only make hearing aids, we look at these broader ways that we can impact disability. That is why we are doing it. Harvard's focus is he wants to see everybody in the world has a hearing aid that he can afford. I think that is a great call and certainly one of my goals, but the thing that drives me is I

watched America, 40 years ago, deaf people will go to McDonald's and talk like this ... they didn't want anybody to see them. Now these deaf doctors, deaf layers, all these things, and I really think that we can help this happen in China with my deaf colleagues.

H: So it is not about giving everybody a hearing aid, but to empower them and develop their skills.

R: For me that is the means to the end. My end is really deaf people having much better lives. You see, I worked in education, and the school for deaf children is a very, very good school. It uses the same curriculum as hearing children, where all the other schools for the deaf in China uses special education curriculum, but the special education curriculum leads to no jobs. But what I realised is that even those students who graduated from that school couldn't get jobs because the businesses didn't think they could do it, so I knew that I had to go out to the business world and demonstrate how deaf people can do these things. And also that is why I chose to work more with multinational companies, because they already knew they could work, because they work for their company in America, in EU. If I go to a Chinese company, I really have to start from scratch, because that CEO probably has no experience with hiring disability at all levels. I am not against Chinese companies, but I just thought it was easier to go to our companies and I say "I can help you do what you do in America; I can help you do it in China".

H: Why did you do this job? For large MNCs, they probably have their own systems to develop these employees as they have already had in America.

R: You would think so, so why does IBM with 5000 employees in China have no people with disabilities? I think part of the reason is they are so busy adjusting to the Chinese system, their HR systems, building their corporate culture. I mean companies in America didn't start hiring people with disabilities mostly until they became mature companies. Most companies in China are not yet mature. Plus in America, you have strong government programmes in education systems that provide them with capable employees, the education system and the government programmes for the most part in China – I am not negative about China, I love the country and I think the government has done an incredible job in 25 years, unbelievable – but they are not, at this point, readily capable to provide the same education opportunities with people with disabilities, and provide the same training. So I think once you get busy, it is really easy to have this in front your desk. So somebody like me says: I'll do it for you. And with deafness, I know literally hundreds of deaf people well educated in China, so when I want to find 6 employees, I didn't have to put an ad in newspaper, I didn't have to go to the government. When I say the government, I mean the China Disabled People's Federation who would probably try to take over my project. I don't mean takeover financially, but they are not used to working in an entrepreneurial way. So I go to deaf friends who have government jobs, like the President of Shanghai Deaf Association. But I was talking not in his government job, but talking to him as my friend and colleague, and I said I need 6 deaf people, can you help get the word out there and help me scream? So in a few weeks we have 50 applications, interviewed 20 people, and selected the six best ones, using our grassroots network. If I go to the government agency, I would probably have to hire the friend of a friend of a friend, and in this way, I got to hire the (best employees).

H: You just mentioned that the Federation wanted to take over SoE, can you tell me more about that? What happened?

R: Again, I am not being negative. The good news, you know, because of Deng Xiaoping's son, Deng Pufang, has disability. Disability moved up in everybody's eyes very rapidly in China. Imagine if there is no Deng Pufang, disability would be much much further behind than it is today. It probably did not help deaf people as much as it helped physically disabled because of Deng. So for them, the main call was one, public awareness so they have these programmes where people without a leg are gymnastics, people who are blind sing, and that is how they raise the awareness of the society. They also, because of the timing, were plugged into the old Chinese economy, the government, the state-owned enterprises, and very bureaucratic organisations. So China Disabled People's Federation is still a very, very bureaucratic organisation. I call it a dinosaur, I know it is gonna sound terribly negative but I am trying to say is, they grew up 30 years ago in the Chinese state-owned enterprise system and still in that system. Just like 20 years ago you go into the Friendship Store and there'll be a hundred people waiting on you but no service. Now you are going to the same Store and there are only four people, and they are all trying to get you buy their products. So stores have shifted from making a job, that giving everybody a job, to a more market economy which is much more competitive. So China's Disabled People's Federation is still back here, bureaucratic, and they are still in what I would call a dependency model, meaning (that) it's not ... they are doing it consciously, but ... I can give you a fish and you'll not be hungry today, but if I teach you how to fish, you won't need me. So the China Disabled People's Federation is very much like a charity, they keep giving, but not enough to let people become independent, and in some day I hope, the organisation will go through a paradigm shift from a charity to empowerment. But right now, it's not there. So for me, I consciously said, I am not gonna work with the China Disabled People's Federation in the beginning, because we are coming from such 180 different perspectives. You know I keep on saying that I don't want to speak negatively, but you know, it too America 200 years to slowly move to this, you cannot expect the China disability thing to all of a sudden adopt what a more mature economy, a more mature country has. So I consciously wanted to operate as a business, not in the welfare economy. In other words, if I wanted to start a non-profit for disability, and if I applied the licence, the government would send me to the China Disabled People's Federation, under the Ministry of Commerce I think. But that is who I have to deal with. So I would be dealing with an organisation that didn't have a business mentality. But if I go get a business licence in Shanghai, I wondered a totally different system that says "good, go hire people, make money". (There are) very little rules if you want to make money in China, I mean, there are rules, but not very bureaucratic, pay him money, follow the rules, any person can set up a business, this becomes a really entrepreneurial system. So I wanted to be in this entrepreneurial system. Now the lucky thing is Shanghai government has developed this whole concept of NPI, and thus, I am thrilled because I have my business operating in the entrepreneurial thing, but I am also a member of this experimental social innovation. So it is like having the best of both worlds. And I will work with China Disabled People's Federation, but when I go to them I want to have something that I can show them that it's working. I do not want to ask permission, I want to be able to say "look out, this is working, can we work together?"

