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Sentimental Drivers of Social Entrepreneurship: A Study of China's Guangcai (Glorious) Program

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ABSTRACT Social entrepreneurship plays an important role in local development in emerging economies, but scholars have paid little attention to this emerging phenomenon. Under the theory of moral sentiments, we posit that some entrepreneurs are altruistically motivated to promote a morally effective economic system by engaging in social entrepreneurial activities. Focusing on China's Guangcai (Glorious) Program, a social entrepreneurship program initiated by China's private entrepreneurs to combat poverty and contribute to regional development, we find that private entrepreneurs are motivated to participate in such programs if they have more past distressing experiences, including limited educational opportunities, unemployment experience, rural poverty experience, and startup location hardship. Their perceived social status further strengthens these relationships. Our study contributes to the social entrepreneurship literature by offering a moral sentiment perspective that explains why some entrepreneurs voluntarily join a social entrepreneurship program to mitigate poverty in society.

KEYWORDS moral sentiments, personal experience, social entrepreneurship, social status

社会创业与情操驱动力：中国光彩事业研究

摘要

社会创业在新兴经济体的发展中担任着重要的角色，但对这一新兴现象的学术研究尚显不足。本文基于道德情操理论，提出创业者会无私地投身社会创业活动，从而促进了道德经济体系的有效运作。中国光彩事业是由国内民营企业家发起，致力于国内地区开发扶贫的社会创业项目。通过对此项目的研究，本文发现了创业者有愈多早年的困苦经历(包括教育程度低、失业、在贫穷乡村的经历、创业地域的贫困)，他们就愈会参与社会创业活动；同时，他们的社会地位感知可改变此关系的强弱。这次研究将道德情操理论引入至社会创业文献，对理解为何创业者会自愿参与社会创业、解决社会贫困问题提供了新的理论和依据。

关键词：道德情操，个人经历，社会创业，社会地位

INTRODUCTION

The study of social entrepreneurship has received growing attention as a scholarly field of research in the past two decades. To date, however, the field remains in an embryonic state (Short, Moss, & Lumpkin, 2009). Research on social entrepreneurship has focused mostly on defining the field's meaning and domain (see, e.g., Austin, Stevenson, & Wei-Skillern, 2006; Galaskiewicz & Barringer, 2012; Lan & Galaskiewicz, 2012; Peredo & Chrisman, 2006; Zahra, Gedajlovic, Neubaum, & Shulman, 2009), especially to set it apart from commercial entrepreneurship, but empirical efforts are severely lacking (Hoogendoorn, Pennings, & Thurik, 2010). Among the few empirical articles on social entrepreneurship, most are case studies lacking formal hypotheses and rigorous methods (see Short et al., 2009, for a review). To progress the field's scientific inquiry, we need more empirical studies employing different research methods (Hoogendoorn et al. 2010; Short et al., 2009).

Furthermore, extant empirical research is mostly interested in social entrepreneurship outcomes (see, e.g., Alvord, Brown, & Letts, 2004; Anderson, Dana, & Dana, 2006; Sharir & Lerner, 2006). It is not until recently that there have been efforts to explore its antecedents, particularly regarding prosocial factors that drive entrepreneurs to pursue social entrepreneurial endeavours (Miller, Grimes, McMullen, & Vogus, 2012; Tsui, 2013). Social entrepreneurship research has not fully recognized the distinctive characteristics of social entrepreneurs or the context of their actions and behaviours (Weerawardena & Mort, 2006). Although scholars have recently begun considering entrepreneurship in emerging economies (see, e.g., Bruton, Ahlstrom, & Obloj, 2008; Manolova, Eunni, & Gyoshev, 2008; Phan, Zhou, & Abrahamson, 2010), most entrepreneurs in those early stages of economic development are likely to focus their efforts on commercial pursuits while ignoring social entrepreneurial pursuits (Cui, Liang, & Lu, *in press*). As such, we need a deeper understanding of the antecedents of social entrepreneurship.

Accordingly, in this study, we seek to fill the research gaps in the field of social entrepreneurship by examining the antecedents of social entrepreneurship in China, one of the most important emerging economies. China's spectacular economic growth in recent decades has seen the rise of entrepreneurs who have found financial success through commercial pursuits. Although China is increasingly recognizing and valuing economic pursuit, many entrepreneurs are participating in social entrepreneurial efforts. One major effort is the Guangcai (Glorious) Program, a nongovernmental, social program that seeks to create social wealth and alleviate poverty through entrepreneurial and private enterprises (China Society for Promotion of the Guangcai Program, CSPGP hereafter, 2011). Why would entrepreneurs in China willingly volunteer for such a social entrepreneurship program outside their economic pursuits?

We posit that moral sentiments will drive entrepreneurs toward social entrepreneurship. We premise our core argument on *The Theory of Moral Sentiments*, by Adam Smith (1759), who stated that businessmen, indeed human beings, cannot and should not only pursue self-interests (Tsui, 2013). Rather, moral sentiments should also drive their judgements and behaviours, leading them to care about and identify with the well-being of others. Moral sentiments pose internal constraints to comply with the 'appropriate' and 'morally correct' behaviours undergirding society's moral systems. This aligns with criticisms explaining that we cannot portray entrepreneurs simply as individualists maximizing their self-interests because, in truth, they also pursue collective interests. Furthermore, such recognition leads to fundamentally different conceptions of entrepreneurship than those commonly found in entrepreneurship research (Van de Ven, Sapienza, & Villanueva, 2007).

Premised on the theory of moral sentiments, we posit that entrepreneurs may have altruistic motives for promoting a morally effective economic system by engaging in more social entrepreneurial activities. Focusing on China's Guangcai Program, we argue that entrepreneurs are motivated to participate in such a program if they have experienced more personal distress, such as limited educational opportunities, unemployment experience, rural poverty experience, and startup location hardship. Based on the Confucian value placed on the duties of those who have attained high social status in Chinese society, we further argue that entrepreneurs' perceived social status will strengthen the hypothesized relationships regarding social obligations and expectations. To test our hypotheses, we use data from the 2006 *Survey of China's Private Enterprises*.

