

## The Crucial Factors in the Sustainable Development of Social Enterprises: A Business Anthropological Case Study on Charity Shop in China

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**ABSTRACT** Based on a quantitative survey, this paper investigates the current situation of the development for social enterprises by drawing data from charity shops in Guangdong province, China. The paper seeks to identify the crucial factors associated with charity shops sustainable development, which lead to significant changes in the social transformation, and common patterns across a small set of successful charity shops through employing participant observation and in-depth interviews. After using the business anthropological methods, several conclusions which have formed as preliminary hypotheses are drawn. Four general observations are important for further learning on the sustainable development of charity shop, and four crucial factors such as, organizational arrangements, characteristics of leaders, characteristics of innovations in operation, scaling up and social transformation will affect the sustainable development of charity shop. It will contribute to the understanding of the determining factors for sustainable development of social enterprise. Finally, relevant implications are drawn and limitations of the study are discussed accordingly.

### INTRODUCTION

The concept of the social enterprise, with its emphasis on applying business strategies to achieving philanthropic goals, has kept pace with the evolution of the idea in the Western academic community (Zheng 2015). The concept of social enterprise is now emerging in China, but has not yet been widely known to the general public or regularly covered by mainstream media. The Chinese government is still trying to understand the new phenomenon and formulate policies to regulate it, and the directions of social enterprise are developing into the employment creation for a vulnerable social group, social integration, provision of service needed by social communities and welfare level of job creation (Balabanov 2015). It can be evaluated that social enterprises have rapidly grown due to enormous demands for welfare based on the welfare pluralism and know-how accumulated in the economic growth process (Tian 2014).

Social enterprise is defined as a company or organization that performs economic activities such as production and sales of goods and services, while firstly seeking the public interest, which is a social purpose (Zhang et al. 2015). This is to say, if a company wants to be a social enterprise, it should meet the requirements of an organization while performing economic activities (Kim et al. 2014). Obviously, charity shop which creates jobs or provides social services to the vulnerable social groups is a typical social enterprise. It acts as an important fund-raiser for its parent charities, working internationally, nationally or locally, linking the localities where it is situated with national or even global charitable endeavors and chains of production and consumption. Evidently, the legal requirements or position of such a charity shop and its historical backgrounds are also different. In China, charity shops could be found in many regions, but they center on the two aspects, one is to provide only the life necessities for disadvantaged people and the other is to promote the living standard and social welfare by guiding or helping those who have limited resource of information, fund, and manpower to broaden their mind and expand market for a better life.

Charity shop is the combination of non-profit and profit, that means it should employ busi-

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ness models to solve social problems and achieve sustainable development. However, without introducing market forces to establish their own “blood” function, many charity shops in China, just work as the “relief station” under the planning system. Therefore, many charity shops face operation difficulties and cannot run sustainably. It is considered that key factors should always strive for sustainable development of charity shop, including the strategic potential, organization structures, leadership, business model, market expansion (Tian 2013). The purpose of this research is to enhance our understanding of crucial factors in charity shop sustainable development by applying business anthropological methods to the analysis of case studies drawn from Guangdong, China.

## Literature Review

### *Research on Social Enterprise*

In foreign countries, the social enterprise has developed for hundreds of years and then the social enterprise came up in China within a few decades. Social enterprise can be viewed as a bridge between co-operatives and non-profit organizations, adding some features of private companies (Fowler 2000; Saade et al. 2016). It hopes to realize social and economic objectives simultaneously, and achieve balanced and sustainable development in the society (Angela and Kluver 2004). Unfortunately, the researchers in this field are seldom found and the social enterprise was roughly defined as the NGOs or NPOs that care little or make no profit, and nearly devote all to the society (Zhang and Miao 2011). Actually, social enterprise is a mixed organization (Dudin et al. 2013). As combining commercial enterprises with social impacts, social entrepreneurs have used business skills and knowledge to create enterprises that accomplish social purposes in addition to being commercially viable (Henry and Nijher 2016).

Social enterprise should use resources generated from successful commercial activities to advance and sustain their social activities, including the internet marketing (Tian and Wang 2014). What are the key factors in social enterprise development and how social entrepreneurship creates innovative solutions to current social problems and also mobilizes ideas, capacities, resources, and social arrangements required

for long-term and sustainable development? The researchers have focused in particular on four aspects: the characteristics of innovations, the characteristics of leaders, the organizational and institutional features, and the paths chosen for scaling up in social transformation (Alvord et al. 2002). First, most definitions of social enterprise emphasize the innovative character of business model. As overemphasizing social problems, social entrepreneurs should create innovative initiatives, build new social arrangements, and mobilize resources in response to those problems rather than dictate the market or commercial criteria (Dees 1998). Second, the researchers will look closely at the characteristics of leaders of socially entrepreneurial ventures, because in experience, particular individuals have made major contributions to the development of social enterprise. A third set of issues for investigation is the organizational and institutional features. Substantial evidence suggests that as initiatives face the challenges of expansion of their impact and sustaining their initiatives, their organizational and institutional features are important factors (Kislyakova 2014). Finally, the researchers are also interested in the paths chosen for scaling up in social transformation. Previous study suggests that a menu of different patterns for scaling up impacts can be identified, and that the key issues in scaling up involve organizing to fit the strategy chosen (Peter 1995).