H: So what is the relation between you and the Federation is it possible for you to run a disability-related business without their help?

R: That is a great question. I would say five years ago, it was not possible. But if I say disabled business or business with disabled and that is what I put in my business application, I probably get - at least five years ago - it sent down to China Disabled People's Federation. But now if I say "no, first I am a business who just happens to hire people with disabilities", in other words, this is what I am, a business, we hire people with disabilities. So we don't feature that in our application. Then everybody goes "Oh, you want to make hearing aids? We'll give you a business licence, you'll apply for a licence for medical devices, we will expect your production facilities", but I follow the same rules as every entrepreneur in China. It's like when I went to the American Chamber of Commerce she'll state "we should get you in our CSR group" and I says "I really don't want to be in you CSR group, I want to be in your business group, I am gonna be a good business". That's the same thing with the Chinese is that I want to be a business who hires people with disabilities, not a disabled business, and just like with the American Chamber, if I am in this (business) group and with all these CEOs, and if am with this (CSR) group, I am with these small departments who want to work with charities.

H: When you are setting up the project with Boehringer Ingelheim, employing disabled people, train them and empower them, has the Federation played any role in it?

R: I guess my dream ... I made some movies with the Federation ... at the provincial level, I still have very good friends, presidents of provinces, but in Beijing again, very bureaucratic, so perhaps just like a lot of changes happened in China, don't go to Beijing and try to convince the government of your ideas, (you should) go out and have a successful small project and then bring your success to Beijing. In some way my dream is to get this going, to get things like Boehringer Ingelheim starting to hire people with disabilities, and training them to have their own businesses, and then take it to the Federation, and show them in a small scale this is what we can do. So in other words, I don't take the theoretical model, I take them the working model. Give you an example, my two best friends here in shanghai, deaf, are the President and Vice-president of the Shanghai Deaf Association. That Association is part of the Disable Federation and they have good government jobs, they are paid very well, have nice houses. But I go to them and say, when do you think I should take SoE to the Federation? And my Deaf friend, who is the President, and his boss is the President of Shanghai Disabled People's Federation. He looked me and said "Richard, we've been friends for ten years", he says "do not take this right now to this man, get set up in six month a year, then we will take it". But he says "as your friend and supporter of SoE, I know

H: (The reason to ask these questions is that) I am interested in how did you, as a foreigner, deal with these Chinese bureaucratic systems.

R: Well, what you can see is I have been adopted the Chinese culture of guanxi, grassroot friends, and adapting and adopting my own business model to the conditions. So I learned by experience that if I go to the Federation first, I might never get out of the bureaucracy. But I go to my friends within these organisations and ask their advice. I think Boehringer Ingelheim, and all the Federation, if we deal with the organisation,

like I went to Boehringer Ingelheim, knock on their front door and they (would) say “go to the CSR person”, probably I would never get anywhere. If I go to see the Federation, knock on the door, even I used to meet Deng Pufang himself, I probably get nowhere. What you have to do in a private business here, or in America, or in the Federation, is have a friend. I have a personal, good relationship with the CEO and he says “well Richard, let's do this”. So when I go to see the DPF (Disabled People’s Federation), I want to be sure that I am talking to someone who wants to do something. So I don’t want just go into the organisation and get pushed. So right now I go to my friends who are very high up, the disabled people in the Federation have no budget, no decision making, all the authority resigned for the most part with either non-physically disabled managers, or people with physical disabilities who often do not understand the needs of deaf people. So eventually I would work with the Federation and I will respect for, and I am respecting for and appreciating and understanding what they have accomplished, but you don’t ask an organisation to do something that isn’t ready to do, otherwise you are just a mosquito, you know, it’s irritating.

