Decoding the process of social value creation by Chinese and Indian social entrepreneurs: contributory factors and contextual embeddedness


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ABSTRACT

Nowadays social entrepreneurship is recognized as a two-way process, addressing both social and economic concerns that can bring social inclusion, equity and development to the disadvantaged groups of society. This is particularly important and appealing within emerging economies. In these markets which are constantly faced with profound economic and social challenges, we see the growing importance of social entrepreneurs as they take upon themselves the provision of welfare services and progressive activities. However, our understanding of the mechanisms underlying the creation of social and economic values in social enterprises, and the factors contributing to the establishment of these value creation objectives, is still rather fragmented. Our paper contributes to this gap in the literature, by decoding the process via which for-profit social entrepreneurs from China and India, create social and economic values. In addition, by combining a deductive and an inductive approach of analysis, we offer novel insights into the context-dependent processual patterns deciphered within the two countries. A new framework of the entrepreneurial process that reflects the contextualized social value creation process by social entrepreneurs is thus provided.

Keywords: Entrepreneurial process, social value, social enterprises, emerging markets
INTRODUCTION

The traditional view has primarily seen social entrepreneurship as a one-way process, where social entrepreneurs (such as NGOs, charities or even not-for-profit organizations), driven by compassion and pro-social sentiment (Miller, Grimes, McMullen, & Vogus, 2012), take up an activity that creates social and economic values. Nevertheless, it is increasingly recognized that the process of social entrepreneurship is far from unilateral, but can also develop new opportunities to create value for society by means of commercial and market-based activities. Such activities can generate profits, a substantial portion of which can be distributed among the community members or invested for their benefit, or other social causes (Bacq & Janssen, 2011; Chell, 2007; Peredo & Chrismann, 2006; Prahalad, 2000; Si et al., 2015).

Prahalad (2000) was among the first to suggest that we need to move the discussion beyond the confines of social welfare and developmental economics, and develop a new mindset to consider the world’s poorest as “profitable consumers”. To this end, social entrepreneurship should be seen as an alternative two-way process, addressing both social and economic concerns, to bring social inclusion, equity and development to the disadvantaged groups of society (Shaw & de Bruin, 2013; Tapsell & Woods, 2010). Consistent with these progressive thoughts, we subscribe to the definition of social entrepreneurship as proposed by Bacq and Janssen (2011: 376): “[social entrepreneurship is] the process of identifying, evaluating and exploiting opportunities aiming at social value creation by means of commercial, market-based activities and of the use of a wide range of resources”. This interpretation is particularly important and appealing to emerging economies which are constantly faced by profound economic and social challenges. It is for this positive and transformative contribution of social
entrepreneurship to the society that many governments across the world are encouraged to nurture and support these enterprises (Ratten & Welpe, 2011).

Unfortunately, our understanding of the mechanisms underlying the simultaneous creation of social and economic values in social enterprises, and the factors contributing to the establishment of this dual objective, is still rather fragmented. This caveat is further intensified by the fact that our understanding of the entrepreneurial process is still eluding us (McMullen & Dimov, 2013; Moroz & Hindle, 2012). Despite the increasing interest in developing a better understanding of the entrepreneurial process as a whole (Baker, Gedajlovic, & Lubatkin, 2005; McMullen & Dimov, 2013; Moroz & Hindle, 2012; Steyaert, 2007), none of the proposed frameworks are sufficient to decipher the black box of the entrepreneurial process within social enterprises. Our study aims to bridge these two gaps in theory, by offering new empirical insights on the process of value creation adopted by social entrepreneurs. To this end we ask: How do for-profit social entrepreneurs create social and economic values? and: What factors and micro-processes contribute the creation of social and economic value in for-profit social enterprises?

Our focus is specifically on for-profit social entrepreneurs. Despite the fact that most empirical research has been primarily on not-for-profit social entrepreneurs, we acknowledge that these for-profit social entrepreneurs have the potential for development as societies transform towards market-orientation (Sepulveda, 2015).

Furthermore, despite acknowledging that theories are contingent to the context in which they are developed (Patomäki & Wight, 2000), there has been hardly any research on social entrepreneurs within emerging market contexts (i.e. Blackburn & Curran, 1993). Yet, due to the continuing difficult economic problems emerging markets are facing, the
provision of welfare services and progressive activities is increasingly becoming dependent on social entrepreneurs (Sardana & Zhu, 2017; Sepulveda, 2015). As a result, understanding how social entrepreneurs create value in these regions becomes increasingly eminent.

Our study also sheds fresh light onto the above caveat. By blending a deductive (theory inspired) and an inductive (data inspired) logic of analysis (Denis, Lamothe & Langley, 2001; Pajunen, 2006), we decode distinct characteristics of the value creation process adopted in two emerging markets – China and India – and test the aptness of traditional theories/ideas within these contexts (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). With this focus in place, we are able to propose context-specific theoretical lenses that offer practical and theoretical implications for the international business audience and the entrepreneurial process literature more specifically.

The rest of this study is structured as follows. The introduction is followed by an exposition and discussion of prior research on social entrepreneurship, particularly within the context of emerging markets. Methodological considerations are offered next, along with a detailed description of the data and data collection process. Data analysis and findings are subsequently presented and discussed. Finally, practical implications and limitations are provided.

THEORETICAL BACKGROUND

Research on Social Entrepreneurship

Despite the palpable interest in social entrepreneurship among policy makers, practitioners and academics, the field is still considered to be “at a promising stage of
infancy, short on theory and definition but long on motivation and excitement” (Perrini, Vurro, & Costanzo, 2010). It is hence not surprising when the systematic literature review by Dohetry, Haugh and Lyon (2014), comprising of 129 published research articles on the topic, showed that the key focus in this research area remains establishing a definition of social enterprise as building consensus has still eluded scholars due to use of two words that are seemingly antagonistic – ‘social’ and ‘enterprise’ (Dacin, Dacin, & Matear, 2010; Mair & Marti, 2004; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). To that effect, scholars have also resorted to research to clarify the distinction between social and commercial entrepreneurship from resource based and skills perspective (e.g. Dohetry et al., 2014; Meyskins et al., 2010; Weerawardena & Mort, 2006). Despite some interesting insights from such studies, similarities between the two are papable, leading Dees (1998) to argue that social entrepreneurs are a “sub-species” of the entrepreneur family.

For the above reason, a majority of people subscribing to the narrower definition of social entrepreneurship still often see it either as a philanthropy driven voluntary not-for-profit organization or a non-profit organization using market mechanisms to creatively raise funds (Perrini et al., 2010; Shaw & Carter, 2007). However this view is increasingly being challenged by others (such as Dohetry et al., 2014; Prahalad, 2000). More recent view considers social enterprise as an innovative organizational design that can be non-profit or for-profit, but prioritizes social value creation over profits and economic rent seeking (Etchart & Comolli, 2013; Mair & Schoen, 2007), which essentially is their key distinguishing characteristic. Social enterprises can therefore exhibit significant heterogeneity in the organizational model they choose (Perrini et al., 2010). “For-profit” social enterprises, however, being a new and unfamiliar organizational form, has constrained our comprehension of their underlying properties
and mechanisms, and most importantly their ability in bringing about social welfare and a sustainable market performance, thus requiring more investigation.

Social Entrepreneurship and Emerging Markets

Recognized as a key player in initiating and driving structural transformation of an economy and the society, the importance of entrepreneurship and particularly of social entrepreneurship in emerging market contexts is becoming increasingly important (Haugh, 2005; Naudé, 2010). Consequently, more and more emerging countries are investing significant resources to boost entrepreneurship. To this end, China and India have both taken concerted policy decisions to boost entrepreneurship within their economies. For example, the Chinese government has committed itself to several reforms that encourage investments in micro businesses (Roberts, 2014). Policies are also being devised to boost procurement by public services from social businesses (Roberts, 2014), while many NGOs are in the process of becoming self-sustainable enterprises (FYSE, 2012). Similarly, the Indian government has created a new and separate Union Ministry for Skills Development and Entrepreneurship, with a prior strategic imperative to promote grassroots entrepreneurship.

The growth of social entrepreneurship in emerging markets has been accredited to the ability of social entrepreneurs to successfully address persistent social and economic problems (Etchart & Comolli, 2013), and offer viable solutions where the traditional commercial and public organizations have failed. Viewing the world’s poorest as “profitable consumers” that can positively contribute to the society and the market (Prahalad, 2000), social entrepreneurs are inventing new business models and new affordable markets for low-income consumers. Examples of such solutions are among
others, the micro-financing schemes (Armendariz & Morduch, 2010), and the installation of ‘e-choupals’ (i.e. electronic marketplace) in India.

Admittedly, the context, especially the institutional and market voids developed within, often play a catalyst role in shaping the various opportunities for social entrepreneurship in these markets (Perrinni et al., 2010). It is not surprising that a particular focus has been recently placed on the role of social enterprises within the rural areas of emerging markets. Not only does a significant population reside within rural areas – i.e. 43% in China and 67% in India (World Bank, 2017) – with increasing demands for social support, but finding means and resources is extremely challenging for the companies operating within these areas (Mehrotra & Verma, 2015). Surviving and succeeding in such challenging contexts requires an entrepreneur to be able to innovate and contribute to the society by creating social and economic values (Maclean, Harvey, & Gordon, 2013), and building the right collaborative and co-operative relationships within the communities (Ratten, 2014). It is hence reasonable to assume that social entrepreneurship is more likely to occur in rural contexts, where there are significant socio-economic and environmental problems that will make it less attractive to any other entrepreneur primarily motivated by economic concerns.

