

# The Manifestation of Social Innovation – Social Entrepreneurship in Taiwan from the NPO Perspective<sup>1</sup>

Jennifer H. Chen, Associate Professor  
Graduate program of NPO Management  
Nanhua University

## I. Introduction

Social innovation (SI) could be defined as “*new idea that work to meet pressing unmet needs and improve peoples’ lives*”, or “*innovation activities and services that are motivated by the goal of meeting social need and that are predominantly developed and diffused through organization whose primary purposes are social,*” with notable examples such as fair trade and micro finance. The definition does not entail organizational boundary, yet, other parallel concept such as social entrepreneurship and social enterprise, which often presume social innovation as their underlying bedrock, and hence one might equate 創新 as 新創. This view is reflected in 2016 TASPAA conference program for Subsection IV; therefore, this note is focus on the discussion of social entrepreneurship (as the manifestation of social innovation).

Social entrepreneurship (SE) — defined as *innovative organizing approach that combine social welfare and commercial logics* (Battilana & Dorado, 2010) or *the use of business principles to solve social-environmental problems* (Short, Moss & Lumpkin, 2009) — has been touted as an effective solution to various social-environmental problems. Today, SE plays an increasing role in addressing unemployment, poverty and many other social problems in Taiwan in a context of the shrinking role of the state as a social welfare provider, and growing and civil society (Kuan, Chang & Wang, 2011). More and more new entities or units whether transform from existing NPOs (intrepreneurship) or start out from scratch (entrepreneurship), are finding footing as social enterprises

As a relatively new phenomenon, social entrepreneurship has received unprecedented popularity and media attention in Taiwan over the past few years; public and private sectors and academia have held symposiums, conferences, and workshops discussing related topics, and new legislature to promote social enterprise has been contemplated; generally, 2014 has been regarded as the “Year of the Taiwanese Social Enterprise.”

---

<sup>1</sup> This note is extracted and revised from author’s forthcoming book chapter (Chen & Lee, 2016), for the purpose of panel discussion in 2016 TASPAA conference, Taipei, Taiwan.

With all the momentum, there inevitably is hype and myth. This introduction thus presents an overview of the development of social entrepreneurship in Taiwan with a wide spectrum of initiatives: from non-profit organization turned enterprising, co-operatives, enterprise-driven new venture, and community-based informal organization. I will address some challenges faced by NPO-based organizations and look at some unique characteristics and future trends in theory and practice. Through these, this overview aims to bridge different orientations and spur further dialogue of the topic.

