Cross-Sectoral Partnerships as a framework for understanding Social Enterprises in China

Echo Lei Wang, PhD Candidate, National University of Singapore - King's College London

Abstract

There are many attempts to conceptualise social enterprises. However, most existing literature defines social enterprises as organisations combining non-profit missions with for-profit schemes. No existing literature has tried to understand social enterprise from the angle of cross-sector partnerships (CSPs). This paper argues that all social enterprises are hybrid organisations and presents a model to illustrate how the emergence of social enterprise could be embedded within the framework of CSPs. It argues that with hybridity as a basic feature, social enterprises can be essentially understood as the 'integrated' form of CSPs. As the three sectors in the economy defined by the tri-sector model increasingly converge in terms of resources, rules and objectives, and the social roles they perform, the traditionally divided sectors start to merge to form unique hybrid institutions called social enterprises. Hence social enterprises could be seen as sites where resources and principles from all three sectors meld under one institutional roof to serve a common social purpose. By understanding social enterprise from the angle of CSPs, this study not only expands the exiting framework of the latter, but also bridges the gap between what used to be divided literatures between the two concepts.

Introduction

The emergence of the concept of social enterprise occurred concurrently with the rise of neoliberalism, new public management (NPM) and new public service (NPS), through which the role of government has been transformed from 'rowing' to 'steering' (Osborne, 1993), and then to the more recent idea of 'serving rather than steering' (R. B. Denhardt & Denhardt, 2001). In many countries, this occurred with the decline of the welfare state both as a political stage and an ideology. As the state retreats from most of its roles from the social welfare sector via a series of policy tools such as contracting-out and privatisation, inter-sectoral relationships have also undergone transformations to reflect these pro-business changes. Social enterprise as a new form of organisations have emerged as a key creation of this process. Academically, it has led to an expanding pool of literature explaining the occurrence of social enterprise; and practically, it has created a whole set of alternative institutional options for organisations to design their own reforms.

Studies on social enterprise so far focus mostly on their characters and functions. A group of scholars examine the hybrid nature of social enterprises and how this may affect their social functions (Edwards & Pinckney-Edwards, 2008; Eldar, 2014); other studies focus on their enterprise models and operations (Kuan & Defourny, 2011). Another common topic is the typology and nature of social enterprises (Alter, 2007; Xiaohong & Ming, 2011), and some relate social enterprises to the social welfare system and democratic governance (Ebrahim, Battilana, & Mair, 2014; Pestoff, 2013). A last branch understands social enterprises as social entrepreneurship and exclusively studies its formation, conceptualisation, nature and associated social values (Austin & Stevenson, 2006; Hussain, Ishaq, & Ullah, 2014; Mair & Noboa, 2003; Peredo & McLean, 2006; Perrini & Vurro, 2006; Sullivan Mort, Weerawardena, & Carnegie, 2003). For studies of social enterprise concerning China, scholars have identified a few models of social enterprises based on their organisational types (Kuan & Defourny, 2011; Ming & Xiaohong, 2011).

However, current literatures reveal two shortcomings. While most studies state that social enterprise is a specific form of hybrid organisation, few has attempted to explain how the two terms are linked, neither has any tried to understand social enterprise from the angle of cross-sectoral partnership, which potentially offers new insights into this new form of organisations. By linking these seemingly divided literatures using a case study of a social enterprise in China, this paper paves the way for further research into the characteristics of social enterprise and hybrid organisations in general.

Defining Social Enterprise

J. Gregory Dees described social enterprise as ‘innovative not-for-profit ventures, (and)… social purpose business ventures, such as for-profit community banks, and hybrid organisations mixing non-for-profit and for-profit elements, such as homeless shelters that start businesses to train and employ their residents…’ (Dees, 1998). This provides one of the earlier definitions for social enterprise as a new form of organisation that spans across multiple sectors, has a ‘hybrid nature’, and are established with the purpose to achieve a social mission. These features are universally accepted as basic characteristics for social enterprise.

The Anglo-American definition agrees mostly with this definition when it defines as autonomous organisations that fulfill both social and economic criteria, by this it means providing goods and services to citizens (Billis, 2010; Borzaga & Defourny, 2004). Economic properties such as a significant level of economic risk (compared to NPOs), continuous provision of services and public products with mission-supporting commercial activities, are stressed under this framework (Dees, 1994; 1996; 1998a; Kerlin, 2006). The European research network, on the other hand, emphasizes 'citizen participation, provision and governing of social services and democratic governance (Defourny & Nyssens, 2006). It emphasizes dimensions such as democratic governance, high degree of autonomy, a reasonable level of voluntary-based workforce, which stresses the original, non-profit nature of the organisations as an extension of the traditional civil society in these countries (Defourny & Nyssens, 2010).

Understanding Hybrid Organisations

Hybridity as a concept has been extensively discussed in the literature. Hybridity may occur in different ways, leading to different organisational typologies. It might occur by joining the ultimate ends of for-profits with non-profits (Boyd, Henning, Reyna, Welch, & Wang, 2009; Brozek, 2009), by mixing and combining institutions across societal sectors (Brandsen, van de Donk & Putters 2005; Defourny & Nyssens 2010; Billis 2010), by integrating the commercial arm with the social arm (Alter 2006; Malki 2009; Nicholl, 2006); by the nature of goods produced (Becchetti, Pelloni & Rossetti 2008), or by the forms of ownership structure (Boyd et al. 2009; Billis 2010). These criteria based on vast forms of hybridity, along with the lack of adequate legal and regulatory framework, lead to organisational diversity and controversy in categorizing social enterprises (Bielefeld, 2012; Wolfgang Grassl, 2012).