The Social Entrepreneurship Process

Despite the voluminous research on entrepreneurship and social entrepreneurship in particular, the focus has overly been on the actors, that is, the entrepreneurs, and their actions. While entrepreneurial cognition has contributed significantly to our understanding of entrepreneurial incentives, goals and actions, its singular focus on the individual entrepreneur has neglected other key aspects of the entrepreneurial process, such as its embeddedness in the social context (Holmquist, 2003; Jack & Anderson,
As a result, our understanding of the mechanisms underlying value creation in enterprises, and particularly in social enterprises, has been rather fragmented. It is for this reason that Holmquist (2003: 77) has long argued that “entrepreneurship as a phenomenon cannot be understood in full unless we change focus from the actor to the action…”. This has led Steyaert (2007) and other scholars (i.e. Downing, 2005) to focus on conceiving entrepreneurship as a process, and prescribing the mechanisms employed for its success.

In recent years, there has been an increasing interest in developing a better understanding of the entrepreneurial process (McMullen & Dimov, 2013; Moroz & Hindle, 2012; Steyaert, 2007), and different aspects have been put forward in an attempt to map out its underlying mechanisms (i.e. Morris, Kuratko, & Schindehutte, 2001; Shook, Priem, & McGee, 2003). As a result, a multitude of theoretical lenses have explained parts of the process (i.e. creativity, opportunity recognition, strategizing and planning) (Steyaert, 2007; Suddaby, Bruton & Si, 2015), and several frameworks have been developed accordingly. Yet, none of these frameworks are sufficient to provide a clear understanding of the entrepreneurial process as a whole (McMullen & Dimov, 2013; Moroz & Hindle, 2012). At the same time atomistic analysis of various functions or a particular phase or even an action prevents us to develop the linkages and the scaffolding of one phase and/or actions into another, without which it becomes difficult to appreciate significance of influential factors in each phase that facilitate the coming of next phase.

The above caveats have led McMullen and Dimov (2013) to suggest that it is important to consider the entrepreneurship process as a journey rather than an action, thus bringing focus back on understanding the entirety of the process and not just its parts or an aspect (such as funding or resource mobilization) of it. To this end, empirical studies
should not only focus on a particular action or an activity, but on the sequencing of activities as well, along with their distal outcomes, such as new venture creation and development. As they succinctly explain: “Each event on the path to the eventual outcome is necessary to explain the outcome, but by itself is not sufficient: what is sufficient are all the events that occur after it, without which it would be plausible to presume that the outcome would not occur as actually observed” (McMullen & Dimov, 2013: 1488). By considering multiple aspects of the studied venture, we can develop a historical account of what happened within and also how events have concurrently unfolded (Venkataraman, Van de Ven, Buckeye, & Hudson, 1990). Converging and reconciling divergent and dichotomous viewpoints under one holistic framework, we can simultaneously investigate the multiple decisions being made within a venture, while extrapolating how overall different stages link to one another and which are the main antecedents in each stage.

While the proposed by McMullen and Dimov (2013) method is novel, it comes with certain limitations too. The approach can be gainfully used to develop a more holistic understanding of the new venture creation. However, it can be easily compromised by the complexities of the endeavor, forcing the researcher to focalize upon one aspect at a time. While McMullen and Dimov’s (2013: 1487) argued that there is value on “separating each entrepreneurial effort and treating it as a different observation in its own right”, partitioning of the observation space horizontally (i.e. efforts that are illustrated as continuing) can come only with the sacrifice of temporality (or time line) as each new venture phase will call for distinct entrepreneurial efforts. Furthermore, there is an implicit assumption that all efforts begin at the same time and continue until the outcome

1 For example. Venkataraman et al. (1990) chose to develop a work-flow type process model for failure of firms (an outcome) and linked it specifically to high dependence on a singular main customer.
could be observable (McMullen & Dimov, 2013: 1486). The latter might be true only if the categorization is too broad, such as at function level (i.e. human resources or finance) because there is always an ongoing activity (or a decision to be made) in a given functional domain. Nevertheless, more fruitful would be to focus on the overall journey of the venture, but define broad intuitive stages to identify the key antecedents that play important role in each stage. Identifying intuitive phases helps in not neglecting temporality, as evident in Scarbrough et al. (2013). The multiple ongoing actions across various functions in a venture eventually lead to an ultimate outcome, i.e. establishment, survival and/or growth of the venture. It is also to be borne in mind that all actions for that phase will not necessarily begin and end in that very phase; the actions may transcend intuitive phases. It is also very much likely that an action will scaffold in to other action(s) (e.g. getting a major contract from a customer and then using that to secure a debt funding), as is evident in case studies by Venkataraman et al. (1990). This is the methodological approach taken in this research, which we believe also progresses the idea proposed by McMullen and Dimov (2013).

Today we recognize that the entrepreneurial process starts typically with the recognition of an opportunity (Bhave, 1994; Jack & Anderson, 2002; Morris et al., 2001) and the entrepreneur’s commitment to the idea of a new venture (Forbes, 1999). Once the entrepreneur commits to the idea, that idea goes through a phase of refinement, reframing and development that leads to objectives that are viable, pragmatic and contextually embedded. Viability and pragmatism essentially relates to resources and networks that can be secured to progress the venture. Table 1 provides a snapshot view of how other scholars’ compilation of the entrepreneurship process relates to ours.

--- Insert Table 1 about here ---
This process transforms early ideas into ideas that are closer to reality and thus easier to be accepted by the relevant stakeholders. In addition, it allows entrepreneurs to effectively act upon them by determining and acquiring the necessary resources for their execution (Forbes, 1999; Morris et al., 2001). While the entrepreneurial process is non-linear due to the very nature of decision making, it arguably includes three stages (as shown in Figure 1): 1) commitment to pursue an opportunity (i.e. definite ‘motive’); 2) further development and refinement leading to the establishment of definite objectives (i.e. practicable actions leading to ‘means’); and 3) realization of those objectives (i.e. maturing and subsequent achievement of an ‘opportunity’). This process is again similar to the suggestion by McMullen and Dimov (2013) to establish motive, means and opportunity in order to reflect on the outcome. Therefore, we use these literature derived processual phases to be able to identify processual dimensions contributing to the outcome, instead of identifying specific actions or functions that are found to be the key concern in a particular phase (e.g. Kazanjian, 1988). Unlike Kazanjian (1988), we consider resource acquisition as an activity that will happen all through the entrepreneurial process and not necessarily limited to conception and development. However, we acknowledge that relevance and intensity of a set of activities and/or activities relating to a functional domain may vary across phases, and will be context dependent.

--- Insert Figure 1 about here ---

Our research seeks to follow the research path prescribed by McMullen and Dimov (2013) and observe the social entrepreneurial process from ‘start to finish’. Furthermore, as we identify the sequence of activities and events in each venture, we focus on indentifying key factors causing the activities and contributing to the outcome. The
literature-derived entrepreneurial process model discussed above, provides us with a research anchor as it initiates and guides (but not limits) empirical analysis (Pajunen, 2006; Perrini et al., 2010). However, the empirical research will help refine and extend the proposed model, and shape our understanding of the entrepreneurial process undertaken by social entrepreneurs. As we implement this approach we identify factors that enable social entrepreneurs to overcome challenges to the creation of social and economic value, which then becomes one of the key contributions. These factors being specific to social entrepreneurs in China and India, add to our understanding on the process of social entrepreneurship within this unique social context, as suggested by Welter (2011) and Zahra (2007), among others.

**METHODOLOGY**

**Research Design**

In our study we examine a small number of social entrepreneurs in two different contexts to investigate a social phenomenon, namely, the creation of social value by social entrepreneurs. In other words, the case of analysis here is each of the examined social entrepreneurs, whereas the unit of analysis is the process employed by social entrepreneurs in creating social value in each country.

In the current research, we use an in-depth, multiple case study approach for data collection while comparing two different nations, China and India. A case study approach is chosen because it allows for intensive research of new topic areas, in a manner that is not restricted by limited or narrowly defined variables (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). This methodology is both theoretically and practically appropriate as the research question being investigated is in a relatively new area of social
entrepreneurship that has received less attention in the past (Sardana & Zhu, 2017). The multiple case study approach is also preferred here, since it provides a stronger base for theory building: “the theory is better grounded, more accurate and more generalizable (all else equal) when it is based on multiple case experiments” (Eisenhardt & Graebner, 2007: 27). However, and inspired by the philosophical underpinnings of critical realism paradigm, our focus is deeply grounded on the process and the contextual conditions under which they survive (Easton, 2010), and not simply on the patterns observed, allowing as such for a more distinct explanation of the mechanisms under investigation. To this end, we employ a comparative case study approach to allow for a cross-national conceptualization of the entrepreneurial processes examined (Baker, et al. 2005; Bartlett & Vavrus, 2017).