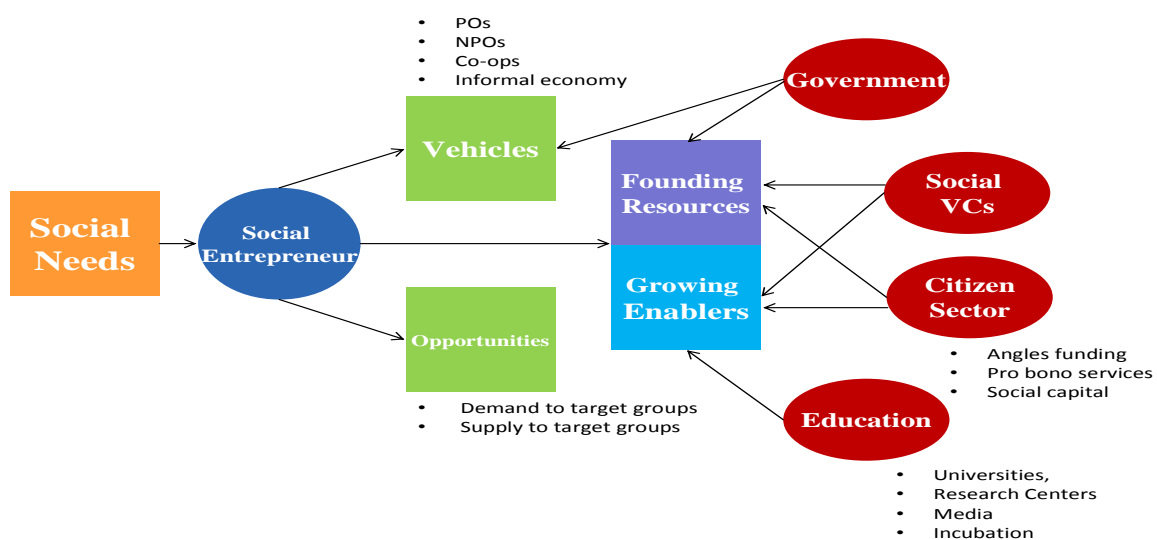
## II. Current State

### A. Social Entrepreneurship Landscape

Today, influenced and inspired by global trends, such as the dual emphasis on profit-making and resolving social problems, as well as the spirit of communal ownership, Taiwan's social entrepreneurship landscape has grown into a diverse environment that cannot be portrayed neatly into any particular framework. As Ramirez (2012) advocated, a transparent and inclusive mindset is beneficial for the field, and as long as the accountability could be uphold, "let priorities guide the trade-offs". Looking at the recent development, we could draw up an overview as Figure 1:

**Social Needs** are what inspire/propel **social entrepreneurs** to identify **opportunities** and select suitable **vehicles** to realize those opportunities. In the process, the entrepreneurs/vehicles would need **funding resources** and **growing enablers**, which can come from government, venture capitalists, citizen sector, and education.

**Fig 1 Social Entrepreneurship Landscape**



A few of the above elements are highlighted below:

### ***Opportunities***

One key question is how to draw a distinction between the opportunities of social enterprises and those of traditional business.

In his definition of social entrepreneurship, Dees (1998) suggests that social entrepreneurs play the role of change agents as “those who target an unfortunate but stable equilibrium that causes the neglect, marginalization, or suffering of a segment of humanity...” Subsequent discussions also stress the unique opportunities for social enterprise including the “inherently unjust equilibrium” of “the exclusion, marginalization, or suffering of a segment of humanity”, an endeavor which “releases trapped potential or alleviates the suffering of the targeted groups”, and anything that ensures “a better future for the targeted group and even society at large.” (Martin and Osberg, 2007)

As the presence of target groups seems an important element of social entrepreneurship, four broad types of social entrepreneurial opportunities based on the relation with the target groups Taiwan are analyzed as Table 1:

**Table 1: Four Broad Types of Social Entrepreneurial Opportunities**

Opportunity Types	Characteristics	Relation with Target Group
Creating Employment for the Disadvantaged	Designing innovative employment systems or job type to make a supportive and stable work environment for groups of people with difficulty finding employment; offering chances both for work and for building professional skills. Example: Dialogue in the Dark	Demand of Target Group's Service
Purchase from Local or Smallholder Providers	Establishing fair trade partnerships, empowering producers or service providers with limited access to resources, including smallholders, minorities, marginalized communities, and the disabled. Example: Homemakers Union Consumers Co-op	Demand of Target Group's Product
Serve Underserved Market / Customer	Fulfilling disadvantaged people their unsatisfied needs, usually caused by a lack of willingness on the part of corporations to provide products or services to them because the market is too small or the cost too high, limiting profits.	Supply Service or Product to Target Group

	Example: Duofu Care and Services Co.	
Reinvent Value Chain for Sustainability	Redefining or revitalizing the Value Chain to make more effective or efficient way of using resources, particularly integrating idle and discarded resources (including power, water, and environments). Example: Rejoice Community Supported Agriculture Group	Advocating sustainable environment

## **Vehicles**

Entrepreneurs are subject to their given organization type, or must choose one type of organization, to realized opportunities identified, and different choices mean they will face different legal or external structural environments. NPO is one of the these four types.

*Not-for-profit Organization:* Typically, work integration or affirmative business is the most visible social enterprise model in Taiwan (Kuan and Wang, 2010). Council of Labor Affairs promulgated measures related to sheltered workshops to aid the mentally and physically challenged who otherwise could not find work. As NPOs play the vital role of employers, commercialization was expedited and shelter workshops became pilots of social enterprise. Statistics show that the majority of the registered sheltered workshops operate in the small-scale services sector – mostly catering and cleaning businesses but also gas stations, retail outlets, and manufacturers (WDA, 2014).