Those who emphasize the economic sector as a significant context for social transformation tend to understand that social changes must be financially sustainable. However, social enterprises differ from ordinary businesses: profits are not the only objective, empowerment of disenfranchised people, improvement of the quality of people’s lives accounts, human capability building accounts for double bottom line (Nielsen and Samia 2008). Therefore, without a broader perspective, it is difficult to draw general conclusions or make substantive recommendations on sustainable development of social enterprises. Are there any models of social enterprise that are particularly associated with success in catalyzing long-term changes and sustainable development? There is growing interest among development practitioners for research, which would lead to more knowledge about the process and model development, better informed decisions and more effective social interventions (Vachani and Smith 2008). Obviously, this hinders op-

portunities for policy makers and social enterprise leaders to adapt and learn from successful models.

### *Research on Charity Shop in China*

Usually, social enterprise includes a wide spectrum of organizations, from non-profit business engaged in social beneficially activities to the for-profit organizations engaged in mission supporting commercial activity. Obviously, charity shop is a typical social enterprise. As the representative of social enterprises, charity shop has been booming in western counties during last two decades, but it is still a new phenomenon for Chinese scholars and practitioners. Charity shops are now significant occupiers of the UK high street and they are becoming familiar sites of consumption in other developed countries. Acting as important government owned fund-raisers in China, the number of charity shop is increasing, but brand management is poor (Dou 2012). Chinese researchers have concluded that the main problems of charity shop in China are, the insufficient supply of goods, lack of publicity, and unreasonable market positioning (Li 2013). As a supplement in the form of social assistance, the biggest problem of charity shop is that the survival rate is very low, even the newly opened charity shop faces closure danger (Ni and Wu 2010).

Research in China indicates that the sustainable development of charity shop is vital. Many scholars made the case study based on different choices of province and sample data. Based on collected data from Shandong province, the research found that system innovation is the guarantor for charity shop sustainable development (Sun 2009). Besides innovation, positioning determines the long-term development of a social organization, so the research should answer the question whether charity shop is the place of social donations or a social enterprise (Yuan 2011). Further, based on empirical analysis, the research found that the Chinese charity shop can learn from the “charity + enterprise” model, and integrate resources to achieve social benefits (Pan and Lu 2011). Accordingly, the characteristics of leaders, organizational features, and the planning are the three key factors to integrate social resources and maintain long-term healthy development of charity shop (Jiang 2011).

The researchers now turn focus from on how to get external funding to how to achieve sus-

tainable development by enhancing the organization’s internal operations, administration and decision-making. What does a review of Chinese literature uncover concerning the organization’s operations? There have been many scholarly suggestions for the improvement of operation and achieve the sustainable development of charity shop. The first thing is that the innovative model of such charity shops has changed in recent years. Under the government’s support, charity shop is strictly limited to the one-time bailout charitable purposes, which is not sustainable. On the basis of the analysis charity shop’s operating mechanism and functions, innovative operation models were introduced to solve these problems (Sun 2011). Additionally, charity shop can seek multiple channels and effective strategies by creating a sound external environment, enhancing the operating ability and building social support networks (Wang 2013). Further, learning from the successful experiences of Oxfam charity shop and Goodwill charity shop, “seven-step” road map is important for sustainable development of charity shop in China, including the measures of improving organizational and institutional features, the characteristics of leaders and the paths chosen for scaling up in social transformation (Wang 2014).

### **Significance of this Study**

It is of interest to review the Chinese research literature on charity shop development to see what are the main research methods being used. The literature review discovers that existing Chinese research in this area mainly employs document analysis and descriptive statistics, but the research rarely uses questionnaire study and anthropological methods such as informal interviews. The lack of qualitative research methods therefore has resulted in a lack of depth in the analysis of the intrinsic nature of Chinese charity shop development. The findings of previous research have been less reliable and could have been more effective if more qualitative research methods would have been employed. Business anthropology is the appropriate qualitative research method (Wallace 1956). In addition, the research is usually not comprehensive and extensive, focusing mainly on the development status, and sighting external or internal factors such as organization, leadership, operation, etc. Therefore, it is necessary to employ new research

methods (Tian et al. 2013). The research described in this study relies heavily on qualitative anthropological methods to provide more profound insights into the operation status and crucial factors than those that have been obtained before. More specifically, this research was designed and planned in order to do just that in the Chinese context with the purpose of finding crucial factors in the sustainable development of charity shop through the application of business anthropological research methods to the analysis of case studies drawn from Guangdong province, China. Therefore, the researchers used three research methods: questionnaire survey, in-depth interviews, and participant observation.