Context of Analysis

The context of analysis is the social for-profit entrepreneur operating in the rural areas of China and India. People living in the rural areas face significant challenges to access to even basic amenities and infrastructure (such as water, sanitation, primary health, education). In several remote rural areas in China and India, the governments (local or national) too find it prohibitive to reach and deliver on services that are necessary for proper functioning of markets (e.g. banking facilities, provision of supply chain and warehouse facilities for procurement of produced goods). Poverty and associated problems in the rural areas is thus a big concern for China and India (Tewari, 2015; Tiezzi, 2018).

Both countries, particularly their rural areas, exhibit several social and institutional similarities that render them vulnerable to the same problems and barriers associated with
entrepreneurial endeavours within (i.e. heavy government influence). Generally speaking, cultural norms and way of life in rural areas of both China and India are also overwhelmingly conservative, and many traditional rules and systems place constraints on innovative ideas and actions. Rural society is accustomed to the traditional way of doing things and does not challenge the existing rules and systems easily (Lan et al., 2014). These severe limitations and challenges have impeded rural population, several of whom are underprivileged and live below poverty line, to be considered as “profitable customers” as suggested by Parhalad (2000). However, it is these still existing constraints in the rural areas, coupled with the promise that on-going economic reforms and transformations hold for prosperity of masses, which has provided a fertile ground for innovative social entrepreneurs and/or people in rural communities to take the lead by changing and breaking the old established norms. Some of these social entrepreneurs are inventing ingenious ways to lead social development in a sustainable and non-paternalistic ways.

Rural social entrepreneurs face many challenges when adopting new approaches and encounter strong resistance from time to time. Normally resistance against change comes from a traditional mindset and social hierarchy within the villages (Lan et al., 2014). External forces such as officials and other interest groups might also intervene and resist change (Mehrotra & Verma, 2015). There could be other limiting factors relating to operational capacities, poor processes due to limited IT capabilities and organization structure, problems relating to workforce retention and management, and scaling up (Mehrotra & Verma, 2015). In addition, different stages of market transitions provide different opportunities as well as constraints. Therefore, these rural social entrepreneurs must be able to overcome difficulties with self-determination, proactive thinking and
action, self-control and persistence, and be able to implement their strategy effectively (Li, Young, & Tang, 2012). These unique characteristics enable rural social entrepreneurs to survive during the process of reform and transformation.

Taking the above into account, we choose to focus on the rural areas of China and India due to their economic significance for their respective countries, and because the social process and benefits are more clearly observed in these less deprived areas (Jack & Anderson, 2002). While rural businesses have been examined in the past (i.e. Blackburn & Curran, 1993), social entrepreneurship has not been well investigated. As a result, our understanding of how social entrepreneurs create value in these regions remains fragmented, possibly biased by our generic appreciation of how businesses act. Meanwhile, we posit that the analysis of the two countries together can offer us novel insights and a more comprehensive understanding of the mechanisms associated with the social value creation process among social entrepreneurs within emerging markets in general.

Data Sampling

Our method of identifying social enterprises is similar to the method used by Bouchiki (1993) and Sinkovics, Sinkovics and Yamin (2014) and is purposive in nature. We identified the social entrepreneurs in China by selecting a number of rural social enterprises in Yunnan and Zhejiang provinces. In order to select deserving social enterprises for the study, we also took the advice of scholars from Renmin University, who had developed extensive expertise in the study of rural studies. In India, we started with the extensive list of social entrepreneurs published by the Ashoka Foundation, but realized that the list comprised mainly not-for-profit social entrepreneurs. We thus
supplemented our list extensively by referring to articles on several social entrepreneurs (particularly those taking a for-profit approach) published by Yourstory.com.

In order to objectively select our final sample, a strict screening process was adopted which was split into four distinct stages. Our first concern – Stage One – was to differentiate between for-profit social entrepreneurs and not-for-profit social entrepreneurs, and exclude the latter from our study. Nevertheless, since we are interested only in social entrepreneurs who are successful in their endeavours to create social value, in Stage Two we narrowed our focus to social entrepreneurs that exhibited prestige and recognition in their respective communities (Sinkovics et al., 2014: 696). Using the above criterion, we were able to exclude for-profit social enterprises that would boast of a healthy balance sheet, but offer minimal actual contribution to social value creation, and/or use the label of ‘social entrepreneurs’ for personal benefit only (Sardana & Zhu, 2017).

In Stage Three, the data sample was further narrowed down to concentrate on social entrepreneurs who were primarily working within rural areas. This distinction was important for clearer “context-shaped justifications” (Poulis, Poulis, & Plakoyiannaki, 2013: 312), since the needs and requirements for social value creation are likely to be different in rural and urban settings. Finally, the availability of secondary information and willingness to participate narrowed down our sample even further (Poulis & Poulis, 2012). We ended up contacting ten entrepreneurs each in China and India, but only five entrepreneurs responded positively to our call in China and six in India. We decided to focus on five cases in each country for consistency and easier comparability.

Five social for-profit entrepreneurs in each country – China and India – were finally chosen for our analysis (see Tables 2a and 2b for the detailed background of these social
entrepreneurs). Given this is a preliminary research project with the purpose of identifying issues and exploring the processes of social entrepreneurship engaged in rural areas, these case studies are deemed optimal to provide sufficient theoretical insights for further development in future research (Eisenhardt, 1989; Easton, 2010).

--- Insert Tables 2a & 2b about here ---

The Interview Process

To demystify the entrepreneurial process and decode the process of how social value was created, we worked “backwards from events (cause-of-effects explanations)” (Welch et al, 2011: 749). To this end, in-depth semi-structured interviews were conducted specifically with the founding social entrepreneurs to understand ‘why’ they did and ‘what’ they did. This is also one of the primary methods suggested by McMullen and Dimov (2013). The other method of conducting a “truly” longitudinal ethnographic study is direct observations and interviews across several time periods, as suggested by Blazejewski (2011: 256). While this method is praiseworthy and an ideal approach to develop an in-depth insight, it seems to be too time consuming and to an extent impractical to the idea of holistically understanding the sequential process of founding of a new venture, as suggested by McMullen and Dimov (2013). Blazejewski (2011) also suggests that longitudinal approach may not be best suited in all case study research. It is then not surprising when McMullen and Dimov (2013) mention “bottom-up computational modelling” approach as a viable alternative to ex-post study, to better understand entrepreneurial process. The “longitudinal” designate study by Venkataraman et al. (1990) [and classified by McMullen and Dimov (2013) as an example of a study adopting sequential process approach] also gathers data using interviews at only two cross-
sectional time events to study a particular type of event that proved catastrophic to a company.

The *temporal research perspective* for this study is ex-post and the *temporal data perspective* is retrospective as per Blazejewski (2011: 256). The interviews were focused on episodic details of the entrepreneurial process the entrepreneurs adopted in each case. Due care was taken to safeguard against selective recollection of positive outcomes – questions were asked and prompts used that directed the interviewees to speak about learning from failures and shortcomings in the course of the entrepreneurial journey (Sardana & Scott-Kemmis, 2010). This approach was crucial to develop insights into what led to their decisions and behaviours, and thus understand how over a period of time these actions resulted in a successful outcome; that is, establishing a successful for-profit social enterprise creating social value in rural areas and continuing to do so since its founding. It is the continuing popularity and existence of the venture while contributing to social value creation that can be seen as a tangible outcome of the entrepreneurial process, for “the entrepreneurial journey continues as a means to survive in a constantly shifting landscape” (McMullen & Dimov, 2013: 1496). Identification of this outcome is particularly important in the context of for-profit social enterprises where self-sustainability is as much of interest and concern as is the social value creation.

To best utilize the limited time available for interviews with the social entrepreneurs, secondary information about the social enterprise was gathered (refer to Table 3) using online research, news items, youtube interviews/talks (in some instances), and the company website (including annual reports and press releases) prior to meeting with the entrepreneur. News items of a particular company was gathered by doing a “Google” or “Baidu” search and also those reported in the websites of the respective
companies. For Indian companies, one can potentially find some more (and in chronological order) information by doing search on Factiva database owned by Dow Jones and Company. For Chinese companies, another valuable source of information were reports prepared on the social entrepreneurs by Renmin University, and/or government reports, in some cases. Collating secondary information allowed researchers to initiate and conduct targeted discussion with each social entrepreneur on specific episodes that occurred over the life of the new venture. The approach is inspired by Bhaskar’s critical realism or what is termed as “contextualized explanation” by Welch et al. (2011), with the explanation of an action by the actor being both interpretive and causal, and the actions being influenced and shaped by the social context. In addition, since each entrepreneur’s story related to different points in time, further secondary data of the relevant time period was collected after the interviews where required. This additional step was imperative for a deeper appreciation of the milestones reached by the interviewees. A great deal about the episodes described in the interviews were reconstructed by looking through media sites, YouTube and other country-specific means, such as Yourstory.com in India.