The financial independence of sheltered workshops is inhibited by a lack of professional management, the absence of specialized operations, and the conflicting roles in which administrators find themselves. Even so, a number of employment promotion organizations have shown impressive results. Among them is the Children Are Us Foundation, and another prominent example is the Victory Potential Development Centre for the Disabled, which is well known for developing new job types and branching out from the conventional means.

*Informal economy:* This type generally refers to community cultural and creative endeavors and community-supported agriculture or economic activities which cannot easily be categorized, as well as informally established unofficial units.

The development of local culture and industry is one of the major strategies for creating jobs and invigorating local economies around Taiwan. A culture of self-reliance and independence took root in particular after the destructive 1999 earthquake, when local industries became a conduit for addressing social problems; a similar response came from local industries after the onslaught of

Typhoon Morakot. Amid reconstruction efforts, many embraced the idea of community regeneration as they developed unique tourism industries built on culture, ecology, and history. Along with development of local specialties, this provided locals with a new source of income outside of traditional industries, producing more jobs and working to reduce the trend of young people heading to big cities to find work.

The possibility of wide-spanning development of the informal economy is generally limited, again by the lack of professional knowledge, financial instability, and particularly local politics. However, over the past few years, more and more communities have seen their efforts bear fruit, such as the prominent example of the Nantou Taomi Eco-Village (Liao, 2014).

### **Government**

In terms of the law, the sheltered workshops and the multi-employment promotion program are two public sector policies providing both funding and training facilities aimed at broadening employment opportunities and transforming sheltered workshops into social enterprises, which in turn could become a new employer for the disadvantaged. Draft bills introduced in 2014 aim to further the cause by allowing lawmakers to “give social enterprises a legal stand.” The government is also mulling a cabinet-level Social Enterprise Development Committee, a Social Enterprise Fund to create a preferential environment for development.

Asides from promulgating rules and regulation, various governmental agencies, such as Ministry of Labor, Ministry of Economic Affairs, Ministry of Education, and Ministry of Culture, have endorsed the trend of social enterprise development, and provided funding to programs and initiatives to promote the set up of new social venture or the transformation into becoming social enterprises. While there is a divergence in directions, most of the programs and initiatives are short-term in nature, and are oriented toward market solutions, trading income, operational models, celebration of the visionary entrepreneurs, and entrepreneurial competitions.

### **B. Innovation: Imperative, yet label over substance**

Social entrepreneurship is to tackle problems while maximizing market potential to create impact. To keep single bottom is already challenging enough in today's competitive market, and to maintain double or even triple bottom lines would be an even daunting task. It is imperative to be innovative, to find niche given the apparent lack of commercial opportunities. Especially often times, they cannot rely on regular commercial mechanisms because the targets of most social issues are disadvantaged groups, who have an inherently weaker ability to produce and consume. That is the main reason why the OECD has since 1999 defined the basic difference between social enterprises and traditional NPOs as an entrepreneurial outlook, a degree of autonomy from the state, and the provision of innovation services (OECD, 1999).

The basis and development of innovation remain overlooked by many social enterprise advocates and practitioners in Taiwan. For example, when NPOs targeting physically disadvantaged begins enterprising, they tend to set up car washes and gas station programs, while those aimed at serving people with mental disabilities almost universally turn to food services, cleaning, or craft work, and the blind are stereotypically employed as masseuses. Scholars have noted that the lack of unique organizational characteristics presents the biggest obstacle for NPOs seeking to transform into social enterprises (Leu, 2013). Concentrating commercial pursuits on a limited set of products or services leads to an over-saturation and a highly competitive market with little distinction between different organizations, raising concerns about each one's sustainability.

Substantive innovation would have to start from a new way of looking. In the spirit of Albert Einstein's quote: "*The significant problems we face cannot be solved at the same level of thinking we were at when we created them*", founder of Aurora Social Enterprise has advocated "creative redefining", through the lenses of innovative approach to provide new identity of existing state, or a new connection of the existing resources to the external environment (Lee, 2013). For instance, many businesses traditionally overlook people of disability for employment on the misguided belief that their productivity cannot match "regular" employees and would thus cause operational costs to rise. By contrast, an innovative social enterprise would tend to focus on the capabilities, not the limitations, of the disadvantaged and offer a new employment model that is not only a potential market advantage because of its uniqueness but also works to positively change public opinions. One highly successful example is Dialogue in Dark, which breaks the boundary of what blind people could do, turning disability as a basis for developing distinctive experiential goods. Its model not only alters the roles for those to be helped and those to help, but also proves to be financially viable. This is one of the few innovative cases; we need to encourage and incubate more of the like.