H: So what is your understanding about Chinese guanxi, from your experiences?

R: I think guanxi is really the same thing in the United States. You know, people get their children into good college because they know somebody who help them write great application. Here I think it is just a more sophisticated system, but I think it’s just good business to build their networks so that how we got all these free advice, by building a network and meeting people. So my understanding of the system is ... it is kind of like building a team, you have an idea, especially in the social world, and maybe important for somebody who want to do a social enterprise. Probably unless you were very, very rich, and even if you were very very rich, that only let you start, it doesn't help you sell. I think the whole thing is to build a broad base of people. The part about Chinese culture for me is ... I use to go to meeting, go to lunch with people like in the Disable People’s Federation or whatever, and I would think I would get an answer at the end of the meeting, and then at lunch, we would talk about children, we would talk about nothing related to my agenda! Now I know that ... I use traffic in China and traffic in America as a metaphor, in America, all the traffic is like this (following the rules), in America if you come to the intersection, you are like this. In China, traffic comes to that intersection and does this (). American go “there is no rules (in China)”, and I go “oh yes, there are rules, but it is all these harmonious (rules), trying to keep everybody moving”. So I take the same approach, now that I am working in China. In American it would be much more going to the meeting, yes or no. Now I go and maybe I don’t get to talk about what I originally wanted, but other doors open. And I actually like that, both the traffic I like very much and I like that way of doing business.

H: You just mentioned that you have to build a broad base of people, how did you do it in China?

R: Well I have been coming not like now where I stay in China for a month, I have been coming for a long time, and which is very lucky when I first came here, I met a Chinese man in Xi’an who became a friend, been in his home and he’s been in my home, and he helped teach me a lot about working in China, and then back in America I had a deaf Chinese friend who taught me everything about being deaf. So they basically kept introducing me to people, and with you, I now have a new friend, and that is why I was asking you “hey could you share more about what you learn?” I would say the social

enterprise and even other businesses have to be more organic, trying to take some ideas with this and try to fit them into a system or a situation that is not clear. Again, this is very clear, the other one is a lot less clear, but if you adapt, it works pretty well. So I think for social entrepreneurial (organisations), and I think Chinese have to be more organic, and the Chinese business system is a lot more organic than the American.

H: What does it exactly mean, being “organic”?

R: Organic ... If I plan to seed, it doesn't grow straight up. I cannot tell how many branches there will be, and that plant will adjust to where the sun is, and the wind all of that. I think organic mean you go into this, with a very clear idea what you want to accomplish, that being ready to take parts you didn't anticipate. Go back to my traffic metaphor, in America if I want to get across the road, and the best way to get across the road is a straight line from A to B. Here I think the best way to get across the road is to go like water where the flow is. So for me that is organic. So as a business, I try not to get frustrated by not always being able to go to what looks like the quickest way to get from here to there. But what I have learned here in China is it doesn't matter if I have to go to the left into the right, what matters is whether I get to do what I want to be, and that means every day you learn new information, and you make that part of your model.

H: Thanks. You've talked a lot about how you create this broad base of people, having starting capital with friends, can you also talk about the production part? Is it in Shanghai?

R: Originally I want to be in Zhejiang, the labour would be much cheaper, facility is much cheaper, but ... this is the organic part, when I met Forest and he wanted to do this, but of course he lives in Shanghai, his knowledge is in Shanghai, we decided to have production in Shanghai. Even though if you went to design, you'll go “no, go to where it is cheaper, the facilities, and all of that”. So our production is here, we pay the same wage that is required by Shanghai law, so the production cost is a little bit higher than elsewhere. But being in NEST, we are getting a much ... cost a lot more to go get for facilities.

H: So your employees are producing hearing aids here.

R: Yes, right now they are learning. It takes about four months to do micro soldering with microscope, and you are welcome to come at any time and watch. Once they have learned how to make them, first we will do OEM (Original Equipment Manufacturer) for hearing aid manufacture, because it is going to take us almost a year, nine month, to get licences to manufacture our own hearing aids and be able to sell them in China. So what does a business, a small social entrepreneurial business, what you gonna do if you have almost a year of no sales. So in the beginning we will do OEM, which will also let us further develop our own employees to more sophisticated hearing aids, and we can sell hearing aids in a number of developing countries that do not require a medical licence. China, Korea, Japan all require licences, but Philippines, Vietnam, Cambodia, Malaysia, Africa don't need a licence. So we will be able to begin marketing, we are also gonna move into retail, we are going to do direct distribution.