We seek to make several contributions to the literature. First, we draw attention to social entrepreneurship, an emerging phenomenon that has received scant scholarly attention. Second, we premise our argument on the theory of moral sentiments to understand the simultaneous pursuits of self- and collective interests by some entrepreneurs even in emerging economies. Such a perspective more fully explains entrepreneurship beyond extant research that focuses mostly on economic incentives and pursuits (Van de Ven et al., 2007). Third, we enrich the understanding of moral sentiments by focusing on entrepreneurs' personal distress experiences as important factors inducing them to act morally in social entrepreneurial pursuits. We provide a rich set of personal experiences specific to the entrepreneurial and Chinese contexts. Our study therefore offers a deeper understanding of how personal experiences facilitate the development of entrepreneurs' moral sentiments in China.

THEORETICAL AND CONTEXTUAL BACKGROUND

Social Entrepreneurship

The field of social entrepreneurship has evolved from various domains, and its development is still in its infancy, so a convergent and unified definition of

social entrepreneurship is lacking. Definitions of social entrepreneurship range from being restricted to entrepreneurial behaviours in nonprofit organizations (Lasprogata & Cotton, 2003) to the pursuit of entrepreneurial activities with social goals (Certo & Miller, 2008; Miller et al., 2012; Van de Ven et al., 2007). After a review of more than 20 definitions of social entrepreneurship, Zahra et al. (2009: 523) offered this integrative definition: ‘the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner’.

From this definition, we can highlight two distinguishing characteristics of social entrepreneurship. First, a central theme running through the various definitions of social entrepreneurship is that entrepreneurial actions create *social or shared value* (Austin et al., 2006; Dees, 1998; Peredo & McLean, 2006; Porter & Kramer, 2011; Zahra et al., 2009). This characteristic distinguishes social entrepreneurship from economic or commercial entrepreneurship, in that social entrepreneurship is driven by a desire for social justice and seeks to solve societal problems, meet social needs, create and sustain social value, and even initiate social change and transformation for social, economic, and community development (Alvord et al., 2004; Fowler, 2000; Thake & Zadek, 1997). Moreover, unlike commercial entrepreneurs who are driven by profit maximization, social entrepreneurs equally value economic and social imperatives (Galaskiewicz & Barringer, 2012).

The second distinguishing characteristic of social entrepreneurship is the social entrepreneur’s mission and ability to create social value by discovering new opportunities and engaging in continuous innovation, adaptation, and learning (Dees, 1998; Zahra et al., 2009). This distinguishes social entrepreneurship from corporate philanthropy and corporate socially responsible activities by including corporate entrepreneurial behaviours such as innovations and new venturing that are frequently subject to resource and risk constraints.

Social Entrepreneurship and Economic Development in Emerging Economies

Entrepreneurship looks to wealth creation as its central focus. Knowing that entrepreneurs are responsible for bringing to market technological advances that drive economic development and growth (Castro, Clementi, & MacDonald, 2004; Francois & Lloyd-Ellis, 2003), entrepreneurship is central in economics scholars’ theories of growth (Romer, 1990; Schmitz, 1989). Entrepreneurship accounts for approximately 17 percent of gross domestic product (GDP) in developed economies, but nearly 40 percent of GDP in emerging economies (Schneider, 2002), including China (Phan et al., 2010). Despite the close relationship between entrepreneurship and a country’s economic development, researchers have yet to fully explore the role of social entrepreneurship in community development,

particularly in emerging economies. We believe that emerging economies will provide a good avenue for advancing the literature of social entrepreneurship.

In fact, social entrepreneurship plays an important role in the community development of emerging economies where underdeveloped institutional environments generate high levels of uncertainty, risks, limited or nonexistent welfare systems, high unemployment, and hierarchical social systems based on ethnicity, gender, economic, and social status, stimulating entrepreneurs to initiate social change and community improvement (Peredo & Chrisman, 2006). China's government faces challenges in supporting and implementing social security and social welfare systems, while rapid economic growth and development have rendered many groups vulnerable, such as unemployed workers from former stated-owned enterprises and immigrant workers from rural areas (Yu, 2011). Emerging non-profit sectors (see, e.g., Kojima, Choe, Ohtomo, & Tsujinaka, 2012; Wang, 2012), multinationals, and local entrepreneurs have assumed social entrepreneurial or bottom-of-pyramid (BOP) projects to serve social needs. It is imperative to examine how social entrepreneurs can succeed in emerging markets. For example, multinational enterprises (MNEs) can effectively enter BOP markets by developing an understanding of and integrating with the local environment (London & Hart, 2004).

Although past studies have highlighted the relationship between social entrepreneurship and economic development (Anderson & Markides, 2007; Prahalad & Hammond, 2002), little attention has been devoted to entrepreneurs' motivations for social entrepreneurship. The few exceptions suggested that personal values, self-efficacy, cognitive desirability, feasibility, social support, and competence drive social entrepreneurship (Dees, Emerson, & Economy, 2002; Jiao, 2011; Mair & Noboa, 2006; Miller et al., 2012). To further theorize entrepreneurs' internal drivers for social entrepreneurship, we posit that participation in social entrepreneurial activities is a reflection of an entrepreneur's moral sentiments.

Social Entrepreneurship and Moral Sentiments

The Theory of Moral Sentiments was advanced by Adam Smith in 1759. He suggested ethical, philosophical, and psychological underpinnings of human behaviour and economic activity. He conceived of morality as having a philosophical nature of propriety, prudence, and benevolence, and a psychological nature of self-love, reason, and sentiment. The theory centres on innate sympathy concerning the well-being of others, operating through mirroring, in which humans are empathetic spectators imagining their feelings as if they were in the place of others. Sympathy, therefore, playing a determining role in judging the 'propriety' and 'appropriateness' of feelings and actions, serves as a moral basis for the desire to maintain good social relationships and a consciousness of common humanity. Supporting this theory, the literature on the psychology of philanthropy has found

that prosocial behaviours promote happiness (Aknin, Dunn, & Norton, 2012; Dunn, Aknin, & Norton, 2008).

Accordingly, business behaviours that are merely for maximizing profits lack many subtleties of commercial conduct, such as the influence of social conventions and the roles of compromise, acceptance, give, and take (Sen, 1999). Indeed, many firms design incentives to appeal to employees' moral sentiments. For example, at Ford's River Rouge assembly plant, management motivates plant workers not only with economic incentives and penalties but also by appealing to their moral sentiments, including the desire to do a good job and their sense of reciprocity (Bowles, 2008).