## METHODOLOGY

### Questionnaire

The survey method is typically used in business anthropology for quantifiable data. In this study, the researchers had conducted preliminary design based on the combination of on-the-spot investigation on Cunxin Charity Shop and literature research before final design. After questionnaires and interview outlines were designed, the researchers firstly applied four samples to pretest in Guangzhou and Dongguan in order to examine the rationality and learned more about this field. Based on questionnaires and interview outlines collected, they revised them to make them simpler and easier to be understood. They designed different questionnaires in response to different interviewee groups involved, including questionnaires for managers, clients, and employees. The questionnaire survey was carried on in 43 charity shops from December 2014 to March 2015 in 15 cities in Guangdong Province. The research covered 39 charity shops and collected valid questionnaires (including 39 for managers, 152 for original clients, and 39 for employees).

### In-depth Interview and Participant Observation

Based on the degree of market-orientation ranging from high to low, they divided 39 charity shops into four types: direct supply type, targeted supply type, market sales type, and goods selling and service offering type. They chose four charity shops which were goods selling and service offering type as cases to explore. Fur-

ther, they tried to conclude keys of sustainable development for charity shops. In this study, they conducted in-depth interviews with decision makers, managers, employees, officials, and clients.

Participant observation is another method in doing business anthropology. From December 2014 to March 2015, members of the charity shop survey team observed original clients and employees at four chosen charity shop for a period of about 12 weeks. The observations were made randomly at the four different charity shops at different business times. The purpose of the observation is to verify and confirm the results of the in-depth interview and questionnaire research.

## RESULTS

### Questionnaire

In this research project, they conducted three questionnaires surveys to understand the development status of charity shop in China. Samples include three types: questionnaires for managers, clients and employees. Researchers found that 64 percent charity shops are located in central Guangdong Province, 10 percent are in northern Guangdong Province, 10 percent are in eastern Guangdong Province, and 16 percent are in western Guangdong Province (Table 1). Among operation modes of these shops, merely 38 percent of them are market sales type, 49 percent are targeted supply type, and 13 percent are direct supply type. As for daily operation hours, only two shops keep running for more than 12 hours while many shops which occupy 41 percent operate for 6 to 8 hours. For founding time, 41 percent shops have been around for not more than 1 year while just 10 percent shops have been around for more than 3 years. This data suggests the low survival rate of charity shops.

### Basic Details of Operation

Table 2 reveals the basic details of charity shops operation: the variety of goods is very limited, and goods are mainly necessities, including grain and oil, and commodities. However, clothes are sold in 23.08 percent shops, and other kinds of goods are provided less. Meanwhile, services offered by charity shops for clients are also single, just commodity exchange. Only 20.51 percent shops offer goods return and change

**Table 1: Questionnaire sample**

Respondents	Manager 39	Original Client 152	Staff 39	-
Location	Middle Guangdong 25	Eastern Guangdong 4	Northern Guangdong 4	West Guangdong 6
Operation mode	Direct supply 5	Targeted supply 19	Market sales 15	-
Operation hour every day	Above 12 hours 2	8 to 12 hours 9	6 to 8 hours 16	Below 6 hours 12
Founding Time	Above 3 years 4	2 to 3 years 6	1 to 2 years 13	Within 1 year 16

service, and 15.38 percent shops offer home-delivery service. With regard to the price, more than 70 percent clients think prices of charity shops are lower than original shops. Therefore, closely half of clients think they receive material benefit from prices. Nevertheless, 92.76 percent clients think the most attractiveness of charity

shops is that they go shopping and do charity as well.

### Social Transformation Impacts

From Table 3, when coping with the social transformation, 51.28 percent of the managers

**Table 2: Basic details of operation**

Questions	Top explanations	Frequency	Frequency rate (%)
1. Type of Supplies	Grain and oil	39	100.00
	Commodities	26	74.36
	Snacks	19	48.72
	Clothes	9	23.08
2. Type of Services	Offering return and exchange goods	8	20.51
	Offering home-delivery service	6	15.38
3. Prices Compared to Other Shops	Lower	108	71.05
	Similar	28	18.42
	Very low	11	7.24
	High	5	3.29
4. Reasons for Shopping in Charity Shops	Do charity	141	92.76
	Low price	75	49.34
	Reliable quality	31	20.39