The public-private approach to organisations is puzzling in a world where 'sector blurring' is becoming increasingly common. Organisations emerged cannot be easily classified by conventional government-business labels (Bozeman, 2004). The very same thing could be said about the third sector. Some scholars simplify hybrid organisations as organisations mixing for-profit and non-profit goals and approaches. Organisations emerged are usually classified under the NGO - business label best known for their difference in profit goals. This can be illustrated in the form of a continuum diagram as follows.

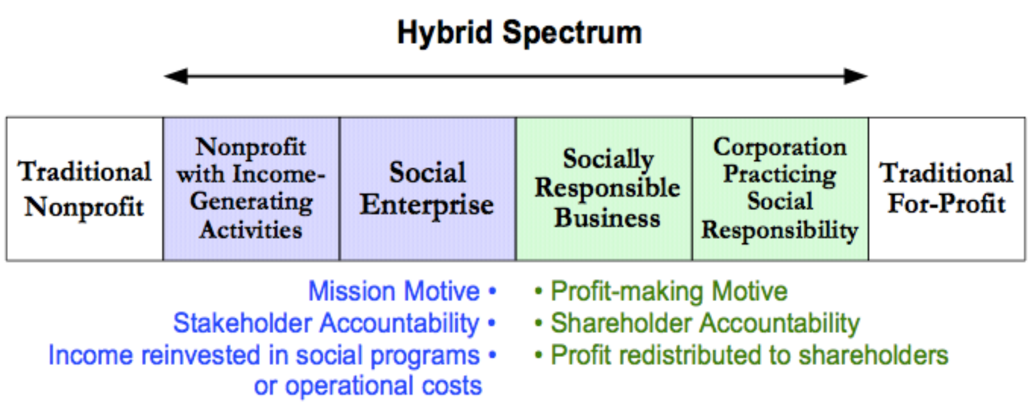

Figure 1: The Hybrid Spectrum for Social Enterprise Based on (Alter, 2007)

As shown, this approach sees hybrid organisations as points on a continuum between traditional non-profits, usually civil society organisations, and traditional for-profit businesses (Dahl & Lindblom, 1953). The organisations vary in degrees of hybridity reflected in their missions, accountability and profit distribution, with higher hybridity in the center and lower hybridity at the ends. Non-profits are motivated by social missions, are accountable to stakeholders, and must have a significant portion of income reinvested in their programmes and operations, while for-profit firms share profit-making motives, are accountable only to their shareholders, mostly via distributing dividends.

Defining hybrid organisations as points on a continuum is a valid approach, but it does not explain explicitly how institutions with conflicting missions and operational models may reconcile. It is arguable if organisational logics could simply been seen as a fluid combination of two contradictory missions and operations. As Billis (2010) correctly points out, one does not see organisations that combine multi-sectoral features and 'floating in the air'; organisations have 'roots' and have primary adherence to the principles of one sector (Billis, 2010). This implies that any study of hybridity must start by establishing 'the nature of the 'non-hybrid' state of the phenomenon (Billis, 2010). The tri-polar model for social economy provides a useful starting point to understand this argument.

Hybrid Organisations and the Tri-Sector Model

The 'Idea type' Sectors

In an economy, 'sectors' are universally defined as the common set of means of organising entities in a society, these include profit-seeking firms, public agents, the state, non-profit organisations, and an array of institutions with hybrid features in between these ideal forms (Googins & Rochlin, 2000). According to Billis (2010), the 'ideal type' of the three sectors differentiated by their consonant principles expressed with the five core elements; the structure of ownership, governance, operational priorities, distinctive human resources, and distinctive other resources. The fundamental argument of this approach is that organisations stemmed from one sector necessarily conform to specific rules of the sector, while the incorporation of rules external to that particular sector is deemed as supplementary.

The tri-sector model expresses the economy as comprising of three sectors — the public, the private, and the third sector. Billis' argument of 'organisational roots' arises from the sectoral analysis, which assumes the existence of an 'ideal type' for the sectors, each featured by its own set of principles. Based on this typology, an economy can be explained using a three-sector model, namely the private sector (relating to the market), the public sector (relating to the state), and the third sector that includes institutions that could not be classified under the first two (Billis, 2010; Kerlin, 2010).

Some scholars argue from the multiple sector approach (Brandsen & Van de Donk, 2005; Evers, 2005). A common perception is that hybrid organisations are permanent features in the social welfare system (Defourny & Pestoff, 2014; Evers, 2005). Evers (2005) describes it as 'shifts in the welfare mix' (p.2), as the traditional clear-cut separation of the three sectors are increasingly invalidated by the emergence of a unitary welfare service system that is shaped simultaneously by the steering mechanisms of all three sectors. Evers ascribes this to changes in welfare states, linked with a strong impact of new forms of participation, especially in terms of the proliferation of decentralised, autonomous single service organisations in civil society, which take a multi-principle approach based on practicality and efficiency that leads to a hybridised welfare system.

Hybrid organisations in many aspects consist of core elements from two or more sectors. The table below compares hybrid organisation with principles from the three 'ideal type' sectors and shows how the former is a combination of the core elements of the latter.