Innovation is not a one-time endeavor, but rather a continuous and dynamic process. The objective of fulfilling multiple bottom lines mean that if a social enterprise is only able to draw sympathetic customers earlier on but overlooks product and service improvement, it will have trouble maintaining customer loyalty. As a result, innovation is the key to keeping any social enterprise afloat and thereby increasing its impact.

### **III. Conclusion**

In a recent Benefit Corporation Asia Conference, social entrepreneur CK Cheng observed four asymmetries in TW's social entrepreneurship development:

Visibility > Essence      Spectators > Practitioners      Curiosity > Experience      Passion > Resources

To tap the potential of market size and scalability, it is paramount for social entrepreneurs to seek the underlying root causes of each social issues of concerned rather than just tackle directly the problems appeared on the surface. By looking into the initiating or fundamental cause of a causal chain which leads to the apparent undesirable social outcome, social entrepreneurs would be less likely to be constrained by the specific target groups or locality of concerned, but be more likely to come up with innovative solution to invoke substantive changes that could further be diffused.

Although there is plenty of interest in Taiwanese society toward social enterprise, it is not a panacea. Not every issue is well suited to social entrepreneurship, nor can these organizations fully replace the conventional role of non-profits. The social entrepreneurship model brings risks and challenges, and asking the vulnerable to jump onto the bandwagon and start a business requires careful consideration (Hu, Chang, and Wong, 2012). Instead, social enterprises should be seen as one answer to changes in society, and not the only answer. However, the spirit of social entrepreneurship— creating social value and espousing social innovation— is suitable for any organization to promote.

It takes a wealth of concerned citizens with the spirit of social entrepreneurship to create new approaches in changing the world. From the central government to local city and township administrations, the public sector in Taiwan is putting great efforts into encouraging development with the expectation that it could be a cure for many social ailments. But scholars and social entrepreneurs themselves largely oppose any rush to set the idea of social enterprise into a rigid legal framework. Some are open to legislation to define what constitutes a social enterprise, but many are disinclined to set up a certification system and grading criteria as a basis for preferential or tax-exempt status, as is the case in Korea. The prevailing concerns are that social enterprises are still in an embryonic state and are subject to constant evolution even as they seek to establish legitimacy, making it difficult to come up with one broad standard to certify all of them. Any rigid system at this stage will only stem the growth of the very organizations that the government wants to encourage. On the contrary, it is suggested that citizen engagement gives these organizations the base to boom; all that is needed from the government is the creation of a friendly, encouraging atmosphere that forgoes the preventive presumptions in favor of the positive approach of embracing civic awareness and grassroots support (Chen, 2012).

As for whether any single organization can achieve its goals, none can expect to tackle the complicated variety of outstanding social problems singlehandedly. Recent discussions on the notion of *collective impact* (Kania and Kramer, 2011) could perhaps shed light on future social enterprise development, in terms of more effectively mobilizing and leveraging resources. What makes social enterprise different is the tendency of socially aware organizations to work together on common issues of concern, the opposite of how traditional businesses see others in the same sector as rivals. For social enterprises, “competitors” are a chance to establish and improve an

organic, multi-level union of common interests. In the process of doing so, they will undoubtedly see their cooperative networks expand to cover all walks of society, from non-profits to governments and communities and all types of organizations (Chen, 2014).

Given the relative abundant social capital in Taiwan, platform strategy along with cross-sector communication and coordination (Selsky and Parker, 2005) are promising concepts to develop in to practical mechanisms in aiding social enterprises. Additionally, the concept of collaborative governance well rooted in the Public Administration field, or the more recent advocacy of “pluralist forms of governance” might shed further light in providing proactive response to social issues. For the latter, it’s been suggested that organizations that tackle social exclusion on both fronts – embracing a trading purpose that addresses the perceived needs of socially marginalized groups, and allowing participation by them in decision-making and wealth creation processes – are mostly likely to make enduring impacts (Ridley-Duff, 2007). In Taiwan, we have seen operations of such similar spirit, such as the re-generated Taomi eco-village supported by the Newhomeland Foundation, and the empowered tribal communities in developing organic farming within the alliance network of Aurora Social Enterprise. These conceptual issues and on-going cases are well worth further study and exploration for both academic and managerial interests.