In the entrepreneurship literature, Newbert (2003) emphasized that entrepreneurs should appeal to altruistic motives for promoting effective morally based economic systems. Building on this logic, we propose that moral sentiments are a main driver for entrepreneurs to participate in social entrepreneurship in emerging economies. We further posit that an entrepreneur's moral sentiments for participating in social entrepreneurship are driven by an entrepreneur's personal distress experiences. Many entrepreneurs in emerging economies have experienced or observed hardships (Peng, 2001) that have caused them to feel propriety, benevolence, sympathy, and caring about the community and, in turn, to reciprocate through social entrepreneurship. Chinese traditional Confucian values support such moral sentiments (Chan, 2008; Pan, Rowney, & Peterson, 2012). For example, Huiping Tian, founder and director of China's Beijing Stars and Rain Education Institute for Autism, established the outreach program for educating autistic children, not to target autism's market niche but rather because she was inspired by her experience with her autistic child. In this study, we focus on the Guangcai Program, the largest social entrepreneurship program for private entrepreneurs in China, to illustrate how moral sentiments incentivize entrepreneurs to participate in social entrepreneurship programs.

Social Entrepreneurship in China: The Guangcai (Glorious) Program

Since China's economic transition process began, the Chinese government has taken numerous measures to turn poverty-stricken provinces toward market-orientation and to mobilize local resources for higher productivity. Private enterprises, the first rising group in China's market economy, devote themselves to social entrepreneurship and antipoverty activities through entrepreneurial endeavours. The Guangcai Program, as the main nongovernmental social entrepreneurship program for small and medium-sized private entrepreneurial firms in China, seeks to create social wealth and alleviate poverty with entrepreneurial practices. Its objectives are to 'think of the source and progress when becoming rich; to help people in need or in trouble for common wealth; to combine virtue and benefit, morality and action; to serve the society by developing enterprises' (CSPGP, 2011).

In 1994, ten private entrepreneurs proposed the ‘Devote Ourselves to the Anti-poverty Guangcai Program’ to the National Committee of the All-China Federation of Industry and Commerce (ACFIC), to encourage entrepreneurs and private enterprises to focus on alleviating poverty. Later, the China Society for Promotion of the Guangcai Program (CSPGP) was established to guide and assist investment projects led by private entrepreneurs, but not to assume entrepreneurial risks. Key participants of the program include entrepreneurs and private enterprises from Mainland China, Hong Kong, Macau, Taiwan, and overseas. The program, China’s largest platform for private entrepreneurs to pursue social entrepreneurship, integrates social and political resources and networks, provides low-entry barriers to social entrepreneurship projects, and offers opportunities for small and private entrepreneurs. As of 2009, 3,350 private enterprises had invested in 4,764 investment projects under the program. From 1994 to 2009, cumulative investments totalled 111.6 billion RMB and donations totalled about 242 billion RMB. The program has lifted 11 million out of poverty, offered training to 2.78 million workers, and created 1.87 million jobs (OHCHR, 2009). In 2000, the Economic and Social Council of the United Nations granted the program Special Consultative Status (United Nations, 2000).

Through the Guangcai Program, private entrepreneurs create social and economic value through entrepreneurial actions in six aspects: (1) developing new agricultural products to develop new products; (2) establishing new ventures in less-developed regions; (3) undertaking greening projects; (4) developing markets; (5) building schools; and (6) constructing transportation infrastructure. These investments give private entrepreneurs access to entrepreneurial opportunities while simultaneously creating social and shared value by addressing social needs, facilitating social change and transformation, and creating commonwealth in the less-developed regions of China. For example, the Linzhi area in the Tibet province lags far behind economically because it has poor transportation, but it has abundant resources for Chinese medicine. Through the Guangcai Program, the Gansu Qizheng group established new ventures in Linzhi to produce technologically advanced Tiber medicine. The Meili Group, with its advanced technology and distribution networks, cooperated with local farmers in Hubei Province to produce and sell *konjac*. The ‘enterprise + farmer household’ mode is a typical entrepreneurial model of project investments.

HYPOTHESES DEVELOPMENT

In the *Theory of Moral Sentiments*, sympathy is generated when individuals observe the suffering of others. Observers are especially touched when they are familiar with the difficulties they are observing (Smith, 1759). In other words, difficult life experiences will often generate moral sentiments. Some difficult life experiences are traumatic. Most are transformative in that they change the entrepreneurs’ worldviews and

stimulate their sympathy and compassion toward others. Donations, for example, have an ‘identity congruency effect’; donors give more if they identify with the target (Shang, Reed, & Croson, 2008). In studying social entrepreneurship, it is imperative to examine entrepreneurs’ personal distress and life experiences that would facilitate the development of their moral sentiments, especially when distressful life experiences occurred in their early formative years or when they first started their businesses. We focus on four kinds of personal distress that are specific to the Chinese entrepreneurial context: educational opportunities, unemployment experience, rural poverty experience, and startup locational hardships.

Moral Sentiments Driven by an Entrepreneur’s Personal Distressful Experiences

Limited educational opportunities. Social entrepreneurs are distinguished by their ability to envisage, engage, enable, and enact transformational change under resource constraints and risky and diverse environments (Thompson, Alvy, & Lees, 2000). They also adopt wider viewpoints on value creation and uphold the synergistic derivation of social, economic, and environmental values without overemphasizing shareholders’ wealth maximization (Kurucz, Colbert, & Wheeler, 2008). In examining the distinguishing characteristics of social entrepreneurs, the concept of personality traits – predictable individual behaviours that explain different individual actions in similar situations – has been posited to explain social entrepreneurs’ behaviours and actions (Llewellyn & Wilson, 2003). Such personality traits are partly innate and partly developed through socialization and education (Nga & Shamuganathan, 2010). Likewise, we posit that entrepreneurs’ moral sentiments are closely linked to their educational backgrounds.