Core Elements	**Private Sector Principles**	**Public Sector Principles**	**Third Sector Principles**	**Hybrid Organisations**
Ownership	Shareholders	Citizens	Members	Stakeholders, shareholders,

Core Elements	Private Sector Principles	Public Sector Principles	Third Sector Principles	Hybrid Organisations
				citizens, members
Governance	Share ownership size	Public elections	Private elections	Share ownership, private elections
Operational Priorities	Market forces and individual choice	Public service and collective choice	Commitment about distinctive mission	Market choices alongside Commitment about distinctive mission
Distinctive human resources	Paid employees in managerially controlled firm	Paid public servants in legally backed bureau	Members and volunteers in Association	Mostly paid employees, sometimes include members and volunteers
Distinctive other resources	Sales, fees	Taxes	Dues, donations and legacies	Sales, fees, limited dues and donations

Table: The 'Ideal Type' Sectors and Hybrid Organisations (Billis, 2010), contents re-arranged by author

The Cross-Sector Partnership Framework

Three main frameworks have emerged from the literature based on the nature of inter-sectoral relationship formed between organisations across sectors. The first is the resource dependence framework, that organisations collaborate because any single sector lacks the competency to deal with social issues alone (Selsky, 2005). This framework is usually applied to explain unequal partnerships involving NGOs (Selsky, 2005). For the second stream of literature, the social issues approach, the focus is on how organisations and interest groups as stakeholders contribute toward solving the issues effectively. The central argument is that the state, private business, and non-profit actors should address social issues together by forming partnership networks. Since the alliance network could potentially exceed the scope of single organisation, working in teamwork would increase the chance of success in addressing the issue (Gray, 1989; Trist, 1983). This strand of argument is supported with the perception that joint arrangements have the potential to avoid failures due to single-sector's weakness, as the participants leverage on each other's comparative advantages and resources (Selsky, 2005).

The third approach is about dynamic interactions and new relationships evolved from organisations across sectors, which results in the blurring of boundaries between sectors (Prakash, 2002; Riain, 2000). This stream of literature usually goes beyond the scope of organisation studies and includes power distribution, organisational identities, and the confrontational roles of the sectors in the studies. Concepts such as 'hybrid governance' (Pestoff, 2009) and 'mixed welfare system' (Evers, 1995) emerge from this angle of approach to incorporate actors from various sectors under the framework of a unified social welfare system.

Hybridity in Cross-Sector Partnerships

It is only apparent that hybrid organisations are created with the objective to blend rules from different sectors in constructive manners. In other words, hybridity is ‘the pursuit of dual mission of economic sustainability and social purpose’ (Doherty, 2014). The fundamental principle of hybridity is to combine multiple institutional logics under one organisation’s roof. The rationality is that novel combination of different capital, knowledge, institutional logics, and regimes of justification would enable organisations to reduce their internal tension and conflicts, so they could better deal with complex situations (Pestoff, 2014).

In practice, this plurality requires collaboration across sectors via the formation of cross-sectoral partnerships (CSPs). CSPs are collaborations between actors from the public, the private and the third sector in order to achieve common objectives (Otiso, 2003). It could be either bi- or tri-sector partnerships depending on the participating sectors (Murphy & Bendell, 1997). Actors from any combination of the three sectors 'commit various resources and work cooperatively towards common goals' (Kindornay, Tissot, & Sheiban, 2014). According to Waddock (1991), 'a partnership is a commitment by a corporation or a group of corporations to work with an organisation from a different economic sector (public or nonprofit)' (Waddock, 1991). Partnerships occur in various forms, sometimes through forming hybrid institutions, to solve a variety of social issues more effectively than institutions from a single sector because they involve 'commitment of resources' to arrive at a common solution that usually stretch beyond traditional boundaries and conventional goals for singular type of organisations, and will benefit all partners (Waddock, 1991). Scholars have argued that CSP is related to 'network' or 'hybrid' governance (Hajer, 2009; Selsky, 2005).

CSPs are seen as a new and more flexible form of governance that allows public participation in policy agenda setting and implementation (Ähltröm & Sjöström, 2005; Linder, 1999). The key argument from this stand of literature is that the traditional imposition of a dichotomy of inter-organisational relationships (IORs) between competition and collaboration is found to be less helpful when it comes to understand complex inter-sectoral activities and hybrid organisations(Ähltröm & Sjöström, 2005; Rees, Mullins, & Bovaird, 2012; Waddell & Brown, 1997). Partnerships, or 'inter-organisational collaborative relationships' can be either vertical and horizontal, with the aim to achieve effective service delivery outcomes (Rees et al., 2012). The development of complicated cross-sectoral networks means that IORs are no longer constrained to institutions from the same economy sector, but the co-existence of institutions from the private, and public sector coordinated in various hierarchical or collaborative forms. Partnerships across sectors thus necessarily involve hybridity along multiple dimensions and to different degrees between and among sectors.

Social Enterprise as Hybrid Organisations

This paper argues that all social enterprises are hybrid organisations. The hybrid nature of social enterprises has been repeatedly emphasized in the European convention. Social enterprises are seen as a hybrid mixture of different sectoral logics, ideologies, and rules (Pestoff, 2009). A direct link between social enterprise and hybrid organisations can be established.

When third sector organisations overlap or merge with other major social institutions, such as private and public institutions, in terms of missions, operational mechanisms, method of income generation, or governance, this results in various levels of hybridity (Pestoff, 2014). Social enterprises are typical examples of hybrid organisations because they are created with the designated purpose to adapt to a changing economy — one example is the shift of welfare state regime to a market economy in the case of many European countries. While the civil society elements involved are predominantly based on social context, the different definitions of social enterprise share commonalities in partaking both non-profit and for-profit missions and in combining multiple mechanisms of income generation, including both those that are market-based and those that are donation-based.