## References:

- Alter, K. (2003). Social Enterprise Typology. <http://www.4lenses.org/setypology/print> , access 2014/8/10.
- Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53,1419-1440.
- Chen, Jennifer (2012) Social Entrepreneurship in East Asia, presented in SEES Colloquium on Global Perspectives of Social Entrepreneurship: The State of the Field. *The 41<sup>st</sup> ARNOVA Annual Conference*, USA.
- Chen, Jennifer (2014). The Power of the Collective, *Journal of NPO Management*, 16: 120-131.
- Chen, Jennifer and Lee, Jiren (2016) “Social Entrepreneurship in Taiwan: Opportunities and Challenges”, chapter six in *Social Entrepreneurship in the Greater China: Policy and Cases*, eds Yanto Chandra & Linda Wong. Routledge: UK
- Cheng, Sheng-Fen and Wang, Zhi-Ya (2010). The Development of Social Enterprises in Taiwan. *China Nonprofit Review*, 6: 32-59.
- Cheng, Sheng-Fen (2007). The Conception of Social Enterprises. *Policy Research*, 7: 65-108.
- Dees, G. (1998). The Meaning of “Social Entrepreneurship”. Draft. [https://www.fuqua.duke.edu/centers/case/documents/Dees\\_SEdef.pdf](https://www.fuqua.duke.edu/centers/case/documents/Dees_SEdef.pdf), accessed 2014/7/31.



Emerson. (2003). The Blended Value Proposition: Integrating Social and Financial Returns. *California Management Review*. Summer, 45(4): 35-51.

Hu, Jer-San Hu, Chang, Tzu-Yang and Wong, Haw-Ran (2012). The Relations of Social Entrepreneurship Models and Resources Integration in Social Enterprise, *Journal of Entrepreneurship Research*, 7:1-25.

Kania & Kramer (2011). Collective Impact. *Stanford Social Innovation Review*, Winter: 36-41.

Kuan, Yu-Yuan and Wang, Shu-Twu (2010). The Impact of Public Authorities on the Development of Social Enterprises in Taiwan. *Journal of Public Affairs Review*, 11(1): 1-21.

Kuan, Y. Y., Chan, K. T., & Wang, S. T. (2011). The governance of social enterprise in Taiwan and Hong Kong: a comparison. *Journal of Asian Public Policy*, 4(2), 149-170.

Lee, J (2013). Facilitating Social Changes, *Social Enterprise Insights*.

<http://www.seinsights.asia/story/507/794/1190>, accessed 2014/8/24.

Leu, Chao-Hsien Leu (2013). Social Enterprise: Operational Models & Ethical Market. *Community Development Journal*, 143: 78-88.

Martin and Osberg. (2007). Social Entrepreneurship: The Case for Definition. *Stanford Social Innovation Review*, Spring: 29-39.

OECD (1999). *Social Enterprise*. Paris: OECD Publishing

Pelchat (2004). *Enterprising Asian NPOs: Social Entrepreneurship in Taiwan*. Taipei: Himalaya Foundation.

Ramirez (2012). Verifying Social Enterprise: Applying Lessons from Fairtrade and other Certifications. In Kickul & Bacq (eds) *Patterns in Social Entrepreneurship Research*, Edward Elgar: UK.

Selsky and Parker (2005). Cross-sector Partnerships to Address Social Issues: Challenges to Theory and Practice. *Journal of Management*, 31: 849-873.

Short, J. C., Moss, T. W., & Lumpkin, G. T. (2009). Research in social entrepreneurship: Past contributions and future opportunities. *Strategic Entrepreneurship Journal*, 3(2), 161.

Workforce Development Agency, WDA (2014). 2014 Taiwan General Statistics.

<http://www.wda.gov.tw/home.jsp?pageno=201111160019>, accessed 2014/8/30