H: Have you already started marketing and selling?

R: In this first year, marketing is really focusing not on consumers, but focus on government and other corporations. In other words, we are marketing our social enterprise to key stakeholders. You know the Ministry of Civil Affairs in Shanghai, we are marketing to them, we are marketing to Boehringer Ingelheim because this is gonna help us, and in six month's (time) we will begin to shift our marketing to consumers and our products. So maybe for social enterprise, it is very important to think about first you have to market your concept, because it is not familiar to most people. So if you look at our webpage, we don't look so much like a business right now, we look more like an organisation. In six month, the webpage will change and we will have a different webpage for consumers.

H: Sorry I thought you have started the business five years ago.

R: No, SoE started in 2012. We open the door July 1, just two month ago, at that time we got location and of course we will move to the new location soon. We hired 7 staff; one here is a sign language interpreter and office manager and six trainees. Probably I have been working on this idea for five years, in building that network; it wasn't like I had to start from scratch in 1 July.

H: Yes I understand that building the network is sometimes more important than registering the company. So what are your relations with NPI, the NEST?

R: When Forest and I first started the idea about a year ago, we knew somebody in another part of Shanghai who is offering us a space in his commercial building for free. This was about in March, and we were ready to move in. (But) this business manager who owned the building didn't like our idea, and kick us out before we even moved in. ... Organic ... What a blessing! Then I said to Forest "what we gonna do?" We have a business and no place to go. And we all focused on no rent for one year, it was part of our business model. And I knew a couple of people, maybe you went to one of them, Alex in Beijing with the Foundation Centre, Chinese. I talked to a couple of people, so I called somebody in NPI, and (they said) "Oh, let's sit down and talk", and within a couple of weeks, we were welcome to open up. I mean I didn't even know the Social Innovation Centre existed, I did know about NPI in terms of their incubators for foundations, but had no idea that there was actually a working building with multiple enterprises. So it was like the best thing that never happen to us, we got kicked out this building (and find another one). So again this is all organic kind of thing. I am just thrown to be part of NPI and NEST. I think it is really exciting, (I have opportunity to connect with) heads of the Shanghai government.

H: What kind of resources you can get from NPI?

R: One is that they provide facilities at below market value, especially in Shanghai that would make it very difficult. They provide the collective strength, if we went to other building, everything we did we will be doing it alone, and we will be making mistakes that other people have made, we'd have to make them all for ourselves. Also people like Boehringer Ingelheim, when we first started talking to them, and we were in the other (commercial) building, Boehringer Ingelheim kept going "we don't want to give money or computers or whatever to a business, but the day we moved into NPI and NEST, we

were part of the Social Innovation Park. Even though I think NEST is in a grey area (between for-profit and non-profit), because people are making money in this building, this was enough for Boehringer Ingelheim and they said “OK, you are part of a bigger innovation project with the blessing of the government, so you have been validated”. So for us the benefits, we quickly got that validation in the eyes of others. You have the collective experience in this building, and the NEST, NPI, administrative people who you can go to ask for “what did you do”. You have Madam Ma’s, the Director of the Bureau of the Ministry of Civil Affairs, (support because) this is her project. So you have somebody looking after for her children. So there are many intangible benefits, it is not something pick-up and go. All these benefits are back to the organic, the guanxi, networks. And of course the fact that we are gonna move into this beautiful business park or innovation park is just fabulous. It is kind of like a dream come true to be part of the group, and have the potential for a place where there is a mix of coffee shops, restaurants and other people that the public want to come to. We do not want to work in the dark, what I mean by that is we want to be very public, we want Shanghai to see deaf people with good jobs. So we were thrown in this visible Incubator, the government goes “well we are very proud of (having these organisations)”, so there are many, many benefits.

H: What kind of benefit do you provide to NPI and other stakeholders?

R: I think obviously for Boehringer Ingelheim we are going to provide our opportunities for their staff to get back to community, this means their social responsibilities. For Shanghai City government, I think we contribute to that they are seeking answers to problems that governments cannot solve. I think the Chinese government has figured out that they cannot solve every problem, so we make contribution to help to develop a third sector through social innovation. Here in NEST, I think they liked us because we are kind of manufacturer and set up as a for-profit, I mean some of the NEST programmes are struggling how to keep their revenue up. Their social programmes (are) great, but how can they sustain? So we have a model that they are interested because we are not depending on foundation or charity to keep it open.

H: Have you got any kind of cooperation with the organisations here?