Social entrepreneurs and the social innovations they initiate makes hybridity the predominant and permanent feature of social enterprises. As social enterprises started to emerge not only in Europe but also in North America, the analogical concept of 'social entrepreneurs' — people who utilise resources in pioneering manners to fulfil social needs — became a fundamental asset for social enterprises (Edwards & Pinckney-Edwards, 2008; Eldar, 2014). Austin & Stevenson (2006) defines this innovative quality as 'social entrepreneurship' — 'innovative, social value creating activity that occur within or across the nonprofit, business, and public sectors' . This creates new and viable socio-economic structures, relations, organisations and practices that yield and sustain social benefits (Fowler, 2010), which necessarily involves breaking up boundaries among organisational clusters, and by configuring itself as hybrid organisation, demonstrates strong entrepreneurial orientation (Mair & Noboa, 2003). This innate hybridity gives social enterprises a new corporate identity and entitles them to new sources of funding and human capital (Ming & Xiaohong, 2011), hence ensuing both their economic and social missions are reflected and fulfilled.

Linking Social Enterprise with CSPs

So far two arguments have been established, that CSPs are, and all social enterprise are by nature hybrid organisations. The central question is whether social enterprise can as well be understood using the CSP framework.

The literature provides various insights on CSPs, which could be used to understand social enterprise as one form of it. Borzaga and Defourny (2001:328) argue that '(Partnerships) is a characteristic of social enterprises'. Social enterprise by definition involves institutional collaboration from two or more sectors including the third sector. It could be seen as '*the voluntary collaborative efforts of actors from organisations in two or more economic sectors in a forum in which they cooperatively attempt to solve a problem or issue of mutual concern that is in some way identified with a public policy agenda item*' (Waddock, 1991: 481-482). Therefore, social enterprise can be seen as CSP at a mature stage, where new hybrid institutions emerge as a result of the multi-sectoral collaborations.

Kindornay, Tissot and Sheiban (2014) divide partnerships into four stages with increasing degree of collaboration and integration between the actors. It starts with philanthropic partnerships, which is solely about transferring resources in the form of partner's contribution to the NGOs, to transactional partnership that involves exchange of resources between the partners such as contractual services, to integrative partnerships when multi-stakeholder projects are carried out for all partners to interact and make decision collectively. The last stage, the transformational stage according to Kindornay et al. (2014), is 'the most advanced collaborative stage that a partnership can reach' (Kindornay et al. 2014: 12). This is the stage where public, private and non-profit actors engage together to catalyst social innovations. At this stage, one expects to see new institutions emerged, to alter or reform the way traditional actors behave and to introduce new practices and provide sustainable impacts. Social innovation usually occurs at this stage as a key feature of hybrid institutions, or more succinctly, social enterprises run by creative 'social entrepreneurs' (Mair & Noboa, 2003; Peredo & McLean, 2006; Perrini & Vurro, 2006).

The four different stages of partnerships highlighted in the above argument could be further divided into two major forms, namely the weak form or the collaborative form of partnership, and the strong form or the integrative form of partnership respectively. The weak form of partnership includes the philanthropic and the transnational stage of CSPs, which focuses on the transferring of resources among and across sectors. The three sectors liaise by contributing resources to each other and complete projects or programmes collaboratively, while each maintains its own independence and characteristics. Public-private partnerships, government contract services usually fall under this category.

The strong form of partnership includes the integrative and transformational stages of partnerships. As the bonds between and among sectors strengthen, resources are pooled together from various sectors to achieve a common social purpose. This leads to the formation of entangled social networks and resource-abundant amalgams with hybridity in the core. This entwinement of human resources, knowledge and information input, technical systems and operational schemes entwine overtime gives birth to innovative social institutions, social enterprise being one common example for such hybrid institutions.

The diagram below visually illustrates this transformation.