**Table 3: Business model and operation**

Questions	Top explanations	Frequency	Frequency rate (%)
1. Whether Satisfied with the Present Operation Situation	Dissatisfied	20	51.28
	OK	15	38.46
	Very dissatisfied	2	5.13
	Satisfied or very satisfied	2	5.13
2. Selling Channel	More than a physical store	3	7.69
	Sale proportion	9	23.08
	E-sales	8	20.51
3. Cooperation with Main Suppliers	Short-term; cooperation without contracts	23	58.98
	Long-term; cooperation without contracts	13	33.33
	Long-term cooperation with contracts	3	7.69
4. Main Fund Resources Reinvested	Social donation	37	94.87
	Government financial subsidies	30	76.92
	Operation income	8	20.51

are dissatisfied with operation situation of their shops, 38.46 percent of managers think it is not so bad, while only 5.13 percent of managers are satisfied or very satisfied. Why? For sales channels, most charities have difficulties in expansion and further development because of merely owning a physical store. Additionally, charity shops which once applied sales promotion and set up an e-commerce platform are in minority, just taking proportions of 23.08 percent and 20.51 percent. The cooperation with main suppliers supports the sustainable operation of charity shops. However, 58.98 percent builds the short-term cooperation and 33.33 percent built the long-term cooperation without signing contracts, compared with 7.69 percent signing contracts, which is difficult to assure stable goods supply but restrain the further development of charity shops. Besides, among main fund resources reinvested, 94.87 percent is from social donation and 76.92 percent is from government financial subsidies, while only 20.51 percent comes from operation income.

### Employee Management

Table 4 suggests employee management in charity shop organization. Obviously, more than

**Table 4: Employee management**

<i>Questions</i>	<i>Top explanations</i>	<i>Frequency</i>	<i>Frequency rate (%)</i>
1. Main Employee Resources	Receiver (the disabled)	20	51.28
	Professional employee	9	23.08
	Official	6	15.38
	Volunteer	4	10.26
2. Employee Training	Haven't been	20	51.28
	More than one training in a year	2	5.13
3. Original Employee Wage	Below 1000 yuan	24	61.54
	1000 yuan to 1500 yuan	12	30.77
	Above 1500 yuan	3	7.69
4. Incentive System for Employees	Having rules which motivate employees	5	12.82
	Offering bonus or material Awards	0	0.00

**Table 5: Management and supervision mechanism**

<i>Questions</i>	<i>Top explanations</i>	<i>Frequency</i>	<i>Frequency rate (%)</i>
1. Fund Management	Making up fund management regulation	23	58.97
	Publishing account	21	53.85
	Asking third-party audit	19	48.72
2. External Supervision	Department of civil affairs	24	61.54
	Charity institution	10	25.64
	None or anything else	5	12.82
3. Whether to Set Up Complaint Box	No	31	79.49
	Yes	8	20.51

half of employees are disabled. The number of officials and volunteers account for 15.38 percent and 10.26 percent, while professional employees take up 23.08 percent. It makes charity shops less professional and competitive. As for these unprofessional employees, though 51.28 percent charity shops offer rough introduction training, none of them offer long-term professional training. On employee incentive mechanism, 61.54 percent charity shops offer employers salary below 1000 yuan which can't meet the minimum-wage level of Guangdong Province. Besides the wage, none of shops carried on incentive measurement and employee benefits. Only 12.82 percent charity shops have rules for awarding excellent employees, which are certificates or oral praise instead of any bonus or material award.

### Management and Supervision Mechanism

Table 5 shows the overall management and external supervision of charity shops. From Table 5, merely 58.97 percent of the charity shops have fund management constitutions, and 53.85 percent of the charity shops publish accounts and 48.72 percent invite third-party audit. Nearly

half of charity shops' fund management are not open and transparent, which means it is difficult for charity shops to attain supervision and support from public and further development. In the regulator and supervision organizations of charity shops, 61.54 percent are from local Department of Civil Affairs and 25.64 percent are from charity institution. Because of insufficient consideration about the need of public supervision, 79.49 percent of the charity shops haven't set up complaint boxes for public supervision and suggestions.

### **In-depth Interview and Participant Observation**

Based on the questionnaire investigation on 39 charity shops in Guangdong Province, the researchers focused on the survival condition

and sustainable development predicament of charity shops from operation mode, influence of social transformation, employee management and fund management and supervision of four dimensions. Further, they observed the successful operation of charity shops with high market-orientation and conducted in-depth interview with the managers, in order to find the key to success and provide reference for other charity shops in building their own sustainable operation mode and realizing sustainable development.

### **Social Enterprise Cases**

From Table 6, the background information of cases are presented, which include Youai Charity Shop in Guangzhou, Cunxin Charity Shop in Shantou, Luocun Charity Shop in Foshan, and Tianrun Par Shop in Dongguan.

**Table 6: Brief overview of the cases**

#### ***Youai Charity Shop in Guangzhou***

Youai Charity Shop in Guangzhou, funded in 201 by Youai Youth Innovation Practice Center that is a student organization of Zhongshan University in Haizhu District, has been registered in the Department of Civil Affairs. For four years, Youai Charity Shop has devoted itself to recycling resources. Youai Charity Shop resell, hold charity bazaars, or re-donate something serviceable donated by social public. All of the revenue is invested in the shop operation and support sick students and poor people. At present, the shop has become profitable, and makes good use of earnings to help groups in need. As the charity shop started e-commerce to realize donation and shopping, the scope of services and receivers has enlarged.