Entrepreneurs’ educational levels, which reflect their knowledge base and managerial abilities, have been found to relate to their commitment to entrepreneurship and new venture performance (Van der Sluis, Van Praag, & Vijverberg, 2005; Van Praag & Cramer, 2001). In this study, we argue that limited educational opportunities bring hardship that would spur entrepreneurs to feel sympathy and to engage in more social entrepreneurial activities.

China’s educational system was so poor in the past that many entrepreneurs failed to receive adequate education during childhood or adolescence. In particular, from 1966 to 1976, the educational system focused primarily on learning political propaganda during the Cultural Revolution (Deng & Treiman, 1997). It took decades for the Chinese government to reform the educational system. From 1995 to 2005, China’s educational system was greatly expanded in terms of universal education and state funding for higher education, resulting in a fivefold increase in the number of undergraduates and postgraduates (*The New York Times*, 2005). Therefore, in the past, many entrepreneurs could not take educational opportunities for granted. Deprived of educational opportunities when

they were younger, some entrepreneurs would be keenly aware that they face severe challenges and limitations in their lives and career developments, and would want the current generation to move beyond such deprivation. They fully realize that children must have adequate opportunities in their formative years for future success. Therefore, we propose that hardship experiences from low educational levels would make Chinese entrepreneurs more sympathetic toward those in need, driving them to participate in more social entrepreneurship, which brings us to our first hypothesis:

Hypothesis 1: An entrepreneur's educational level will negatively relate to the likelihood of participating in social entrepreneurship.

Unemployment experience. Individuals develop and accumulate their entrepreneurial knowledge through experiences acquired in their careers, which also help them overcome the liability of newness (Shane & Khurana, 2003). In China, private entrepreneurs come from diverse backgrounds (Chen & Touve, 2011). Most entrepreneurs in the 1980s and early 1990s came from the agricultural sector or from marginal social groups, and many private entrepreneurs were unemployed (Zhang, 1994). They suffered severe hardships and received biased treatment from the government and local communities (Zhou & Burns, 2000). However, more recently, private entrepreneurs are increasingly former cadres, managers from state-owned firms, and professionals (Chen, Li, & Matlay, 2006).

Many of today's entrepreneurs worked in the state sector or state-owned enterprises (SOEs) in the former planned economy. In 1992, the privatization of SOEs led to substantial layoffs, resulting in high unemployment. Unemployment causes huge personal distress, particularly for those who worked in the state sector, because it results in a loss of prestige and honour for both employees and their families (Fineman, 1979). Therefore, we expect that entrepreneurs who experienced distressing unemployment experiences would be more likely to sympathize with the needy and have moral sentiments for participating in social entrepreneurial activities. Thus:

Hypothesis 2: An entrepreneur's unemployment experience will positively relate to the likelihood of participating in social entrepreneurship.

Rural poverty experience. Entrepreneurs' backgrounds can shape the opportunities they recognize (Dorado, 2006). Social entrepreneurs who are closely connected with vulnerable groups are more likely to identify social problems and understand social needs. Wealth distribution varies greatly across China. Although there has been vigorous growth in large urban coastal regions, many rural inland regions are far less developed. Over the last decade, rural poverty has been a significant social problem where rural–urban disparities in income and output per capita have peaked and remained high (Sicular, Yue, Gustafsson, & Li, 2010). The National

Statistics Bureau of China reports that the ratio of urban to rural per capita net income was 3.13 in 2011, as compared with 2.57 in 1978, 1.86 in 1985, and 3.11 in 2002. Further widening such gaps are underdeveloped infrastructure, limited access to markets, and rural-to-urban migration.

In China, a 'village', with defined boundaries and designated heads, identifies the formal administrative hierarchy for rural populations. According to the Organic Law of the Villagers' Committees of the People's Republic of China, village committees or representatives are in charge of local governance. They differ from government officials in that they depend less on governmental financial support and must provide for local needs. Hence, entrepreneurs who have worked in villages are better placed to understand poverty issues. Their first-hand experiences of rural poverty would likely mean that they understand that many people living in rural areas have difficult lives compared with those living in rapidly developing cities. In contrast, entrepreneurs who have witnessed only the spectacular economic growth of China's major cities and have never directly experienced rural poverty could easily assume that life is good for everyone. Therefore, we posit that entrepreneurs with rural poverty experience who have engaged in village committees will be more sympathetic toward poverty-stricken groups and will engage in more poverty-reducing programs, such the Guangcai Program:

Hypothesis 3: Entrepreneurs' rural poverty experience will positively relate to the likelihood of participating in social entrepreneurship.

Startup location hardship. Founding conditions confronting new ventures have long-lasting, imprinting impacts on subsequent strategies (Boeker, 1989), structure (Stinchcombe, 1965), and performance (Cooper, Gimeno-Gascon, & Woo, 1994; Eisenhardt & Schoonhoven, 1990). The strategic choice perspective also suggests that the most consequential act of strategic choice and domain selection is performed at the time of founding (Child, 1972; Shrader & Simon, 1997). Specific to new ventures or startups, market conditions at inception significantly impact the ventures through resources available in the environment, and through the structural, strategic, and process conformance pressures of the constituencies providing the resources (Bamford, Dean, & McDougall, 2000).

Extending this logic, entrepreneurs who have experienced hardship in their startups would also choose to engage in social entrepreneurship. As mentioned, inter-city disparities in urban income are significant across China (Jones, Li, & Owen, 2003). Therefore, starting new ventures in rural regions is additionally challenging because resources are fewer, infrastructures and institutions are underdeveloped, and government policies directly enacted at city levels are less supportive. Because a new venture's founding condition also shapes the entrepreneur's ability to adapt to the environment (Bamford et al., 2000), experiences in less-developed areas, including small cities or towns and remote areas, are likely to present more

opportunities to contact groups in need. Entrepreneurs who have experienced such hardships would likely have more sympathy. Therefore, we contend that entrepreneurs who started their businesses in less-developed areas are more likely to have moral sentiments for participating in social entrepreneurial activities.

Hypothesis 4: Entrepreneurs' startup location hardship in a less-developed region will positively relate to the likelihood of participating in social entrepreneurship.

The Moderating Role of Entrepreneur's Perceived Social Status

Although moral sentiments internally drive social entrepreneurship, entrepreneurs in China's collectivistic society may also face external social pressures to fulfil their moral obligations. In this section, we examine how perceived social status, which indicates social pressures, moderates the relationship between moral sentiment and participation in social entrepreneurship programs.