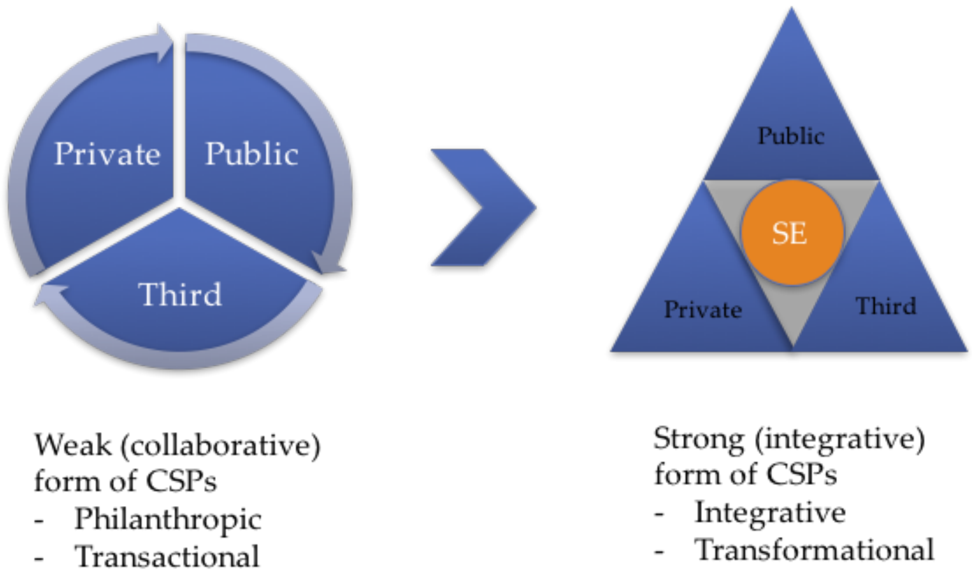

Figure 1: Linking Social enterprise with CSPs

Cross-sectoral partnerships usually occur in four 'arenas': business-government, government-nonprofit, business-nonprofit, and tri-sector. Such partnerships may take various structural forms from 'transactional' (short-term) to 'integrative' and 'developmental' (long-term and common-interest oriented) (Selsky, 2005). The business-nonprofit and tri-sector arrangements with 'integrative' and 'developmental' models are particularly relevant to social enterprise. As the traditional NPOs continue to face financial and social constraints that impede their missions, there is increasing social demand for cross-sectoral collaboration that could provide more effective and sustainable social services. Such demand is reflected in the increasing tendency for sectors to involve in partnerships, alliance and network governance. This has occurred under various institutional arrangements, ranging from social partnerships (Nelson & Zadek, 2000; Waddock, 1991; Warner & Sullivan, 2004), inter-sectoral partnerships (Waddell & Brown, 1997) to social alliances (Liu & Ko, 2011) — all point to the collaboration between actors from the third sector with more than one other sectors to solve social problems within the public policy agenda (Warner & Sullivan, 2004). Such alternative institutional arrangements through the practice of social enterprise thus allow service providers to overcome weaknesses and failures explicitly associated with a particular sector.

Theoretically, the strong form of CSPs provides more effective means to tackle persistent, long-term social problems. This is because integrative partnerships reduces the diversity of stakeholders involved, hence lowers the transaction costs in the endeavor and increases the capacity and efficiency of the partnership (Forsyth, 2007). Multiple actors cooperating under one institutional roof also reduces the complexity of any contractual arrangements involved (Forsyth, 2007), fosters congruent goals (Graddy, 2009), and increases trust (Lewis & Roehrich, 2010). Following this argument, weak CSPs should face the tendency to develop into the strong form of CSPs until the final stage, the transformational stage of partnerships is reached when social enterprises start to emerge.

Social Enterprise in China: Delivering Services through CSPs

This section analyses a social enterprise based in Beijing, China working in the field of Microfinance and poverty reduction to illustrate how CSPs can be applied to understand the organisation and development of social enterprise in China.

The social enterprise started as an NGO project in Beijing in 1996, a decade after Muhammad Yunus and his Grameen Bank started to promote microcredit services, firstly at Bangladesh then as a general model for poverty alleviation among developing countries (Bateman, 2014). From year 1996 to 1999, the NGO had been receiving support from the government to conduct experimental measures on poverty reduction based on the ideology and practices of Yunus' microcredit model of providing microcredit loans to the poor as seed funding to start their own small business practices. A few villages from several low-income provinces were selected to take part in the project. The NGO soon set up local microcredit departments in these villages to take charge of the projects of issuing micro credits to low-income rural households in small scales.

During the year 1999 to 2004, these activities had gradually been recognised by the local governments as effective means for poverty reduction and stronger partnerships started to emerge. Since the NGO had no formal legal rights to issue private financial loans to rural households, it set up a Community Service Center (CSC), a form of institution that could be involved in financial practices in China under the government supervision, collectively with the local government. The CSC is essentially a local agent for the NGO and is under its management, but was still under the government's supervision and control. Such partnership enables it to tap into resources of all three to ensure its effective management and operation.

The CSC was legally affiliated to the government agency and was led by a local governor, but it followed the agenda of the NGO and relied on the latter for its daily operations. Funds for the micro-loans were deposited under the local government, while staffs from the NGOs were responsible for managing the account. The local government office provided, firstly, capital and human resources such as funds, office space and facilities, and secondly, managerial leadership and regulatory guidelines, and thirdly, necessary prove of legitimacy and accountability for the project. The NGO, on the other hand, provided agenda and procurement plans, management skills, and basic executive staffs to run the project.

The project was an example of the collaborative form of partnership. The public sector retained its regulatory control by assigning the head of the CSC; the project was also procured under the name of the local Bureau of Poverty Alleviation, while benefiting from the resources provided by the latter. On the other hand, the NGO was the real steerer behind the project, as it was responsible for designing the model, generating ideas, and recruiting its own staffs. This partnership model was proven to be successful at kick-starting microfinance projects across less developed counties in China.

As the project grew bigger overtime, however, it soon met its constraints. The first issue was that since the local government had its say in the allocation and usage of the funds, its intervention was so overpowering that in some cases the local government officers set its own rules and recruited its own people, while the managers of the NGO were reduced to the role of executives. Conflicts raised from this 'double management' had imposed high transaction costs and reduced the efficiency and effectiveness of the programme. Since microfinance was a capital-intensive service, it was impossible for the NGO to break away from the government without its own sustainable income, hence its survival completely depended on the local government's favour. A third challenge was the shortage in recruitment for staffs who managed the complicated process of credit assessment and loan management, since salary from the non-profit sector was too low to attract talents.