#### ***Cunxin Charity Shop in Shantou***

Founded in 2013, started by Cunxin Charity Institution and Department of Civil Affairs in Shantou, Cunxin charity shop has been registered in Ministry of Civil Affairs. During the past two years, the charity shop put its earnings into helping people in need. In the charity shop, receivers can choose what they need, and donors can directly donate goods, fund and decide their receivers. To poor people, the shop sells goods at the price 5 percent lower than market price. To original people, the shop sells goods at market price. The charity shop recycles serviceable used goods, and lends medical apparatus and instruments for free. The manager of the shop attached the importance to further learning and management ability. He has cooperated with Chaoyihui, the local e-commerce platform, to expand service objects and range.

#### ***Luocun Charity Shop in Foshan***

Founded in 2006, started by local government and Luocun Charity Institution, the shop affairs are mainly managed by the charity institution. Since 2012, Luocun charity shop has applied "time credit plan" to support poor people by offering income and resources. Based on the cooperation built by the charity shop with school and government, employers offered charity posts which require little professional techniques, charity shop offers job-oriented training, and receivers can earn the time credit tickets to pay equivalent goods. It totally changed people's mind that poor and disabled people can't make a living by efforts after training. In 2015, the shop successfully developed "preserved fresh flower" project. These handcrafts are on sale in the shop and better known after advertising on weibo, wechat and newspaper.

#### ***Tianrun Par Shop in Dongguan***

In 2014, Dalang Township Government granted the shop license. Dalang Supply Par shop was officially founded as a self-employed shop registered in SAIC. Nowadays, the shop is on its way to be formal, professional, it gets tax benefits from the government, and its operation revenue has greatly increased. As a shop which had charity and sale function, it provides a new service platform so that more donors and receivers can participate in. The charity shop applied "farming-supermarket" docking, and cooperated with large wholesalers. More than 6 types and 50 varieties of goods is selling in the shop at prices 10 percent to 15 percent lower than market price, including grain, cooking oil and other agricultural byproducts. The charity shop accepted orders from government and enterprises. In addition, shopping cards are handed out to helping objects by the government which can be used to exchange equivalent goods in this shop.

### Characteristics of Innovations in Operation

The innovation modes of four charity shops described in Table 7 vary. Youai Charity Shop in Guangzhou maximizes operation revenue to support sick students, Cunxin Charity Shop in Shantou sets different prices for different consumers, Luocun Charity Shop applies time credit tickets, Dalang New Supply Par Shop employed low prices sale promotion. Although these innovation modes differ, they have something in common—developing new projects to build innovative operation mode and introducing market mechanism. To build an innovative operation mode, what a charity shop should do includes three aspects: profit-making patterns, brand building and sales mode.

First, as a social enterprise which combines economic benefit and social benefit, it is most essential to make commercial profit. Therefore, to build innovative profit-making patterns is the key in charity shop innovation. Table 7 shows that because of the successful management, Youai Charity Shop in Guangzhou makes profits, and part of which are invested to support sick students. In this way, the shop makes profits as well as helps people in need. As for Cunxin Charity Shop in Shantou, the shop sells goods at two kinds of prices and invests sales to the shop operation and charity, meanwhile, the shop also hands out charity cards to low income households, which realizes both economic benefit and social benefit. Another two charity shops are selling goods at prices lower than market prices, for example, preserved fresh flower.

Second, charity shops build their own brand starting from labeling commodities. For example,

Cunxin Charity Shop seeks quality suppliers selling tissues, cups, and electric fans, and signs the cooperation agreements that the shop is allowed to put up its logo of suppliers and sell at a low price to attract clients. Table 7 suggests that other three charity shops also choose certain goods to build their brands, including stools sold in Youai Charity Shop, handicrafts sold in Luocun Charity Shop, and fans and cups sold in Tianrun Par Shop.

Moreover, to realize sale mode innovation, applying WeChat and Taobao and other sales platform is the important measure of these four shops facing social transformation. In general, though these four charity shops which are most market-oriented and successfully running have different ways when facing the crucial moment, the keys presented in the following are in common:

**Hypothesis 1:** Charity shops should build innovative operation mode, including:

To build innovative profit-making patterns based on sustainable development.

To build their brand by selling distinct goods.

To build innovative sale mode by e-commerce platform.