--- Insert Table 3 about here ---

Since all identified social entrepreneurs in India were professionals and English is a common language of communication for them, the interviews conducted in India were in the English language, and therefore transcribed verbatim. The interviews conducted in China were in Chinese and were translated into English, accurately representing the meaning, by one of the researchers who is a native Chinese speaker. The duration of each interview was between 1 and 1.5 hours.
Data Analysis

Having five different cases from each country of analysis, with at least one interview of an hour long narrative, and combined with additional information gathered from several secondary sources, resulted in an enormous stream of data collected. While it is possible to gain a sense of the data at the collection stage (Miles & Huberman, 1994), it was decided early in the process that it would be almost impossible to analyze efficiently all the collected data without the use of a good management tool. Such a tool was imperative for us to code the data in a way that made it possible to create objective themes and patterns for discussion (King, 2004; Spencer, Ritchie, & O’Connor, 2003). NVivo™ software was chosen for this purpose.

We used both a deductive and inductive approach to analyze our data. This approach, defined by Welch, Plakoyiannaki, Piekkari and Paavilainen-Mäntymäki (2013) as “revisionist repertoire”, is typically followed when the focus of attention is theory refinement rather than theory building (Welch et al., 2013: 253-4). Scholars that have successfully used this approach, tend to blend a deductive (theory inspired) and an inductive (data inspired) logic in their analysis (Denis et al, 2001; Pajunen, 2006) fostering a richer theoretical framework without having to reinvent concepts that are already known (Denis et al. 2001).

Adopting a deductive logic, we hence explored existing literature and its assumptions to develop an initial framework and expectations of the phenomenon under investigation; a “guideline(s) for data collection and analysis” as described in Pajunen (2006: 1266). Embracing an inductive logic, we collected context-specific data to distinguish between alternative explanations associated with the context under investigation (Tsui, 2004; Easton, 2010).
Based on the above approach, we employed a ‘directed’ thematic approach for our data analysis (Aronson, 1995). While our analysis started with a coding scheme based on existing literature, the codes did not remain fixed; on the contrary, they were “refined throughout successive iterations between theory and data” (Welch et al., 2011: 743), hence simultaneously ‘directed’ by the empirical findings. For example, several codes, such as relevant experience, relevant education, formal research, learning by doing, business plan, perseverance, network and innovation, have long been found to be associated with entrepreneurship literature. We included these in our analysis so we can compare our findings with existing literature from typical commercial entrepreneurs (Dees, 1998; Meyskins et al., 2010). Nonetheless, in adopting an inductive, “open coding” approach (Korsgaard & Anderson, 2011), several additional codes unique to social entrepreneurship were identified (e.g. compassion, survival of the community, networking with government officials and government as a major client).

This initial round of analysis produced several codes that were then sorted according to themes or classifications that have been typically used by entrepreneurship scholars to categorize or situate their research work. The emerging codes were thus broadly categorized into intuitive themes based on the ten social entrepreneurs’ responses; the themes related to: 1) the entrepreneurs’ characteristics and leadership role; 2) the business opportunity being pursued; 3) the context of decision-making; 4) the process of decision-making; and 5) other miscellaneous factors affecting the entrepreneurial process. This stage of analysis not only helped us in building a perspective on the data at hand, but also encouraged us to move to a more contextual level of analysis.
In the latter iterative rounds of analysis, we concentrated on aggregating the codes into manageable numbers of themes that reflected the entrepreneurial process as proposed in Figure 1, while accounting for each context of analysis, India and China. Hence, distinct frameworks for each country were developed as seen in Figures 2a and 2b.

EMPIRICAL FINDINGS

The findings of the empirical research are presented in this section under three major headings, namely commitment to create ‘social value’, establishment of a pragmatic and contextualized ‘social value’ objective, and realization of ‘social value’ objectives.

The commitment to create ‘social value’ theme is focusing on the personal motivation and the values of the entrepreneur (or the entrepreneurial team) in our sample. These motivations have a direct bearing on both setting up of a ‘social value’ agenda for a new venture and thereafter making it a primary objective, such that the venture is distinguishable as a social enterprise (Austin, Stevenson, & Wei-Skillern, 2006). After all, without their inclination and determination to make an effort to contribute to the common good of the society, existence of a social enterprise is not a possibility.

Meanwhile, the creation of a social value objective of a social enterprise must reflect the direct needs of the people and should be achievable in a reasonable timeframe. Additionally, and since social entrepreneurs seek to create social value using market mechanisms, they need to demonstrate integrative thinking that is able to do justice to twin objectives of common good and economic sustenance of the venture through market mechanism (Tracey, Phillips, & Jarvis, 2011). Consequently, the second theme in our

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2 Table A-1 in the Appendix offers a clear depiction of the adopted process.
analysis rests on the pragmatic approach taken by the social entrepreneurs in transforming personal motivations into tangible social objectives of the venture.

Last but not least, once a pragmatic and a contextualized social objective has been conceived and established, it is important to realize and implement it. The realization of ‘social value’ objectives in the third theme in our analysis and is demonstrated through the means social entrepreneurs: 1) make contextualized and informed decisions; 2) manage legitimacy; and 3) align to the objectives and views of the government.

The three themes mentioned above are directly related to our empirical enquiry on the process of creating social value objectives and their realization. We first discuss separately each country’s findings; this approach allows us to gain a clear comprehension of the motivations and mechanisms of value creation associated with each context and its actors3 (Bartlett & Vavrus, 2017). Subsequently, in the discussion section, we compare and contrast our findings to identify similarities and differences between the two contexts, so we can reach a deeper appreciation on how the context is affecting value creation in social enterprises within the examined emerging markets (Bartlett & Vavrus, 2017; Welch et al, 2011).

The Case of China

--- Insert Figure 2a about here ---

*Commitment to Create ‘Social Value’ in China*

While ‘compassion’ is commonly acknowledged as the key motivating factor for social entrepreneurs operating in deprived areas (Miller et al., 2012), our analysis unveiled that

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3 Embracing the idea that context is “made up of actors, their objectives, their actions, and the artifacts they engage, each with their relevant histories” (Bartlett & Vavrus, 2017: 12), we examine each country setting separately first before engaging into a comparative analysis and generalizations.
the phenomenon is actually more complicated and multifaceted. In fact, the key driving forces behind the Chinese social entrepreneurs in our study are their personal aspiration for growth and development (Germak & Robinson, 2014), and their ambition to bring change in their community. This survival-oriented motivation (Carsrud & Brännback, 2011) is actually so strong that it took the form of social entrepreneurship, resulting in development at the local grassroots level. Encouraged by factors, such as a better education, work experience or social standing that bestowed them with natural leadership abilities and credibility within the community (Waddock & Post, 1991), these social entrepreneurs took leading business positions within their communities and became avid proponents for their survival and uplifting.

*I was educated in the county and stayed on as a school teacher after I graduated. I returned to my village because my parents were getting older. When I returned, I found the village was so poor in every aspect, including income level, infrastructure, school system, and medical care. Because I was educated, I started to teach others about new way of doing tea production and marketing, helped to develop a new school. (Quote by C2)*

**Establishment of a Pragmatic and Contextualized ‘Social Value’ Objective in China**

Acknowledging the requirement for social entrepreneurs in balancing the often antagonistic objectives of common good and economic sustenance (Mair & Marti, 2004; Tracey, Phillips, & Jarvis, 2011), a pragmatic approach in transforming personal motivations into tangible social objectives was rather expected. Indeed, our findings from the study of Chinese social entrepreneurs demonstrate clearly this integrative and pragmatic thinking. These social entrepreneurs exhibit a dual goal orientation in their ventures; striving simultaneously for economic growth and community sustainability (Hartigan, 2006; Miller et al., 2012). They do so by articulating the needs of their
community and customers, after having developed a strong knowledge of the social context and its individualities. As C3 explained, he initially envisions the idea of eco-tourism so he can attract city dwellers from Shanghai for the benefit of his village and community, while preserving the local culture and environment.

Shanghai has a lot of high rise buildings, but we have many high mountains, ethnic culture, clean water, air and a pristine environment, which Shanghai does not have. We need to protect not only the natural beauty of our village, but also our cultural traditions, including preserving the old architecture. We can develop in a balanced way, by improving public services and facilities, combining our culture and ethnicity with ecological and economic development in a sustainable way. (Quote by C3)

Meanwhile, catering to the needs of other important stakeholders is also deemed essential for the survival of the venture. A particular emphasis is placed on catering for the needs of the beneficiary village community. Social entrepreneurs who take care of viability and achievability of their social value creation objectives, by reducing the risk profile of their ventures, seem to more effectively instigate the members of their community in their ‘big cause’ (Fox & Kotler, 1980) and have better chances of meeting their overall objectives, as evident in the quote below.

I needed capital for building the new hotel. I did not simply get a loan from bank, but I developed a kind of membership among our regular customers to join our hotel. I asked them to put nominal money in so I could reserve a big room for them in my hotel. It was like an investment. When they came to visit us, they would see the business potential. So they were happy to put money in and my hotel was built up quickly. (Quote by C4)

The above finding is not surprising per se, if we take into account the challenges faced within the examined regions. Despite the increasing participation of private /
hybrid\textsuperscript{4} types of companies in China (Nee & Cao, 2005), they still have limited discretion to resource acquisition and allocation (Bruton & Ahlstrom, 2003; Zhang, 2015). As a result personal connections play the most important role in the success of any entrepreneurial endeavour, especially in the most deprived regions of the country (Bruton & Ahlstrom, 2003; Burt & Burzynska, 2017). However, since doing business in China still remains a risky and uncertain venture (Peng, 1997), offering some assurance from the entrepreneur can have a significant impact to the decision for investment.