In face of these challenges, the NGO saw the need to institutionalise the project. In 2005, based on the cooperation history between the parties, the NGO decided to detach its maicrofinance department into a project management firm. This strategy counts on the management efficiency and financial sustainability that an enterprise could potentially offer. The microfinance department registered itself as an independent corporate identity, and made the NGO and a few other investment funds its joint-shareholders. The commercial status of the organisation permits itself to attract investments while promising certain interest returns. Instead of relying on fund-raising or interest-free loans, which were limited in amount, the firm hired financial professionals to manage the funds and to negotiate with both national and private banks for low-interest loans. The organisation also became a debenture and bond issuer. Financial products that catered to the needs of low-income households were designed and promoted in the counties and villages, with an interest rate that could cover the cost of capital and operation of the organisation, making the programme more financially sustainable.

Upon this transformation from a project led by an NGO department to an independent social enterprise, a new, contract-based partnership was formed between the NGO and the local government office. This was reflected in two ways. First, when hiring the head of the CSC, the local government office nominated a list of candidates, and the SE decided on which candidate to hire. The SE could not go beyond the list but had the power to reject all candidates, under which situation the local government would have to generate a new list of candidates. This came as a measure to ensure separated and balanced division of decision-making power between the SE and the local government on leaderships concerning the social enterprise. Secondly, the contact between the social enterprise and the local government office were converted to one that legalised the social enterprise’s role in project management and appointed the local service center as a delegated public contractor of the social enterprise. The social enterprise hence became the site where the two parties from different sectors merged into one hybrid organisation to share resources and enhance collaborative performance.

Modern management methods from the private sector were also introduced into the organization for further structural reforms. The accounts of the SE were separated from its parental NGO to minimize mutual influence. Moreover, a board of directors was elected to oversee the activities of the organisation, now consisted of nine departments — human resource, accounting, investment and financing, branding and marketing, internal affairs, information and technology support, credit and loans, risk management, and internal audits — to manage the daily operation of the organisation at all geographical levels. A rigorous management network with vertical supervision and horizontal mutual support has been quickly established across the country, ensuring the delivery of efficient and professional service to the clients.

The development of the social enterprise within the CSP framework has inimitable significance to the Microfinance sector. Financial services have been running short in rural China because the return simply does not justify the high operational costs and risks involved for any single-sector organisation. This leads to a typical scenario of social exclusion in which destitution is enforced by lack of participation (Davis & Sanchez-Martinez, 2014). The social enterprise bridges this gap by; on the one hand, espousing enterprise scheme and modern management to increase cost-efficiency of the firm, and on the other hand perpetuating the social mission of its parental NGO that draws political and social support which subsequently lowers its costs input. This social enterprise model initiated as a CSP could be seen as a more effective option to replace the single sector model.

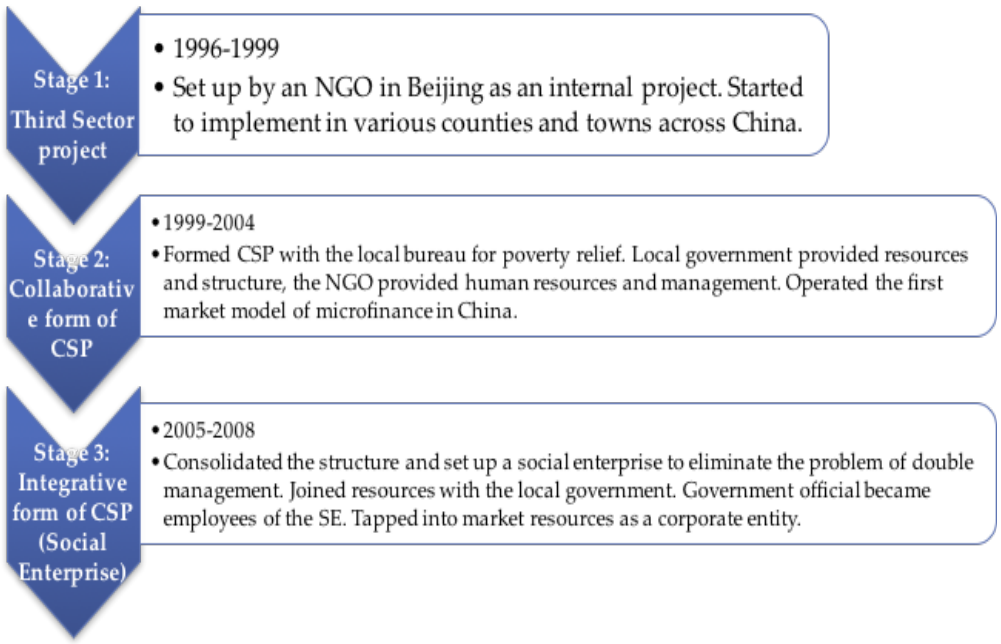

Figure 2: Development Flowchart of the Social Enterprise

The development flowchart of the social enterprise shows how the development stage of a social enterprise could be linked to different stages of CSP. Started as a project from the third sector, it scaled by forming partnership with the public sector to set up the first microfinance market in China. This stage of partnerships was marked by mutual collaboration, transfer of resources and capitals, and diverse actors involved in the partnership arrangements. Such arrangements are deliberative for local development, but are constrained by high transaction cost and resource scarcities. To overcome these obstacles, the stronger form of partnership was introduced to consolidate the governance structure, reduce uncertainty, and enhance efficient allocation of resources by forming a social enterprise. The SE plays the role of co-producer for the social service it offers. With its cross-sectoral features and high degree of hybridity, it became part of a system that mixes resources, strategies, and mechanisms from the public, the private, and the non-profit sectors, and makes use of the comparative advantages of all three in promoting social welfare and delivering social services. In this case the SE, the local government, as well as the overhead NGO share the social responsibility of tackling poverty through synergic collaborations.