Perceived social status refers to individuals' own judgement of their social position or rank (Wegener, 1992), facilitated by their belief that they possess or have value (Sutton & Hargadon, 1996), and reflecting quality or capabilities (Certo, 2003). It also guides expectations of behaviour at certain status levels; social information and social norms drive individuals toward philanthropic and prosocial behaviours (Frey & Meier, 2004; Croson, Handy, & Shang, 2010). Similarly, social status is an external social force persuading entrepreneurs to engage in more social entrepreneurship to fulfil normative expectations.

Moral sentiments are central in motivating individuals to obey social norms (Ketelaar, 2006). Eastern Asia's Confucian system values social status as the basis of social order (Chai & Rhee, 2010). Social status is often associated with the concept of *face*, meaning moral character and external prestige (Begley & Tan, 2001). Confucianism focuses on the cultivation of virtues and ethics, with the fundamentals of *ren*, *yi*, and *li* (Ip, 2009). *Ren* emphasizes altruism toward the community; *yi* is a sense of righteousness; and *li* represents norms and propriety of how individuals should behave in a community (Kim, 2000; Lo, 1999). Therefore, people of higher social status are expected to have greater community social responsibilities. They are more likely to feel that their status and well-being is a function of the reciprocated contributions they make in a community-oriented society (Kilkenny, Nalbarte, & Besser, 1999).

The prevailing view of the nature of community is one of the most important characteristics of social entrepreneurship. Social entrepreneurship reflects cultural values concerning a community's social and economic value creation (Anderson et al., 2006). China's successful entrepreneurial growth is partly due to its development and utilization of interdependencies among individuals, families, and townships, deeply rooted in Confucian values and loyalty to the community and reference group (Holt, 1997; Tsang, 1996). Therefore, as private entrepreneurs move up the social ladder, their social image is transformed from 'largely uneducated criminals'

to legitimate professionals (Chen & Touve, 2011: 536), obligating them to uphold moral standards and to reciprocate for their advancement.

Combining these arguments, we expect that an entrepreneur's perceived social status, as an external driver, would further motivate entrepreneurs driven by internal moral sentiments to engage in more social entrepreneurial endeavours (see Figure 1). In other words, entrepreneurs with lower educational levels, more unemployment experience, more rural poverty experience, and more startup location hardship are more likely to engage in social entrepreneurship if they have higher perceived social status, leading to our final hypotheses:

Hypothesis 5a: The negative relationship between entrepreneurs' educational level and their participation in social entrepreneurship will be stronger for entrepreneurs with higher than lower perceived social status.

Hypothesis 5b: The positive relationship between entrepreneurs' unemployment experience and their participation in social entrepreneurship will be stronger for entrepreneurs with higher than lower perceived social status.

Hypothesis 5c: The positive relationship between entrepreneurs' rural poverty experience and their participation in social entrepreneurship will be stronger for entrepreneurs with higher than lower perceived social status.

Hypothesis 5d: The positive relationship between entrepreneurs' startup location hardship and their participation in social entrepreneurship will be stronger for entrepreneurs with higher than lower perceived social status.

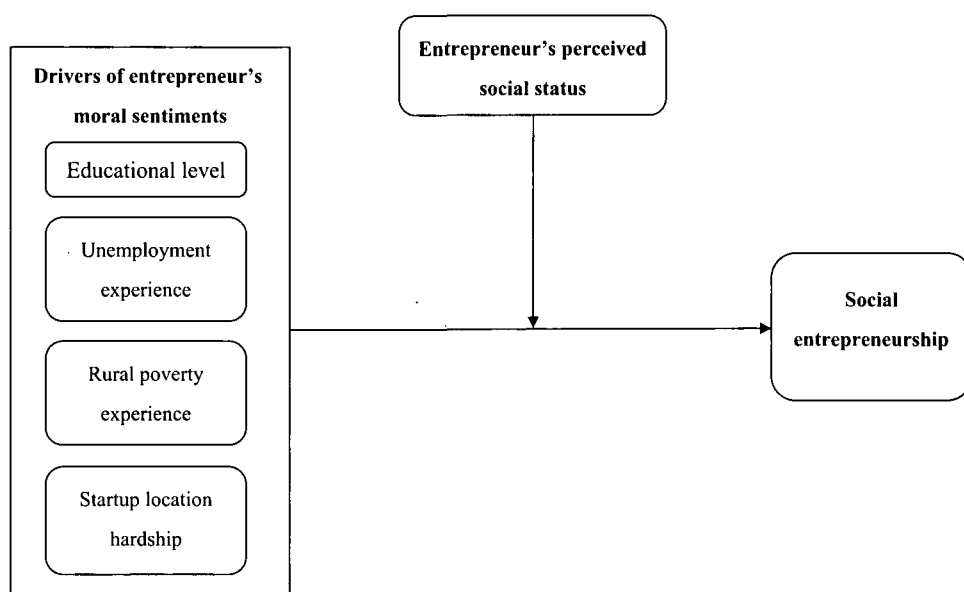


Figure 1. Sentimental drivers of social entrepreneurship

METHOD

Data and Sample

We used the Survey of China's Private Enterprises, a nationwide survey conducted in 2006 by the All China Industry and Commerce Federation, the China Society of Private Economy at the Chinese Academy of Social Sciences, and the United Front Work Department of the Central Committee of the Communist Party of China. Owners of private enterprises from 31 provinces in China were interviewed. The survey adopted a multistage-stratified random sampling method to obtain a balanced sample representing different industries. Of the 3,837 private enterprises surveyed, we included 1,700 observations in the present study after deleting cases with missing values.^[1] The survey includes personal information, occupational history, and political connections, as well as a variety of firm-level measures, from demographic measures to financial performance and social entrepreneurial and socially responsible participation. The survey has been adopted by researchers in different disciplines who are interested in studying private enterprises in China (see, e.g., Cull & Xu, 2005; Su & He, 2010).

Measures

Social entrepreneurship. Our dependent variable, social entrepreneurship, is measured by a binary variable with a value of 1, indicating that the firm has participated in any one of the six aspects under the Guangcai Program, and 0 otherwise.^[2] The six aspects of social entrepreneurial activity include: (1) developing new agricultural products in new product research and development; (2) establishing new ventures in less-developed regions; (3) undertaking greening projects; (4) developing markets; (5) building schools; and (6) constructing transportation infrastructure.