From Table 8, the researchers can conclude the characteristics of leaders from the research and rank of how they built sustainable development. It can be estimated to what extent the managers' adaptability to social environment and consideration of different groups based on life and social experience can make a difference in building sustainable development mode for charity shop. When a leader knows about and well cooperates with all social groups, he or she shows best leadership. If a leader is capable but fails to have relative resources, he or she is an ordinary

**Table 7: Innovations in operation**

	<i>Innovative profit mode</i>	<i>Building own brand</i>	<i>Sales platform</i>
<i>Youai Charity Shop in Guangzhou</i>	Part of earnings are invested into operation, another part are invested to supporting groups in need. Sell foods at low price.	Stool	WeChat, Taobao shop
<i>Cunxin Charity Shop in Shantou</i>	Sell goods at two kinds of prices, invest earnings in operation and support, and hand out charity card to low-income households.	Tissue, cup, fan	Micro shop
<i>Luocun Charity Shop in Foshan</i>	Sell goods at prices lower than market prices and offer skills training. Receivers earn time credit tickets to exchange goods.	Handcraft	Micro shop
<i>Tianrun Par Shop in Dongguan</i>	Sell goods at prices lower than market prices, and hand out cash vouchers to receivers.	Fan, cap	Micro shop

**Table 8: Characteristics of initiative leadership**

	<i>Bridging capacity</i>	<i>Adaptive leadership capacity</i>
<i>Youai Charity Shop in Guangzhou</i>	<i>High:</i> The manager is the leader of non-profit organization in Zhongshan University, and he has joined volunteer teaching. As an engineering student, he had mastered computer. In addition to what he has learned, he also has some friends working for computer and Internet industry, who can help him in operating e-commerce.	<i>High:</i> The group where the manager belongs conducted long-time investigation and got deeper understanding of the market. As an engineering manager, he has become a manager with distinct generational characteristic and adaptive leadership capacity to the information age.
<i>Cunxin Charity Shop in Shantou</i>	<i>High:</i> Being one of the manager, and the president of Cunxin Charity, he is well-connected and used to be a successful businessman, so he keeps close connects with entrepreneurs. He insisted on building connection with the manager, volunteers, receivers, and government. Another manager is a disabled person who is also used to be a businessman. He closely connects with business man, receivers and volunteers, and he is devoted himself to charity work.	<i>High:</i> The managers has been devoted himself to charity work for scores of years. Because he has been the vice president of council of Guangdong Charity Federation, and the president of Cunxin Charity, he is good at handling challenge and adapting to transformation. He initiatively cooperatives with e-commerce platform "Chaoyihui". He also cooperates with Shantou University Business School, and seeks advice on charity shop operation from teachers.
<i>Luncun Charity Shop in Foshan</i>	<i>Medium:</i> The manager is the government staff and keeps connections with others, so he can build the relation with a few enterprises, disabled institutions and other organizations by the government platform.	<i>Medium:</i> The manager works for the government, and he keep operating the charity shop and receiving help from the government as well, but he is lack of professional ability.
<i>Tianrun Par Shop in Dongguan</i>	<i>Medium:</i> The manager is used to be a self-employed laborer and keeps close relation with consumers and a few suppliers.	<i>Medium:</i> The manager has the experience of scores of individual operation, and he can handle the challenge well. After a series effective management reform, the operation mode of the charity shop is still less than professional.

leader with medium-level leadership. If a leader doesn't have related ability neither enough resources, his or her leadership stays in low level. Among the four charity shops, the manager of Youai Charity Shop is a graduate of Zhongshan University who keeps good relationship with other students and social groups. The two managers of Cunxin Charity Shop have rich business experience and well-connected network both facilitating their management. The managers of another two charity shops have lack of enough sociability. Though they can cooperate with some institutions and organizations, they still fail to fully utilize external resources, which may restrict charity shops' sustainable development.

Meanwhile, the leaders' adaptive ability to social environment is also a key to charity shop. The managers of Youai Charity Shop and Cunxin Charity Shop can keep up with the times, apply e-commerce, and make good use of Internet and social media like WeChat to expand influence. Furthermore, to develop a successful social en-

terprise, depending on short-term efforts fails to make a difference. So the manager of Cunxin Charity Shop planned to open a flea market, communicated with teachers of Shantou University Business School and sought the proper operation mode for further development. Instead, the manager of Luocun Charity Shop insisted on the old operation mode, which cut up the transformation and development in the operating system. Though the operation of Tianrun Par Shop improved after experiencing a series reform under government direction, it hardly got further development because of the lack of professional ability of the leader.

**Hypothesis 2:** Successful leaders should have good sociability and rich social resources.

### Organizational Arrangements

Effective organization facilitates sustainable development mode, including operation organi-

zation and external network. Operation organization belongs to internal management, and it will be measured from scale, management system, employee development, and M&E in the following. Table 9 shows that there isn't distinct difference among charity shops, they are all small and medium scale with the number of employees not more than ten. As for the management system, all the charity shops have weak management system except Youai Charity Shop which has clear rules and employee regulations. It can be concluded that most charity shops' market operations have system guarantee. Some employees are employed from job market, while others are receivers, the disabled and volunteers with medium staff quality and experience short term inducting training, which cannot assure the organization's further development. In addition, for M&E, all charity shops' operation reports are audited by the third party and published to make sure the transparency, except that Tianrun Par Shop doesn't publish the account.