Conclusion

One typical collaborative engagement is partnerships between the market, government, and civil society. By incorporating the social organisation with multiple disciplines from other sectors, social enterprises strengthen the third sector to meet new challenges by increasing its financial capacity and independence. By integrating closely with the market economy, the third sector organisations are capable of competing with private enterprises and even the state for social service provision roles, this could be understood from the angle of cross-sectorial partnerships. The unification of strengths from the public, private, and the third sector helps reduce chances of sectorial failure associated with any particular sector, leading to more effective social service offering. This transformation of institutional forms from traditional non-profit to social enterprise shows how an organisation from the third sector may optimize and enhance its functional and social roles through the new institutional form of social enterprise. It does not only explain the formation and development of social enterprise in China, but also demonstrates how the model and theory of cross-sectoral partnerships can be used to understand this process and the operational logics behind.

The emphasis would be how the three sectors could form alliances and solve conflicts towards building a social welfare system based on pluralism and collective contributions, a subject that has yet to be clearly analyzed in this study. A limitation of this paper is that it only draws on a single case study and therefore only serves to demonstrate how the development and operation of social enterprise could be understood by using the cross-sectoral partnership framework. More cases from China are needed for a more theoretically ‘dense’ conclusion. A further question to be answered would be to identify the necessary and sufficient conditions for CSPs to transform from one stage to another and eventually leads to the emerge of social enterprise as hybrid institutions. This would require more in-depth research into the topic.

Reference

Alter, K. (2007). Social enterprise typology. *Virtue Ventures LLC*, *12*.
Austin, J., & Stevenson, H. (2006). Social and commercial entrepreneurship: same, different, or both? *Entrepreneurship Theory and Practice*, 1042–2587. http://doi.org/10.1111/j.1540-6520.2006.00107.x/full
Ählström, J., & Sjöström, E. (2005). CSOs and business partnerships: strategies for interaction. *Business Strategy and the …*, *14*(4), 230–240. http://doi.org/10.1002/bse.470
Bateman, M. (2014). The Rise and Fall of Muhammad Yunus and the Microcredit Model. *SSRN Electronic Journal*.
Billis, D. (2010). Hybrid Organizations and the Third Sector: Challenges for Practice, Theory and Policy.
Borzaga, C., & Defourny, J. (2004). The Emergence of Social Enterprise. Psychology Press.
Brandsen, T., & Van de Donk, W. (2005). Griffins or chameleons? Hybridity as a permanent and inevitable characteristic of the third sector. *Intl Journal of Public …*, *28*(9-10), 749–765. http://doi.org/10.1081/PAD-200067320
Dahl, R. A., & Lindblom, C. E. (1953). Politics, Economics, and Welfare.
Davis, E. P., & Sanchez-Martinez, M. (2014). A review of the economic theories of poverty. *National Institute of Economic and Social Research, Discussion Paper No.435*.
Dees, J. G. (1998). Enterprising nonprofits. *Harvard Business Review*.
Defourny, J., & Nyssens, M. (2006). Dening social enterprise. Social enterprise. At the crossroads of market.
Defourny, J., & Pestoff, V. (2014). Towards a European Conceptualization of the Third Sector. *Accountability and Social Accounting for Social and Non-Profit Organizations (Advances in Public Interest Accounting, Volume 17) Emerald Group Publishing Limited*, *17*, 25–87.
Denhardt, R. B., & Denhardt, J. V. (2001). The new public service: Serving rather than steering. *Public Administration Review*, 1–11.
Doherty, B. (2014). Social Enterprise Journal – Annual Review. *Social Enterprise Journal*, *10*(3). http://doi.org/10.1108/SEJ-09-2014-0038
Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, *34*, 81–100. http://doi.org/10.1016/j.riob.2014.09.001
Edwards, E. J. M., & Pinckney-Edwards, J. M. (2008). Hybrid Organizations: Social Enterprise and Social Entrepreneurship. Lulu.com.
Eldar, O. (2014). The Role of Social Enterprise and Hybrid Organizations. *Yale Law & Economics Research Paper*. http://doi.org/10.2139/ssrn.2379012
Evers, A. (1995). Part of the welfare mix: The third sector as an intermediate area. *Voluntas*, *6*(2), 159–182. http://doi.org/10.1007/BF02353995
Evers, A. (2005). Mixed Welfare Systems and Hybrid Organizations: Changes in the Governance and Provision of Social Services. *International Journal of Public Administration*, *28*(9-10), 737–748. http://doi.org/10.1081/PAD-200067318
Forsyth, T. (2007). Promoting the "Development Dividend" of Climate Technology Transfer: Can Cross-sector Partnerships Help? *World Development*, *35*(10), 1684–