Educational level. This is measured using six categories ranging from 1 = primary school to 6 = postgraduate. Higher scores indicate higher educational levels.

Unemployment experience. We used a dummy variable with a value of 1 to indicate that the entrepreneur had experienced unemployment and 0 otherwise.

Rural poverty experience. We used a dichotomous variable, coded 1 when the entrepreneur had prior working experience in a village committee, and 0 otherwise.

Startup location hardship. Startups located in small cities, towns, and villages (with less than 500,000 people) are coded 1, and 0 otherwise. The China National Sub-county Demographic Data defines a *large city* as having a minimum of 500,000

nonagricultural people in an urbanized area, which includes all municipality, provincial-level cities and sub-provincial cities, as well as those large prefecture-level cities above populations of 500,000. By 2010, China had 95 large cities.

Perceived social status. This is a single-item measure in a 10-step numbered stair representing the level of perceived social status. The entrepreneur was asked: 'When compared with others, which levels of social status do you perceive yourself in the society?' A higher value indicates lower perceived status and we reverse coded the score in our analysis. Such a measure of perceived social status has been adopted in previous studies (Adler, Epel, Castellazzo, & Ickovics, 2000; Smith, Menon, & Thompson, 2012).

Control variables. We also included a number of control variables. In addition to entrepreneurs' gender and age, we controlled for several organizational-level variables found to influence decisions to participate in social entrepreneurship, including firm age, size, performance, and capabilities. *Firm age* is measured by the number of years since a firm was registered as a private firm. *Firm size* is measured as the natural log of total number of employees. Financial performance is measured in terms of the average of *return on sales* in the past three years. We measured *capabilities* using a dummy variable that takes a value of 1 if the firm meets standards of quality management systems such as the ISO 9000 series, and a value of 0 otherwise. Finally, participation in social networks and affiliations influence participation in social entrepreneurship (Dees et al., 2002). To fit the China context, we controlled for firms' participation in political and business affiliations. *Political affiliation* is measured using a dummy variable with a value of 1 if the entrepreneur is a current member of the People's Political Consultative Conference, and 0 otherwise. *Business group affiliation* is measured using a binary variable with a value of 1 if the firm is an affiliate of a business group and 0 otherwise. *Business network affiliation* is measured using a dummy variable that indicates whether a firm joins the All-China Federation of Industry and Commerce (ACFIC). A value of 1 indicates an ACFIC membership, and 0 otherwise.

RESULTS

Table 1 reports the means, standard deviations, and correlations for all variables. We checked the variance inflation factors (VIFs) and found that individual VIFs range from 1.01 to 1.65, and the average VIF is 1.19, far below the commonly accepted VIF level (Cohen, Cohen, West, & Aiken, 2003; Gujarati, 1995; Neter, Wasserman, & Kutner, 1990). Therefore, our study is not affected by the multicollinearity problem.

Table 1. Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Social entrepreneurship	0.65	0.48															
2 Educational level	3.56	1.06	0.02														
3 Unemployment experience	0.05	0.22	-0.01	-0.03													
4 Rural poverty experience	0.05	0.22	0.07	-0.08	-0.04												
5 Startup location hardship	0.83	0.37	0.15	-0.17	0.00	0.06											
6 Perceived social status	5.74	1.86	0.28	0.08	-0.07	0.05	0.09										
7 Entrepreneur's gender	0.86	0.35	0.06	0.00	-0.08	0.05	0.08	0.02									
8 Entrepreneur's age	43.40	8.34	0.16	-0.14	-0.03	0.11	0.04	0.12	0.11								
9 Firm age	7.06	4.46	0.27	-0.03	-0.07	0.05	0.03	0.18	0.04	0.24							
10 Firm size	3.85	1.57	0.37	0.19	-0.10	0.05	0.12	0.32	0.12	0.19	0.27						
11 Firm performance	0.08	0.24	0.01	0.01	0.02	-0.01	0.02	-0.04	-0.02	-0.06	0.01	-0.06					
12 Market capabilities	0.41	0.49	0.23	0.13	-0.06	0.06	0.06	0.20	0.10	0.13	0.21	0.43	-0.03				
13 Political network affiliation	0.26	0.44	0.30	0.09	-0.04	0.01	0.09	0.17	0.05	0.13	0.25	0.27	0.00	0.14			
14 Business network affiliation	0.64	0.48	0.39	0.11	-0.04	0.02	0.08	0.23	0.06	0.16	0.31	0.36	0.00	0.21	0.34		
15 Business group affiliation	0.07	0.25	0.14	0.14	-0.03	0.01	0.03	0.18	0.03	0.09	0.11	0.32	-0.02	0.16	0.13	0.14	
16 Industry type	0.43	0.50	0.10	-0.04	-0.06	0.03	0.15	0.09	0.09	0.13	0.10	0.26	-0.07	0.30	0.00	0.01	0.01

Notes: N = 1700. Correlations $\geq \pm 0.03$ and 0.04 are significant at the 0.05 and 0.01 levels respectively.

Table 2 reports the results of probit regression analysis. Model 1 is the baseline model containing only control variables. Model 2 includes both control and hypothesized variables. Hypothesis 1 predicts that educational level is negatively related to the likelihood of participating in social entrepreneurship. Our findings, as shown in Model 2, indicate that the coefficient of educational level is negative and significant ($p < 0.01$). Hypothesis 1 is thus supported. Hypotheses 2 and 3 predict that unemployment experience and rural poverty experience are positively related to the likelihood of participating in social entrepreneurship. The results show that the coefficients of prior unemployment experiences and rural poverty experiences are positive and significant at 0.05. Therefore, Hypotheses 2 and 3 are supported. Hypothesis 4 predicts that startup location hardship positively affects the likelihood of participating in social entrepreneurship. Model 2 shows that startup location hardship is a significant predictor ($p < 0.01$), thus supporting Hypothesis 4.