\textit{Realization of `Social Value` Objective in China}

\textit{- Contextualized and Informed Decision-making Process}

Several empirical studies have shown that a strategy or a decision that is tailor-made for a specific context has superior performance (Schneider, 1989; Slevin & Covin, 1997). After all, every decision-making is linked to the social, cultural and ecological environment entrenched (Tapsell & Woods, 2010). Meanwhile, prior experience (Mitchell, 1997) and education are also central to the entrepreneurial process and decision making, (Sardana & Scott-Kemmis, 2010; Ahlstrom & Ding, 2014). Using experience, conceptual and procedural knowledge can be accessed and integrated with superior monitoring and self-regulatory skills. It is these qualities that an experienced decision-maker utilizes to help address uncertainties related to decision-making. Experience in strategic planning, developing a business plan, developing global markets and operations, financing and strategic alliance formation were found to be positively related to performance (Reuber, 1997).

\textsuperscript{4} Such as the cooperative types of our Chinese cases.
Our cases in China provide sufficient support for these arguments. Banking on relevant experience and education, social entrepreneurs tend to deliberate on issues and problems, and make logic based decisions. For example, C5 was a senior engineer before his retirement and while working with villagers, he was able to use his specialized knowledge of developing innovative techniques in bamboo plantation and production, quickly improving the income level among the village members.

Our findings further reveal that flexibility in adapting processes and thinking in making them congruent to the external context are essential to entrepreneurial success. In addition, and since in most cases resources are scarce (Bruton & Ahlstrom, 2003), a careful course of action is required. It is hence not surprising that planning was mentioned by all entrepreneurs. Interestingly though they all placed limited emphasis on written business plans and controls, mostly due to the complexities imposed by such formal structures.

- Managing Legitimacy
The social standing of entrepreneurs is the most important factor for gaining legitimacy in China, providing them credibility and legitimacy that can positively affects their social venture. This social standing can arise from any factor, such as education from a prestigious institute and/or the position/authority that they hold. We see this aspect present across all our cases either due to their higher qualifications and/or due to their position within the community. C4 explicitly suggests the importance of personal background and experience in gaining legitimacy among stakeholders:

*I was an army man and working in the cities before returning back to my village, I have built very good business networks and accumulated knowledge for developing new business. Therefore, I became a natural leader to establish the new village co-operative when I returned.* (Quote by C4)
Legitimacy of the social enterprise is also enhanced when stakeholders are involved and trusted in decision-making. This is particularly important when the organization is a co-operative and opinions of individual members need to be respected.

_The new co-operative has a new way of managing village business. We have a board of elected members among village people. We make a collective decision on the development plan right from initial stage of preserving the ancient tea trees and protecting the forest, to cleaning the village and developing new infrastructure, so that tourists can come in._ (Quote by C1)

It is hence not surprising that Chinese social entrepreneurs agreed on the important role of influential networks but also the supportive system of government officials.

- **Aligned to government**

In line to the above discussion, Chinese social entrepreneurs seem to consider networking with government officials as crucial to their success, making an extra effort to keep them satisfied in order to win grants or contracts for services/products. In addition to networking with government officials, implementing policies and frameworks outlined by the government is also important. This conveys the message that the social enterprise is aligned with the government’s agenda, and thus makes itself eligible for the government’s largesse. Indeed, prior studies indicated that *guanxi* with government officials is very beneficial but only when the goals of the stakeholders are cooperative and well aligned (Tjosvold et al., 2008), or as C1 explains:

*I have been village chief for many years and experienced the transformation from ‘commune system’ to ‘individual household responsibility system’ then to ‘voluntary co-operative system’…. Sustainable development needs to rely on government support first and secondly on the co-operation of village members._ (Quote by C1)
Commitment to Create ‘Social Value’ in India

Consistent with Miller et al. (2012), we find that compassion does play the most important role in motivating the Indian social entrepreneurs, particularly those having a good social standing due to education from an esteemed institution, or coming from a privileged background, or having a high social status because of a prior job position. These individuals acknowledge the huge opportunity costs, while indulging in a social venture.

We guys got some sort of decent education and ended up with IITs and IIMs, so in some way [we] became privileged because of selection and education....but very sort of sensitive to the gross inequalities around us. As an Indian, you counter so much of absolute poverty every day. We may have only two responses: either shut your mind to it or do something about it. (Quote by I1)

Meanwhile, the social entrepreneurs with privileged backgrounds in India tend to perceive ‘social value creation’ as a challenge that they would like to take up to satisfy their intellectual and higher order achievement motives. They are inspired by the challenge to create newer and more effective systems, innovate and pursue creative business models and processes that could address significant social needs in a satisfactory manner (Zahra et al., 2009).

It is pretty much a market issue. Over six hundred million [rural] people [in India]...they get bad quality products at higher prices. And how do you provide these people access to quality products? So it was more of an intellectual challenge on the process and the fact that I wanted to do something here where my family is. (Quote by I5)
Establishment of a Pragmatic and Contextualized ‘Social Value’ Objective in India

A pragmatic approach in transforming personal motivations into tangible social objectives is also clearly demonstrated among the Indian social entrepreneurs. Developing a good knowledge of the social context and their key stakeholder seems to be paramount for the Indian entrepreneurs as well, so they can achieve a desired balance between community service and profit making. For the Indian social entrepreneurs, however, key stakeholders are the end customers and not the community per se. To this end, motivating the end customers and rallying them to their ‘social objectives’, their ‘big cause’ (Fox & Kotler, 1980) is pertinent to their success. The following quote demonstrates clearly how a big cause was used by Indian social entrepreneurs to rally people to the cause of their venture.

*Usually networks like VISA or MASTERCARD limit the kind of things you can do. India requires smaller value payments which don’t happen because of the business model of larger payment networks. This was what I set this company for. It was a very ambitious goal for a garage start up to say that we’ll make the new payment system or the first domestic payment system in India.* *(Quote by I4)*

Furthermore, perseverance plays an important role in the establishment of the social value creation objective as observed in the quotes below.

*The first venture fund who gave us money was a lady who interviewed me the first time. I had a professional relationship with her for five and a half years, and she had already refused twice saying they’ll not give money before they actually said yes.* *(Quote by I2)*

*This took almost two and a half years to reach the level where it could be done as a pilot. When we started this project we didn’t have mobiles in mind. Since mobiles had become a very big factor in the interim, we decided to take a close look at mobiles and see if we could do this payment system without using cards*
and without using terminals. So, we started from scratch and invented new product. (Quote by I4)

Realization of ‘Social Value’ Objective in India

- **Contextualized and Informed Decision-making Process**

As mentioned above, prior experience and education are paramount to a contextualized and informed decision making, necessary parameters for the realization of the social objectives of social entrepreneurs. Our evidence indeed confirms that most of the Indian social entrepreneurs did not have only higher education in management or their respective domains, but also rich relevant experience prior to their endeavours. The quote from I1 (example 1 in Table 4) shows the importance of prior experience that contributed to his learning and influenced his thinking. Learning by doing is thus an important and critical element in the entrepreneurial context (Sardana & Scott-Kemmis, 2010) and the adaptive style of decision-making is thus clearly seen among social entrepreneurs.

In the first model created, we decided areas on which Indian villages lacked, but cities have, i.e. distribution access [to] energy, cook stove, sanitation... but what we had to find in the beginning was a process [of selecting] multiple items. Which are the easily marketed products? We also give importance to sustainability... so, we found light sells easy...we started light... whereas a cooking stove is harder to sell. (Quote by I5)

Furthermore, flexibility and quick thinking is also identified by the Indian entrepreneurs as key to success, potentially turning a challenging situation into an advantage (see example 2). Interestingly though, Indian entrepreneurs are particularly keen in using more formal plans of actions and formal monitoring and evaluation mechanisms. As evident by I1, the idea behind such an approach is not to eliminate all the surprises, but to be better prepared for them, that is, to plan to learn (Murmann &
... at least mentally you have a construct of what is a business; you know that you have to worry about finance, you have to worry about HR, you have to worry about strategy, worry about regulation, business quality... all kinds of things. I became CEO at the age of 27, and since then every night when I go to bed and again in the morning, I do a 360 degree scan of my businesses; whenever I see that there is some deficiency, it becomes the task of the day... you work on that part of the problem strangulating your growth. (Quote by I1)

- Managing Legitimacy & Government alignment

As in the case of Chinese social entrepreneurs, pragmatic legitimacy is an important facet of success among their Indian counterparts, especially due to the increasing role played by funders and their growing demand for professionalism and accountability even in the social sector (Nicholls, 2010). Thus, if social entrepreneurs sometimes fail to gain pragmatic legitimacy on their own, they seek to compensate by ‘borrowing’ it.