1698. http://doi.org/10.1016/j.worlddev.2007.06.001
Fowler, A. (2010). NGDOs as a moment in history: Beyond aid to social entrepreneurship or civic innovation? *Third World Quarterly*, *21*(4), 637–654.
Googins, B. K., & Rochlin, S. A. (2000). Creating the Partnership Society: Understanding the Rhetoric and Reality of Cross-Sectoral Partnerships. *Business and Society Review*, *105*(1), 127–144. http://doi.org/10.1111/0045-3609.00068
Graddy, E. A. (2009). Cross-Sectoral Governance and Performance in Service Delivery. *International Review of Public Administration*, *13*(sup1), 61–73. http://doi.org/10.1080/12294659.2009.10805140
Gray, B. (1989). Collaborating: Finding common ground for multiparty problems.
Hajer, M. (2009). A frame in the fields: policymaking and the reinvention of politics. (M. A. Hajer & H. Wagenaar, Eds.)*Understanding Governance in the Network Society* (pp. 88–110). Cambridge: Cambridge University Press. http://doi.org/10.1017/cbo9780511490934.005
Hussain, N. M., Ishaq, M. I., & Ullah, A. (2014). Assessing Social Entrepreneurship Initiatives: Journey of Past, Present and Future. *Advances in Social Sciences Research Journal*, *1*(3), 215.
Kerlin, J. A. (2010). A Comparative Analysis of the Global Emergence of Social Enterprise. *Voluntas*, *21*(2), 162–179. http://doi.org/10.1007/s11266-010-9126-8
Kindornay, S., Tissot, S., & Sheiban, N. (2014). The Value of Cross-sector Development Partnerships.
Kuan, Y. Y., & Defourny, J. (2011). Emerging models of social enterprise in Eastern Asia: a cross-country analysis. *Social Enterprise …*.
Lewis, M. A., & Roehrich, J. K. (2010). Towards a model of governance in complex (product–service) inter-organizational systems. *Construction Management and …*, *28*(11), 1155–1164. http://doi.org/10.1080/01446191003762249
Linder, S. H. (1999). Coming to Terms With the Public-Private Partnership: A Grammar of Multiple Meanings. *American Behavioral Scientist*, *43*(1), 35–51. http://doi.org/10.1177/00027649921955146
Liu, G., & Ko, W.-W. (2011). An analysis of cause-related marketing implementation strategies through social alliance: Partnership conditions and strategic objectives. *Journal of Business Ethics*, *100*(2), 253–281.
Mair, J., & Noboa, E. (2003). Social entrepreneurship: how intentions to create a social enterprise get formed. *IESE Business School, Working Paper No. 521*.
Ming, W., & Xiaohong, Z. (2011). An Outline of Social Enterprises*. *The China Nonprofit Review*, *3*(1), 3–31.
Murphy, D. F., & Bendell, J. (1997). In the company of partners: Business, environmental groups and sustainable development post-Rio.
Nelson, J., & Zadek, S. (2000). Partnership Alchemy: New social partnerships for Europe. *Partnership Alchemy: New Social Partnerships in Europe*.
Osborne, D. (1993). Reinventing Government. *Public Productivity & Management Review*, *16*(4), 349–356.
Otiso, K. M. (2003). State, voluntary and private sector partnerships for slum upgrading and basic service delivery in Nairobi City, Kenya. *Cities*, *20*(4), 221–229. http://doi.org/10.1016/S0264-2751(03)00035-0
Peredo, A. M., & McLean, M. (2006). Social entrepreneurship: A critical review of the

concept. *Journal of World Business*, *41*(1), 56–65. http://doi.org/10.1016/j.jwb.2005.10.007

Perrini, F., & Vurro, C. (2006). Social entrepreneurship: Innovation and social change across theory and practice. *Social Entrepreneurship*, *23*(1), 57–85.

Pestoff, V. (2009). Towards a Paradigm of Democratic Participation: Citizen Participation and Co-production of Personal Social Services in Sweden. *Annals of Public and Cooperative Economics*, *80*(2), 197–224. http://doi.org/10.1111/j.1467-8292.2009.00384.x

Pestoff, V. (2013). The Role of Participatory Governance in the EMES Approach to Social Enterprise. *Journal of Entrepreneurial and Organizational Diversity*.

Pestoff, V. (2014). Hybridity, Coproduction, and Third Sector Social Services in Europe. *American Behavioral Scientist*, *58*(11), 1412–1424. http://doi.org/10.1177/0002764214534670

Prakash, A. (2002). Green marketing, public policy and managerial strategies. *Business Strategy and the …*. http://doi.org/10.1002/bse.338/abstract

Rees, J., Mullins, D., & Bovaird, T. (2012). Third sector partnerships for public service delivery: an evidence review. *Third Sector Research Centre (TSRC) Working Paper*.

Riain, S. O. (2000). States and Markets in an Era of Globalization. *Annual Review of Sociology*.

Selsky, J. W. (2005). Cross-Sector Partnerships to Address Social Issues: Challenges to Theory and Practice. *Journal of Management*, *31*(6), 849–873. http://doi.org/10.1177/0149206305279601

Sullivan Mort, G., Weerawardena, J., & Carnegie, K. (2003). Social entrepreneurship: towards conceptualisation. *International Journal of*, *8*(1), 76–88. http://doi.org/10.1002/nvsm.202/abstract

Trist, E. (1983). Referent organizations and the development of inter-organizational domains. *Human Relations*.

Waddell, S., & Brown, L. D. (1997). Fostering intersectoral partnering: A guide to promoting cooperation among government, business, and civil society actors. *IDR Reports*, *13*(3).

Waddock, S. A. (1991). A typology of social partnership organizations. *Administration & Society*, *22*(4), 480–515.

Warner, M., & Sullivan, R. (2004). Putting partnerships to work strategic alliances for development between government, the private sector and civil society. Retrieved October 16, 2015, from http://public.eblib.com/choice/publicfullrecord.aspx?p=1741712

Xiaohong, Z., & Ming, W. (2011). An Outline of Social Enterprises*. *The China Nonprofit Review*, *3*(1), 3–31. http://doi.org/10.1163/187651411X566667