To test the set of moderating effects of social status, we inserted the interaction terms separately in Models 4 to 7 and together in Model 8. In Models 4 and 8, the coefficient of the interaction between educational level and social status is not statistically significant. Thus, Hypothesis 5a is not supported. We received marginal support for Hypothesis 5b, as indicated by the coefficients of the interaction between unemployment experience and social status ($p < 0.10$) in Models 5 and 8. Models 6 and 8 show that the coefficients of the interaction between rural poverty experience and social status are positive ($p < 0.05$), thus supporting Hypothesis 5c. Finally, as Models 7 and 8 show, the coefficients of the interaction between startup location hardship and social status are positive and significant at $p < 0.01$, supporting Hypothesis 5d.

We plotted the interactions to better interpret the significant moderating relationships. We set the low value of social status at one standard deviation below the mean value and the high value one standard deviation above the mean (Aiken & West, 1991). As Figure 2a shows, when there is a high level of perceived social status (one SD above the mean), the positive relationship between unemployment experience and social entrepreneurship is stronger. Similarly, Figure 2b indicates that when the level of social status is high, rural poverty experience has a stronger positive effect on social entrepreneurship participation. Figure 2c also shows a stronger positive relationship between startup location hardship and social entrepreneurship as social status level increases.

To conclude, the findings indicate that our main-effect relationships are strongly supported: entrepreneurs' moral sentiments as reflected in their personal experiences are important drivers for social entrepreneurship. We also find support that perceived social status strengthens the positive effects of entrepreneurs' unemployment experience, rural poverty experience, and startup location hardship on the likelihood of social entrepreneurship.

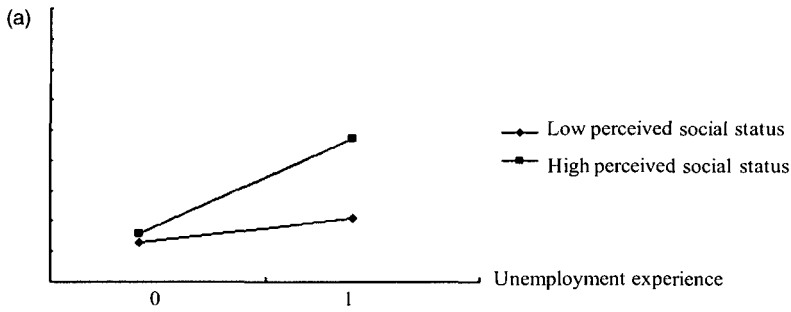
Table 2. Results of probit regression analysis^a

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Educational level		-0.11 (0.04)**	-0.11 (0.04)**	-0.11 (0.04)**	-0.11 (0.04)**	-0.11 (0.04)**	-0.11 (0.04)**	-0.11 (0.04)**
Unemployment experience		0.36 (0.19)*	0.41 (0.19)*	0.41 (0.19)*	0.58 (0.22)**	0.41 (0.19)*	0.40 (0.19)*	0.58 (0.22)**
Rural poverty experience		0.31 (0.18)*	0.30 (0.18)*	0.30 (0.18)*	0.29 (0.18)*	0.32 (0.19)*	0.31 (0.18)*	0.33 (0.19)*
Startup location hardship		0.27 (0.10)**	0.25 (0.10)**	0.25 (0.10)**	0.24 (0.10)**	0.25 (0.10)**	0.28 (0.10)**	0.28 (0.10)**
Social status			0.10 (0.02)**	0.10 (0.02)**	0.11 (0.02)**	0.11 (0.02)**	0.11 (0.02)**	0.11 (0.02)**
Educational level × social status				0.01 (0.02)	0.17 (0.12) [†]			0.02 (0.02)
Unemployment experience × social status						0.20 (0.10)*		0.19 (0.12) [†]
Rural poverty experience × social status							0.13 (0.05)**	0.21 (0.10)*
Startup location hardship × social status								0.14 (0.05)**
Controls:								
Entrepreneur's gender	-0.13 (0.11)	-0.14 (0.11)	-0.11 (0.11)	-0.12 (0.11)	-0.11 (0.11)	-0.11 (0.11)	-0.10 (0.11)	-0.10 (0.11)
Entrepreneur's age	0.01 (0.00)*	0.01 (0.00) [†]	0.01 (0.00)	0.00 (0.00)	0.01 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Firm's age	0.02 (0.01)**	0.03 (0.01)**	0.03 (0.01)**	0.03 (0.01)**	0.03 (0.01)**	0.03 (0.01)**	0.03 (0.01)**	0.03 (0.01)**
Firm's size	0.18 (0.03)**	0.20 (0.03)**	0.18 (0.03)**	0.18 (0.03)**	0.18 (0.03)**	0.18 (0.03)**	0.18 (0.03)**	0.18 (0.03)**
Return on sales (ROS)	0.29 (0.19) [†]	0.30 (0.20) [†]	0.36 (0.23) [†]	0.36 (0.23) [†]	0.37 (0.23) [†]	0.36 (0.23) [†]	0.37 (0.23)	0.37 (0.23)
Market capabilities	0.16 (0.08)*	0.20 (0.08)**	0.17 (0.09)*	0.18 (0.09)*	0.17 (0.09)*	0.18 (0.09)*	0.17 (0.09)*	0.17 (0.09)*
Political network	0.52 (0.09)**	0.51 (0.10)**	0.49 (0.10)**	0.49 (0.10)**	0.49 (0.10)**	0.50 (0.10)**	0.49 (0.10)**	0.50 (0.10)**
Business group	0.49 (0.08)**	0.51 (0.08)**	0.50 (0.08)**	0.50 (0.08)**	0.50 (0.08)**	0.50 (0.08)**	0.51 (0.08)**	0.50 (0.08)**
Business network	0.27 (0.19) [†]	0.32 (0.19)*	0.26 (0.19) [†]	0.26 (0.19) [†]	0.26 (0.19) [†]	0.26 (0.19) [†]	0.25 (0.19) [†]	0.24 (0.19) [†]
Industry type	0.06 (0.08)	-0.00 (0.08)	-0.01 (0.08)	-0.01 (0.08)	-0.01 (0.08)	-0.01 (0.08)	-0.00 (0.08)	-0.00 (0.08)
Log likelihood	-839.79***	-815.07***	-799.67***	-799.59***	-798.75***	-798.45***	-796.85***	-794.19***
R-squared	0.16	0.18	0.19	0.19	0.19	0.19	0.19	0.20
Wald χ^2 (df)	285.76 (10)	323.63 (14)	333.31 (15)	333.93 (16)	333.43 (16)	333.51 (16)	329.40 (16)	332.13 (19)