You need some credibility. So, I had gone to IIT [Indian Institute of Technology] Madras and started from the incubator because I knew that on my own I have no credibility. I was a 22 year old out of a college, so IIT Madras was the stamp; rural technology business incubator was the stamp. (Quote by I2)

Furthermore, social entrepreneurs are often strategic in their thinking as they are attentive and persistent in their objective to benefit from opportunities that may not just provide them with short-term monetary benefit, but will also lend them much-needed legitimacy in the long-term (such as having a reputed multinational company as one of the clients) (see example 3). Like any other entrepreneur, social entrepreneurs spend considerable time developing influential and useful networks for themselves (see example 4). Interestingly though, and while they try to align their objectives to the government initiatives so they can gain necessary support and occasionally funding from it, the Indian
entrepreneurs are particularly careful in developing their networks, so they can include influential members of the society and the business world (i.e. board members).

----- Insert Table 4 about here -----

DISCUSSION

Comparison between the China and India Contexts

Comparing the findings from the two contexts, we can observe that there are several – as expected – similarities in the process of value creation among the examined social entrepreneurs. After all, and as mentioned already, both countries experience several social and institutional similarities that render them vulnerable to the same problems and barriers associated with entrepreneurship endeavours (i.e. poverty, heavy government intervention, limited access to finance etc.). Interestingly though key differences between them provide a clearer picture of how the process of value creation is translated and deployed in each context, validating the significance for the current contextual analysis (Welch et al. 2011).

Our findings regarding for-profit social enterprises in general present a socio-economic engagement process that is based on common prosperity and collective interest rather than emphasizing wealth creation and capital accumulation for oneself (Buchholz, 2009). Social entrepreneurs come from a variety of backgrounds and have different motivations. They may also have different social value creation objectives for their ventures; nonetheless they are all united in their determination to create social value through market mechanisms, utilizing their venture as a means to achieve those goals. More specifically, among our sample, most Indian social entrepreneurs could be seen as ‘outsiders’ in relation to rural villages; they are well-educated professional people, who have compassion and/or strong motivation, even a sense of responsibility, to help rural
people. In contrast, most Chinese social entrepreneurs belonged to rural communities with motivation of personal growth as well as bringing a change in their community. These Chinese social entrepreneurs were seen to be driven to a greater extent by their instinct for their own survival and that of their communities, rather than compassion.

Such differences could be attributed to contextual individualities of each group. On one hand, Chinese managers have long been perceived as rather paternalistic and collective in their behaviour (Cheung & Chan, 2005); hence a focus on growth and development of their community is to be expected⁵. This is particularly intensified in the deprived rural areas examined, which, not having reached full economic liberalization, tend to suffer from market severe voids and inequalities (Fan, Wang & Zhu, 2007; Zhang, 2015). On the other hand, the Indian culture is strongly influenced by values of philanthropy and generosity, as well as low individualism (Singh, 1990). Therefore, a sense of responsibility towards the less privileged, even guilt, is not uncommon, most likely overpowering any personal need for achievement and success.

Meanwhile, and contrary to the traditional views that community service and profit making are antagonist to one another (Mair & Marti, 2004), our evidence clearly show the two approaches within the examined for-profit social enterprises reinforce each other, as suggested already by Mair & Marti (2006) and Miller et al. (2012). To achieve such a dual mission, a pragmatic approach in transforming personal motivations into tangible social objectives was observed in both contexts. Clarity of business ideas and emphasis on establishment of a good business model or proposition also contribute to establishing an objective that is pragmatic, achievable and caters to the needs of all stakeholders. Nevertheless, whereas the social entrepreneurs in China are mainly focused on the needs

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⁵ It is not surprising as such that they chose to run a cooperative organization in the first place.
of their community and managed to actively instigate their members in rent generation, in India the focus has been predominately placed on the end customer who actually pays for the products/services, a difference that can be however heavily influenced by the ownership type of the companies examined (cooperatives in China and private companies in India)\(^6\).

Furthermore, perseverance seemed to be another common key contributing aspect of social entrepreneurship. Starting a typical new business venture in itself is a difficult task and requires considerable determination to overcome challenges (Markman, Baron, & Balkin, 2005). Social entrepreneurs face an even more difficult task in balancing both social value creation and business sustainability, rendering perseverance a true factor of success, irrespective of the context.

Finally, when looking closely at the realization of social objectives between the two countries, we can observe several similarities in the processes adopted but also certain context specific variations. First, we observe that social entrepreneurs in both China and India make contextually embedded decisions central to their entrepreneurial process. Social entrepreneurs are seen to make decisions that are well informed and relate to the social and economic environments in which they are living, so that they can optimally realize their social value creation objectives. In order to achieve these, they make use of their education, prior experience and expert advisors. They are also eager to learn from their actions and mistakes that they make along the way. As they learn new things and realize that a change is required, they are open to adapt and make necessary changes. Our evidence shows that most social entrepreneurs experienced failures in the process of

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\(^6\) A cooperative organization is by nature an association of persons united voluntarily to meet common economic, social, and cultural needs. On the contrary, a private company can only survive if it has a necessary pool of end customers paying for its products; therefore a focus towards satisfying their needs is pertinent to its success.
developing social ventures, but they also learned from the experience. On-the-job learning and pro-active acquisition of knowledge from experts throughout the process are thus crucial for success.

Nevertheless, while the Chinese social entrepreneurs are mainly dependent on their prior experience and less formalized structures of planning, the Indian social entrepreneurs favor formal plans, monitoring and evaluation mechanisms. Acknowledging that the Indian culture is strongly embedded with a tradition of low tolerance of failure, self-reliance and solitude (Zhou & Zhou, 2017), the adoption of monitoring and evaluating mechanisms is not surprising per se. What is rather surprising is however the reluctance of Chinese entrepreneurs to adopt similar methods; this can perhaps be explained by the fact that most of the respondents in China are practitioners, with less formalized education that could prevent them from adopting more complicated procedures.

Interesting observations can be made when looking at how the Chinese and Indian social entrepreneurs are managing legitimacy. Personal social standing (education, prior experience, status in society) is proven of equal importance for social entrepreneurs in both contexts. After all, entrepreneurs draw on these factors to gain pragmatic legitimacy (Nicholls, 2010) and their act of forming a social enterprise based on social norms and values gives them even moral legitimacy. Nevertheless, interesting differences are noted in the development of their social capital. While the Chinese social entrepreneurs depend heavily on government officials and their community actors, often involving them in their decision-making, the Indian entrepreneurs show a preference to influential members of the society and the business world. To this end, continuous innovation announcements, either in new business models or technologies, often serve as an incentive to attract new
stakeholders and private investors from the domestic and/or international markets. In other words, whereas in China social ties ‘guanxi’ remain still closely linked to the government and the official regimes (Phan, Zhou & Abrahamson, 2010), in India the role of private partnerships and affiliations is constantly increasing (Prabhu & Sanjay, 2015; Zhou & Zhou, 2017).

Last but not least, both contexts are very similar in aligning their objectives with government initiatives. Since China and India are primarily collectivist societies, where relationship is given a high degree of significance over formal structures and norms (Burt & Burzynska, 2017), this finding is to be expected. Yet it is a clear indication of how different mechanisms of entrepreneurial success can be accredited to the particularities of the national context and why it is of paramount importance to examine it more closely (Welch et al. 2011).

**Integrated Framework For-Profit Social Entrepreneurs in Rural Areas of China and India**

For-profit social entrepreneurs have a difficult task to create social value while being profitable. Ethical values are thus the corner stone for social entrepreneurs in overcoming the conflict between mainstream capitalist system on the one hand, and social aims of their enterprise on the other. Due to the social value objectives built on their ethical values, the social ventures cannot operate like any other profit-driven venture in the capitalist system. Social entrepreneurs therefore need to develop a clear social vision and mission for their organizations, as well as lead by motivating employees and stakeholders to put their social objectives over self-interest. In addition, social entrepreneurs also make deliberate efforts to build and manage legitimacy by creating a network of individuals
who are highly regarded in the society and whose association to the venture is seen as their endorsement to the cause.

Based on these considerations and our findings, we extended the initial proposed framework of entrepreneurial process to a new framework that reflects the contextualized social value creation process by social entrepreneurs (see Figure 3). The suggested framework on the process of social value creation makes a valuable contribution to the existing literature on the entrepreneurial process and on social entrepreneurship in general. Despite the increasing interest in developing a better understanding of the entrepreneurial process as a whole (McMullen & Dimov, 2013; Moroz & Hindle, 2012; Steyaert, 2007), the proposed frameworks were insufficient to decipher the black box of the entrepreneurial process within social enterprises. Our study directly contributes to this theoretical gap by providing empirical details of the specific factors and the process adopted so that social entrepreneurs can generate social value. We specifically show that social entrepreneurs in China and India gained by embedding themselves in the structure of the local context, and enacting the structure to define their social objectives, as well as to realize them (Jack & Anderson, 2002). This research therefore inspires researchers to validate some or all of the framework in various other contexts. Future research in this direction will not only help us develop a better understanding of the entrepreneurial process within social enterprises, but will also showcase how and what aspects of it applies in different contexts.