**Hypothesis 3:** Charity shops can enhance organization assurance of market operation and capacity of sustainable development by investing on increasing scale up effect, improving management system, supporting employee's development, and strengthening M&E.

Related research found three successful ways to expand the influence of social enterprises: increasing the coverage, expanding function and kinds of service and adding projects which donors can take part in. Table 10 suggests that

the four charity shops increase the coverage by adding kinds of goods and services in order to meet larger participant groups, including receivers, ordinary consumers, and donors. The kinds of services of these four charity shops are more varied and can meet most of the consumers' need. Therefore, the coverage of these charity shops is large. Further, these four charity shops aim at different kinds of services. Youai Charity Shop and Cunxin Charity Shop have started e-commerce website and offered convenient service. Meanwhile, Cunxin Charity Shop lend medical apparatus and instruments for free, recycle worn clothes and offer free delivery to home. Luocun Charity Shop in Nanhai District of Foshan and Dalan New Supply Tianrun Par Shop have different kinds of service projects.

**Hypothesis 4:** Charity shop need to increase kinds of goods, services and projects to realize scaling up strategy.

Besides, facing social transformation and fierce market competition, charity shops remake their focus strategies after taking their operation and local situation into consideration. The five-year development strategy of Youai Charity Shop focuses on selling household goods and office supplies, cooperating with local e-commerce enterprises and becoming the most influential local o2o online charity shop. The five-year development strategy of Cunxin Charity Shop in Shantou is targeting at clothes, furniture, and medical apparatus and instruments, cooperating with Shantou University Business School, and de-

**Table 9: Organizational arrangements**

<i>Operational organization</i>	
<i>Youai Charity Shop in Guangzhou</i>	<p><i>Scale:</i> Medium, ten employees  <i>System:</i> Medium, with rules and employee regulations, without internal supervision system  <i>Employer:</i> Medium or high quality, with short term training  <i>M&amp;E:</i> High, going to Department of Civil Affairs in Haizhu District of Guangzhou for annual inspection, the operation report is audited by the third party and published on the website</p>
<i>Cunxin Charity Shop</i>	<p><i>Scale:</i> Medium, six employees  <i>System:</i> Low, without written rules or employee regulations  <i>Employer:</i> Medium quality, volunteers; without training  <i>M&amp;E:</i> Medium, employing a professional accountant who is responsible of the balance and audit of account; being audited by the third party directed by the Department of Civil Affairs; publishing the results in Shantou Daily</p>
<i>Luocun Charity Shop</i>	<p><i>Scale:</i> Medium, six employees  <i>System:</i> Low, without written rules or employee regulations  <i>Employer:</i> Medium quality, low income households or part-time employees who work for government; with short-term training  <i>M&amp;E:</i> High, operation report written by managers, audited by professional accounting firm, supervised by internal supervisory board, published on newspaper</p>
<i>Tianrun Par Shop in Dongguan</i>	<p><i>Scale:</i> Small, two employees  <i>System:</i> Low, with employee regulation but without written rules  <i>Employer:</i> Medium quality, from job market, with training  <i>M&amp;E:</i> Medium, account reports audited by the third party, without being published</p>

**Table 10: Social transformation strategy**

	<i>Scaling up strategy</i>	<i>Focus strategy</i>
<i>Youai Charity Shop in Guangzhou</i>	<p><i>Kinds of goods:</i> Mainly selling books, besides furniture, stationery and electrical appliances</p> <p><i>Kinds of clothes:</i> Building online sales platform, offering online donating and buying, enlarging the scale of donors and receivers.</p> <p><i>Kinds of projects:</i> Cooperating with other organizations to support the poor</p>	<p><i>Strategy:</i> Cooperating with local e-commerce enterprise and be the most influential o2o online charity shop</p> <p><i>Key Areas:</i> Households goods, office supplies</p>
<i>Cunxin Charity Shop</i>	<p><i>Kinds of goods:</i> Including alcoholic, snacks, grain and oil, cleaning, households goods, and clothes</p> <p><i>Kinds of clothes:</i> Cooperating with “Chaoyihui”; donors can decide their receivers; recycling worn clothes; offering delivery to home service</p> <p><i>Kinds of projects:</i> Cooperating with suppliers, revitalizing unsalable goods</p>	<p><i>Strategy:</i> Cooperating with Shantou University Business School and developing to be a large flea market</p> <p><i>Key Areas:</i> Clothes, furniture and medical apparatus and instruments</p>
<i>Luocun Charity Shop</i>	<p><i>Kinds of goods:</i> Including alcoholic, grain and oil, cleaning, electrical appliances, clothes, and cooperating with local manual workshop</p> <p><i>Kinds of service:</i> Receivers can earn time credit tickets by efforts; introducing and offering charity posts for poor people; offering skills training for receivers; providing pre-sale service and after-sale service.</p> <p><i>Kinds of subjects:</i> Selling “Preserved Fresh Flower” handcraft</p>	<p><i>Strategy:</i> To be a famous skills training chain shop</p> <p><i>Key Areas:</i> Sales skills and handcraft production</p>
<i>Tianrun Par Shop in Dongguan</i>	<p><i>Kinds of goods:</i> Including alcoholic, snacks, grain and oil, cleaning, households goods, stationery and books</p> <p><i>Kinds of service:</i> All the consumers buying at the prices lower than market price</p> <p><i>Kinds of projects:</i> Applying “Farming-Supermarket” Docking mode</p>	<p><i>Strategy:</i> To become a famous chain charity shop in the whole province</p> <p><i>Key Areas:</i> Food and households goods</p>