R: Yes, NEST provides a monthly meeting, all the people (attend) and they share. Starting in this month, we will have a monthly breakfast with Madam Ma and her staff. So Forest and I have developed three questions about social innovation and how we can help other parts of government, like we have to go to the food and drug administration which gives licences, but they are set up to deal with big companies like Siemens, so how we can get through the system? So now we can go to Madam Ma and ask “how can you small social innovation projects succeed in the big ocean?” So now we have our own social network and the biggest social network we are going to meet with.

H: Does building social networks bring in any additional costs to you?

R: Well you could pay somebody to do this. And more under Harvard’s model he would hire somebody to do some of these things. I think it depends. If it is Forest, not me, doing this, he would probably have to hire somebody to be their marketing. But because that is what I really want to do, it is just my time and money. So if you are giving advice to a social entrepreneurial organisation, or to somebody starting it, I would say make

sure you have two or three people with very different skills. If you all are knowledgeable about production or capitalisation but nobody is into generating human capital, so you don't have one of the three legs. So it is financial capital, knowledge of the business, and you are gonna to have somebody who not just can develop it, but actually brings. I am bringing all the years of disabilities, networks, and ten years of China network, you know, if you have to pay me, you have to pay me a million dollars to get all over that. The only way doesn't cost your organisation is that one of your founders (have the abilities). So I guess I would recommend that somebody who has a great social entrepreneurship idea should think about having an ownership or management team.

H: But attending the meetings (you have mentioned) tends to cost a lot of time and money to do it.

R: Yes my wife would say "yes there are expenses for my work", if this is just a straight business, then I and Forest probably wouldn't be putting so much unpaid time. But because we are driven by our social agenda, I think we have a different paradigm of these expenses, in other words, when I go to a meeting, getting them excited about hiring janitors, that is not gonna help SoE, but it is what my dream is about. I think this is probably a different paradigm than for a for-profit business, for people in a for-profit business, it is too expensive to be smoothing to be talking to all these people who are actually not going to help you tomorrow. Where in a social business, we are changing the world, and that is really what my goal is.

H: What is your understanding about social entrepreneurship or social enterprise?

R: Well, because you are writing a dissertation and I have done that, so I know you've read a lot. On social enterprise, the literature like this, I think social enterprise is a continuous, not just like a single right way. So over here (of a spectrum) you have a social enterprise in America, one I would call it Purple Heart, they collect clothes and then sell the clothes. Virtually a 100% the profit goes to their charity, and they use the money to feed and clothe the homeless people. Over here you have a big company like Target in America, big retailer; they commit 5% of all their profits to community programmes. Now nobody would call Target or Wal-Mart a social enterprise, but I think they are over here (in social enterprise) because they could take 100% of their profits and give it back to shareholders. So on this (business) end of the spectrum you've got a business that commits 5% of their money to social justice, and over here you've got somebody does 100%, and between you have a whole range of people. We are probably over here (more on the business side) because we do have to pay back investors. I guess the defining thing about a social enterprise is it must be committed to its vision and mission and its core values, because it is very easy for Forest and I or investors to go to "wow, we are making lots of money, and the social mission get lost, we forget where we started". So very important for social enterprise is to make sure that everybody who is in the core, key group knows why they are doing it. I mean, it took Forest and I a year ... I mean that was in a meeting when I meet with deaf people and Forest, because I've been doing this for 40 years. I could look at Forest and go "he really gets it, he is not just telling me things I want to hear, and a year from now, he is making a lot of money, and the things brought me to the table are not so important". Now Forest, now he believes in this, in the social agenda. So I think that is the key component in a social enterprise, that making profits is a means to the end, not the end it self.

H: So are you suggesting that it really depends on the founder rather than the business model or system?

R: Yes I think so, almost all the social enterprises I can think of come back to a key person. Even in Target, the big retailer, the original philosophy came from someone who carries many personal visions.

H: What do you think is the biggest difficulty of doing social enterprise in China?

R: I would be much easier if we had that million dollars, if we were capitalised fully, so that is the biggest challenge. Almost everything else, the knowledge base, the government, the marketing, those of all (are) doable mostly with hard work. Capitalisation, I wish we were more fully capitalised.

H: Is there any reason for these difficulties and how do you tackle them?

R: I guess my passion was so strong that I was willing to do this with low capitalisation as was Forest, we can do it, but it is gonna be a struggle in this first year, and that is why go to people like Boehringer Ingelheim, not just because we really want to work with them, but we need other kinds of capital. So they are giving us technical assistance, equipment. If we had to just use dollars or RMB, that there would be another ... million RMB.