---- Insert Figure 3 about here -----

In addition, despite theories being contingent on the context in which they are developed (Patomäki and Wight, 2000), we recognize that there has not been enough research on the social entrepreneurship process within emerging market contexts
(Blackburn & Curran, 1993). Our research is a step in the direction of contextualized entrepreneurship research, particularly in emerging market economies, as these help shed light on how entrepreneurs navigate and manage difficult contexts and institutional voids (Smallbone, Welter, & Ateljevic, 2014). By blending a deductive and an inductive logic of analysis (Denis et al., 2001; Pajunen, 2006), we decode distinct characteristics of the value creation process adopted in the two examined contexts, test the aptness of traditional theories within these contexts (Welch et al., 2011) and further advance our understanding on the cross-national variations within the entrepreneurial process (Baker et al., 2005). We specifically propose context-specific theoretical lenses (Sardana & Zhu, 2015; Tsui, 2004) that can offer essential practical and theoretical implications for the international business audience.

Meanwhile, by virtue of the Asian context of the study, this research further contributes to the growing demand to do research in Asian countries and progresses Asian management thinking, theory extension and development (Meyer, 2006). The conduct of this study substantiates the methodological efficacy of the contextualized explanation approach and limited generalization, which can also be seen as its methodological contribution. Another methodological contribution is the empirical application and progression of McMullen and Dimov’s (2013) idea to study the entrepreneurial process as sequence of events where the outcome is ‘distal’.

CONCLUSION

The evidence from this study re-confirms our initial approach towards the definition of social entrepreneurship as a way of creating a win-win solution by increasing the social and economic value for the individual, community and society. We find that social entrepreneurship can be a useful approach for sustainable development at the local,
regional and national level. We therefore define social entrepreneurship in this paper as the creative force of this alternative socio-economic engagement, where entrepreneurs use market-based approaches to increase economic value for themselves and their stakeholders, while also serving the community and its underserved members. This favourable outcome is achieved by the social entrepreneurs by embedding their actions in the social context, with a full understanding of the needs of their community and other significant factors (e.g. the social structure and the influence of government officials) determining the eventual outcome as indicated in our extended new framework. This approach thereby calls into question traditional paternalistic approaches to poverty alleviation, and links development of society to innovation and entrepreneurship at grassroots level (Bruton, Ahlstrom, & Si, 2015).

Limitations and Future Research

This research is based on a limited number of selected case studies in China and India. Therefore, future research should conduct a larger scale survey in both countries in order to collect more evidence so that our findings relating to social entrepreneurship can be further generalized. In addition, there are other interesting research questions that should be pursued in later studies that will complement our findings and enrich our insights: How are social entrepreneurs able to compete with commercial entrepreneurs and stay viable while operating in the same business area? Are there any personal traits or characteristics that help some social entrepreneurs to overcome the conservative mindset and social hierarchy found in rural China and India, thus making them more likely than others to succeed? How do social entrepreneurs manage and influence powerful external agents (such as government officials) to bring about a desired social change? Do social entrepreneurs have to compromise on their ethical practices to overcome a difficult
situation in order to realize their social objectives? Future research directions also need to focus on comparative studies of conventional entrepreneurs and for-profit market-based social entrepreneurs in order to gain a better understanding of the distinctions between the two.

REFERENCES


# TABLES and FIGURES

Table 1: Contrasting views on the entrepreneurial process

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<td>Opportunity identification</td>
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Table 2a: Descriptive profile of five rural focused social entrepreneurs in China

<table>
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<th>C3</th>
<th>C4</th>
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<tbody>
<tr>
<td><strong>Background</strong></td>
<td>Village Chief, Mangjing Village (Bulang minority community), Lancang County, Yunnan Province</td>
<td>Village capable person, leader of village performance team and one village cooperative at Mangjing Village</td>
<td>Village Chief, Daxi Village (She minority community) Jingning County, Zhejiang Province</td>
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<tr>
<td>Gender</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
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<tr>
<td>Nature of organization</td>
<td>Co-operative society (for-profit)</td>
<td>Co-operative society (for-profit)</td>
<td>Co-operative society (for-profit)</td>
<td>Co-operative society (for-profit)</td>
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<tr>
<td>Business activities</td>
<td>Tea plantation, production and marketing; village-based tourism</td>
<td>Tea plantation, production and marketing; village-based tourism and Bulang cultural products</td>
<td>Wild rice stem, red rice, bamboo forest and tea production and marketing; village-based tourism</td>
<td>Village-based tourism, bamboo forest and tea production and marketing</td>
</tr>
<tr>
<td>Financial sources</td>
<td>Individual household input and mortgage from banks.</td>
<td>Individual household input and land deposit mortgage from banks.</td>
<td>Individual household input and land and forest deposit mortgage from banks.</td>
<td>Individual household input and land and forest deposit mortgage from banks.</td>
</tr>
</tbody>
</table>

Table 2b: Descriptive profile of five rural focused social entrepreneurs in India

<table>
<thead>
<tr>
<th>I1</th>
<th>I2</th>
<th>I3</th>
<th>I4</th>
<th>I5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background</strong></td>
<td>Educate in India’s and World’s top institutes (Engineering MBA), briefly worked in private sector, established reputed NGO before this enterprise.</td>
<td>Educated in India’s top institute (Engineering), briefly worked in private IT services company.</td>
<td>Educated in India’s top institute (MBA), established own business before this social enterprise.</td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
</tr>
<tr>
<td>Nature of organization</td>
<td>Private company (for-profit)</td>
<td>Private company (for-profit)</td>
<td>Private company (for-profit)</td>
<td>Private company (for-profit)</td>
</tr>
<tr>
<td>Business activities</td>
<td>Sustainable livelihood generation through microfinance and market linkages</td>
<td>Rural BPO (Business Process Outsourcing) to create livelihood in rural areas</td>
<td>Livelihood generation by creating micro-entrepreneurs; providing services and infrastructure in rural areas</td>
<td>Multiple financial services to poor people in villages</td>
</tr>
<tr>
<td>Financial sources</td>
<td>Self, Bank, Grants</td>
<td>VC funding</td>
<td>Self, Private funding, VC funding</td>
<td>Private funding, VC funding, Bank.</td>
</tr>
</tbody>
</table>
Table 3: Sources of Secondary Information

<table>
<thead>
<tr>
<th>Social Enterprise founded by</th>
<th>Secondary Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>I1</td>
<td>Several News Articles, Annual Reports, Youtube Interviews &amp; Talks by the Founder, Website</td>
</tr>
<tr>
<td>I2</td>
<td>Several News Articles, Talks and interviews by the Founder (Youtube &amp; Print, incl. TEDx Talk), Website</td>
</tr>
<tr>
<td>I3</td>
<td>Several New Articles, Youtube talks and interviews of the founder (who is also an Ashoka Fellow), Website</td>
</tr>
<tr>
<td>I4</td>
<td>Some News Articles, Website, Interviews of the founder (Youtube &amp; Print)</td>
</tr>
<tr>
<td>I5</td>
<td>Some News Articles, Website, Interviews of the founder (Youtube &amp; Print, incl. TEDx Talk)</td>
</tr>
<tr>
<td>C1</td>
<td>Moderate News articles, Website, Renmin University Report.</td>
</tr>
<tr>
<td>C2</td>
<td>Moderate News articles, Website, Renmin University Report.</td>
</tr>
<tr>
<td>C3</td>
<td>Moderate News articles, Website, Renmin University Report.</td>
</tr>
<tr>
<td>C4</td>
<td>Several News articles, Website, Government report</td>
</tr>
</tbody>
</table>

Note: Some is <=20; Moderate is <=50 but >20; Several is >50
### Table 4: Further indicative quotes

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Subject</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11</td>
<td>[In] India there is a big banking system and it has mandate to give loans to poor people, and there was also the program IRDP [Indian Rural Development Program], under which specific poor people were given subsidies by government and loans by banks to buy an asset and make a living out of that. So, we said, “This is great. Government run banks are giving money, we will give guidance.” But, in practice we found that we could never get IRDP money for poor people [for them to create a viable business]. This led us to start the services of micro-lending.</td>
</tr>
<tr>
<td>2</td>
<td>14</td>
<td>You have to understand the revenue impact. You have to understand the transaction, whether this transaction will work at all. Business model is not only about revenue; business model is about adoption also. Why micropayments are not done through cards? This is not something that is written in any book that I have read or found in a magazine or a newspaper article. I have inferred it for myself. And it’s easy to infer. Today, there is an absurd situation that is there in the banking industry because of us not [being able to] escape the VISA model…. I had people who were working in the payment industry in India. It was easy enough to converse with them to understand it.</td>
</tr>
<tr>
<td>3</td>
<td>12</td>
<td>He [a senior official from Google India] was visiting IIT Madras to see all the projects that were happening. He said I would love to go and see one of the villages. He said that he will somehow just squeeze [a visit] next time when he comes to Chennai and then he would drive down. Somehow it took 2 months when he came; he said, “I’ll give a pilot for ten people. See what you can do”. We started working on Google maps. So, that’s it.</td>
</tr>
<tr>
<td>4</td>
<td>15</td>
<td>We have a very strong mentor. In India its essential… the board is very important for networks, their connection… whatever you do, social enterprise or anything else, if you are not well connected, you can do nothing…that process of ideation requires well networked…</td>
</tr>
<tr>
<td>5</td>
<td>15</td>
<td>Luckily my team is doing good, they are very good in networking and they have done extensive networking, especially in villages. They are meeting BDO [Block Development Officer], ACO [Assistant Community Officer]… local government officials. We have functions, we call them. We are having a big function in Udaipur. We are giving forty solar systems for free as part of our commitment to the partners… they get light at home, that’s my social commitment. You give away your commercial profit. This increases our visibility.</td>
</tr>
</tbody>
</table>
Commitment to create social value is driven by:
- Personal commitment & leadership aspirations
- Upliftment of self and community

Establishment of pragmatic and contextualized social objectives rests on:
- Objectives that are pragmatic and achievable.
- Catering to needs of the stakeholders, with clear emphasis on the village community being befitted.
- Effective communication and marketing of the risk profile of both their venture and its social objective.
- Labelling the venture as a ‘big cause’ worthy of support with members of the community being active in the goal.
- Perseverance.