veloping charity shop to a large flea market. The strategy of Luocun Charity Shop is to be a famous skills training chain shop on the sales skills and handcrafts production. And the strategy of Tianrun Par Shop in Dongguan is to be the most famous chain charity shop focusing on daily goods and food field.

**Hypothesis 5:** Charity shop need to make focus strategy of key areas on the basis of social transformation.

## DISCUSSION

There were two research questions posited at the beginning of this research. These questions were: 1) What is the current situation of

the development for charity shops in Guangdong, China? 2) What are the factors associated with charity shops, and particularly with social enterprises that lead to significant changes in the social transform? The purpose of this research has been to identify common patterns across a small set of successful charity shop. The data suggests several patterns, which have been framed as preliminary hypotheses. Four general observations are important for further learning about charity shop and social enterprise.

### Innovations in Operation

This research indicated that in Guangdong, a large plurality of charity shops can't continue

operating for more than two years. It suggested that social enterprises, representing as charity shops, have low survival rate. It is possibly because the kinds of charity goods and services are less than various, the operation time is short, and have low market-oriented operation. Thus, how does a successfully running charity shop solve these problems in operation? First, the operation of charity shops should aim at sustainable development. Then, build their own brand by selling distinct goods. The last but not least, build the innovative sales mode applying e-commerce platform.

### **Leadership Capacity**

This research suggested that most charity shops don't have fixed suppliers who can build long-term cooperation and fund they reinvested into the charity shop operation is seldom from the operation revenue, which can't realize sustainable development. It is important to solve these problem matters with leadership of managers. Therefore, to successfully operate a charity shop, the leader should show his or her good sociability and rich social resources, especially his leadership bridging capacity and adaptive leadership capacity.

### **Organizational Arrangements**

The research discovered that most employees in charity shop are from receivers who lack professional skills and constant training, and they are negatively encouraged, which limits the sustainable development of charity shop. Moreover, most charity shops haven't made sound management system, including employee management system, finance system, M&E system. Based on the research, successfully running charity shops do well in organization management above. Therefore, to strengthen system guarantee of organization market operation and the ability of sustainable development, charity shops can enlarge investment on refining management system, supporting employee development, and strengthening M&E system.

### **Development Strategy**

The research found that the kinds of goods and services are limited, and channels of sales

are single, which make charity shops stay small size and weak, so most managers are dissatisfied with their shops' present operation. Then, facing the whole media sales mode in social transformation, successfully operating charity shops give us suggestions. First, charity shops need to expand the kinds of goods and services to meet scaling up strategy. Then, charity shops need to make focus strategy in key areas on the basis of social transformation.

## **CONCLUSION**

Researchers have called for the study of the factors associated with sustainable development for social enterprises. This study addresses the current research concerns by empirical investigation on charity shops based on survey data. Taking into account social enterprise theory and business anthropological method, the survey study and case study were used in the study. The findings confirm that innovations in operation, leadership capacity, organizational arrangements and development strategy are four factors that affect the sustainable development of charity shops. To enhance the sustainable development of social enterprises, it is important to take advantage of the organization and system innovation.

## **RECOMMENDATIONS**

Although the findings from this case study can serve as evidence that anthropological methods work in business research, it is less possible to extrapolate that conclusion to other business research projects, given the fact that this study took only one province charity shops as the study subject. In addition, the study did not employ "follow-up" survey to investigate whether organizational arrangements, characteristics of leaders, characteristics of innovations in operation, scaling up and social transformation had different effect. To elicit further insights, it is necessary to conduct further studies with wider coverage, thus reflecting the current situation of charity shop and social enterprise in China more comprehensively. In addition, researchers need to conduct further investigations to test the anthropological method's effectiveness in business research by recruiting more non-profit organizations to participate in similar studies. Nonetheless, such limitations should be considered as signaling opportunities, rather than forming barriers, for future studies.

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