Realization of social objectives is dependent on:
- Contextualized and informed decision-making based on:
  - Deliberation
  - Logic-based decisions
  - Learning by doing Adapting to new learning and situations
  - Less emphasis on written Business Plan.
- Managing legitimacy.
  - Importance of personal social standing
  - Collective decision-making to gain legitimacy for decisions among village community.
  - Influential Network primarily with government officials.
  - Networking with an intention to generate a buzz.
- Aligning to the government.

Note: The inclined bullet-points are unique to the Chinese Context.
Figure 2b. Entrepreneurial Process of ‘social value’ creation by Social Entrepreneurs – INDIA

Commitment to create social value is driven by:
• Strong personal inclination towards societal problems
• Compassion or pursuit of innovative idea

Establishment of pragmatic and contextualized social objectives rests on:
• Objectives that are pragmatic and achievable.
• Catering to needs of the stakeholders, with more emphasis on end customers, who pay for products/services.
• Effective communication and marketing of the social objective. Labelling it as a ‘big cause’ worthy of support among the stakeholders.
• Perseverance.

Realization of social objectives is dependent on:
• Contextualized and informed decision-making based on:
  o Deliberation
  o Logic-based decisions
  o Learning by doing Adapting to new learning and situations
  o More formal planning, monitoring and evaluation.
• Managing legitimacy.
  o Importance of personal social standing
  o Influential Network but focus beyond government officials to include private sectors and reputed members of the society.
  o Networking with an intention to generate a buzz.
  o Innovation either relating to business model or technology, to appeal to multi stakeholders.
• Aligning to the government.

Note: The inclined bullet-points are unique to the Indian Context.
Figure 3. Integrated Framework of the Entrepreneurial Process of ‘social value’ creation by Social Entrepreneurs in Emerging Markets

Commitment to create social value is driven by:
- Personal commitment and leadership aspirations
- Upliftment of self and community
- Strong personal inclination towards societal problems
- Compassion d/anor pursuit of an innovative idea

Establishment of pragmatic and contextualized social objectives rests on:
- Objectives that are pragmatic and achievable
- Catering to needs of the stakeholders (either end customer or community according to the ownership type)
- Effective communication and marketing of the social objective. Labelling it as a ‘big cause’ worthy of support
- Preseverence.

Realization of social objectives is dependent on:
- Contextualized and informed decision-making based on:
  - Deliberation
  - Logic-based decisions
  - Learning by doing
  - Adapting to new learning and situations
  - Some form of planning
  - Some form of monitoring and evaluation
- Managing legitimacy:
  - Importance of personal social standing
  - For the more collective societies, participative decision making to gain legitimacy
  - Influential network with government officials and/or reputed members of the society and the business world
  - Networking with an intention to generate a buzz
- Aligning to the government for funding and support
Appendix
Table A-1: Progression of analysis by clustering codes into major themes

<table>
<thead>
<tr>
<th>Free style coding and initial organization based on common sense themes broadly researched in entrepreneurship</th>
<th>Final stages of analysis and organizing (directed and motivated by the research question)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social entrepreneur</strong></td>
<td>Commitment to create ‘social value’</td>
</tr>
<tr>
<td>• Perseverance</td>
<td>o Compassion and/or strong personal inclination towards societal problems (6)</td>
</tr>
<tr>
<td>• Looking for opportunities actively</td>
<td>o Survival and upliftment of the community (5)</td>
</tr>
<tr>
<td>• Learning is continuous</td>
<td>Establishment of a ‘social value’ objective</td>
</tr>
<tr>
<td>• Strong commitment to social aspects</td>
<td>o Objectives that are pragmatic and achievable</td>
</tr>
<tr>
<td>• Compassion</td>
<td>• Clarity in business ideas (8)</td>
</tr>
<tr>
<td>• Survival of the community</td>
<td>• Emphasis on business model (7)</td>
</tr>
<tr>
<td>• Importance of social standing</td>
<td>• Knowing problems (8)</td>
</tr>
<tr>
<td><strong>Opportunity</strong></td>
<td>• Relevant education (6)</td>
</tr>
<tr>
<td>• Government as client</td>
<td>• Relevant experience (8)</td>
</tr>
<tr>
<td>• Innovation (new to the market)</td>
<td>• Low personal risk (7)</td>
</tr>
<tr>
<td>• Low personal risk</td>
<td>o Catering to needs of the stakeholders</td>
</tr>
<tr>
<td>• Low risk value proposition for the clients</td>
<td>• Low risk value proposition for the clients (5)</td>
</tr>
<tr>
<td>• Pragmatic or manageable goals</td>
<td>• Need of the community (7)</td>
</tr>
<tr>
<td>• Need of the community</td>
<td>• Creating win-win situation (8)</td>
</tr>
<tr>
<td>• Opportunity recognition</td>
<td>o Effective communication</td>
</tr>
<tr>
<td><strong>Decision-making context</strong></td>
<td>• Big cause to motivate others to contribute (10)</td>
</tr>
<tr>
<td>• Clarity in business ideas</td>
<td>• Big external recognition (8)</td>
</tr>
<tr>
<td>• Knowing competitors</td>
<td>o Perseverance (10)</td>
</tr>
<tr>
<td>• Knowing context</td>
<td><strong>Realization of ‘social value’ objective</strong></td>
</tr>
<tr>
<td>• Knowing problems</td>
<td>o Contextualized and informed decision-making</td>
</tr>
<tr>
<td>• Relevant education</td>
<td>• Deliberation (10)</td>
</tr>
<tr>
<td>• Relevant experience</td>
<td>• Learning by doing (10)</td>
</tr>
<tr>
<td>• Start-up experience</td>
<td>• Logic-based decision (10)</td>
</tr>
<tr>
<td>• Strong professional team</td>
<td>• Planning (10)</td>
</tr>
<tr>
<td>• Supportive Board</td>
<td>• Formal research (monitoring &amp; evaluation) (5)</td>
</tr>
<tr>
<td><strong>Decision-making</strong></td>
<td>o Managing legitimacy</td>
</tr>
<tr>
<td>• Business plan</td>
<td>• Networking to generate buzz (7)</td>
</tr>
<tr>
<td>• Deliberation</td>
<td>• Innovation (6)</td>
</tr>
<tr>
<td>• Formal research</td>
<td>• Importance of social standing (10)</td>
</tr>
<tr>
<td>• Integrative thinking</td>
<td>• Influential network (9)</td>
</tr>
<tr>
<td>• Learning by doing</td>
<td>o Aligned to the Government</td>
</tr>
<tr>
<td>• Learning by reading</td>
<td>• Networking with Government (8)</td>
</tr>
<tr>
<td>• Less formal research</td>
<td>• Government as a major client (5)</td>
</tr>
<tr>
<td>• Logic-based decision</td>
<td></td>
</tr>
<tr>
<td>• Planning</td>
<td></td>
</tr>
<tr>
<td>• Research</td>
<td></td>
</tr>
<tr>
<td>• Thoughtfulness</td>
<td></td>
</tr>
<tr>
<td>• Thinking based on general understanding</td>
<td></td>
</tr>
<tr>
<td>• Emphasis on business model</td>
<td></td>
</tr>
<tr>
<td><strong>Miscellaneous factors affecting the entrepreneurial process</strong></td>
<td></td>
</tr>
<tr>
<td>• Big cause to motivate others to contribute</td>
<td></td>
</tr>
<tr>
<td>• Big external recognition</td>
<td></td>
</tr>
<tr>
<td>• Champion clients</td>
<td></td>
</tr>
<tr>
<td>• Change influenced by external factor</td>
<td></td>
</tr>
<tr>
<td>• Change influenced by investor</td>
<td></td>
</tr>
<tr>
<td>• External funding</td>
<td></td>
</tr>
<tr>
<td>• Inspiration factor</td>
<td></td>
</tr>
<tr>
<td>• Influential network</td>
<td></td>
</tr>
<tr>
<td>• Luck or chance</td>
<td></td>
</tr>
<tr>
<td>• Win-win situation</td>
<td></td>
</tr>
<tr>
<td>• Knowing customers</td>
<td></td>
</tr>
<tr>
<td>• Networking with Government</td>
<td></td>
</tr>
<tr>
<td>• Networking to generate buzz</td>
<td></td>
</tr>
<tr>
<td>• Innovation</td>
<td></td>
</tr>
<tr>
<td>• Innovative marketing</td>
<td></td>
</tr>
<tr>
<td>• Building reputation</td>
<td></td>
</tr>
</tbody>
</table>