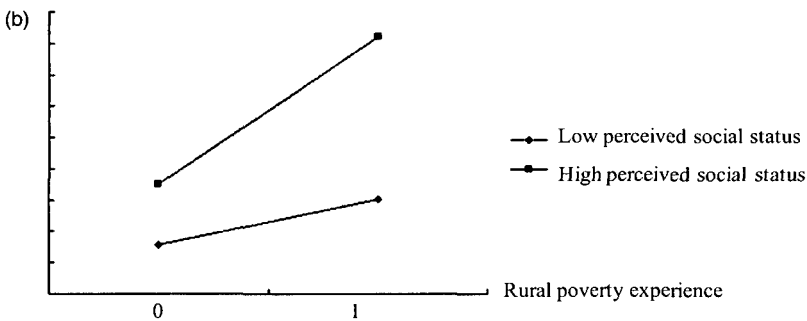
^aNotes: N = 1700.[†] p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001.

: Robust standard errors are reported in parentheses.

Participation in social entrepreneurship



Participation in social entrepreneurship



Participation in social entrepreneurship

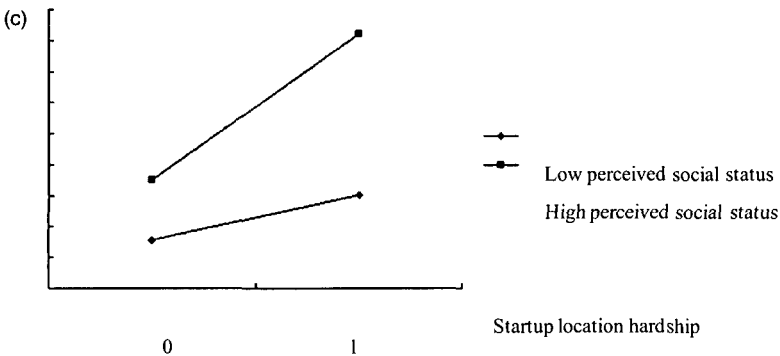


Figure 2. (a) Interaction between perceived social status and unemployment experience. (b) Interaction between perceived social status and rural poverty experience. (c) Interaction between perceived social status and startup location hardship

DISCUSSION

Premised on the theory of moral sentiments, we hypothesize that entrepreneurs' personal distressing experiences propel them to participate in social entrepreneurial activities. We test personal experience factors – educational level, unemployment experience, rural poverty experience, and startup location hardship – which are likely to facilitate an entrepreneur's development of his/her moral sentiments for

joining China's Guangcai Program. In addition, as the entrepreneurs' perceived social status increases, our empirical evidence shows that hardship experiences have stronger positive effects on participation in social entrepreneurship.

Our results enhance the literature on social entrepreneurship because they explain motivations for entrepreneurs who voluntarily join the Guangcai Program to mitigate poverty in society. We believe the results illuminate the internal drivers that develop moral sentiments, explaining why some entrepreneurs devote their time, effort, and financial resources to a social cause. Pure profit-maximization motives cannot easily explain such sacrifices. Although we cannot totally discount 'economic', functional, or legitimacy-seeking motives, we cannot assume that economic benefits alone drive participation. If economic benefits were overriding, then most if not all entrepreneurs would scramble to participate. Instead, we find that certain distressing experiences in the past are more likely to predict participation. We argue that this occurs because past difficulties likely develop moral sentiments that play a key role in the desire to act philanthropically. Our study is an initial effort to address this important issue, which future theorizing and studies must answer more fully.

In addition, our study contributes to a better understanding of social entrepreneurship in emerging economies. We might assume that few entrepreneurs would be willing to pursue social entrepreneurial efforts in emerging economies where attaining economic success is even more challenging than it is in developed economies. However, our results indicate that a profit-maximization rationale cannot adequately explain why some entrepreneurs in emerging economies act so counter intuitively. In emerging economies some segments are beginning to thrive, but many are lagging behind. Profit-driven entrepreneurs simply do not care. We provide evidence that moral motives and moral sentiments may well hold the key to explaining this anomaly: entrepreneurs who have experienced personal distress in overcoming hardships and challenges are willing to help those who are less fortunate, while those who have not had the relevant personal experiences are less likely to do so. We argue that we must interpret social entrepreneurial efforts as manifestations of moral sentiments such as sympathy, empathy, propriety, and benevolence. In this light, our results may contribute to a deeper understanding of entrepreneurs and social entrepreneurship in emerging economies, as envisioned by previous scholars (Tsui & Jia, 2013; Van de Ven et al., 2007).

Our findings also enrich our understanding of Chinese entrepreneurs by highlighting the role of perceived social status. In addition to examining moral sentiments, we posit that an entrepreneur's perceived social status strengthens the relationship between moral sentiments and social entrepreneurship. Our findings generally support our hypotheses that entrepreneurs with higher social status are more likely to engage in social entrepreneurship because of social legitimacy and expectations. In this regard, our study uniquely combines the influences of moral sentiment and social status. Note, however, perceived social status does not modify

the effect of educational level on social entrepreneurship. We interpret this unexpected finding to reflect the particular importance of educational opportunities in influencing entrepreneurial propensities to participate in social entrepreneurship, regardless of perceived social status. Considering that Chinese people place heavy importance on education, as the media has well documented (*China Review News*, 2009; *Xinhua News*, 2013), entrepreneurs who were deprived of educational opportunities in the past would have already felt strongly enough about helping unfortunate members of society. Thus, their moral sentiments remain the same, whatever their social status.

Limitations and Future Research

Our study has limitations. First, the measure of social entrepreneurship can be further refined. The binary measure of the Guangcai Program is limited, as is our study, because it fails to address firms' financial capital and the time allocated for participation. Nevertheless, the program has financial and scale requirements for project investments, so participation is more than a mere label of membership in a corporate social responsibility program. Although the Guangcai Program is the major social entrepreneurship program for private entrepreneurs in China, social entrepreneurship also includes cultural, public health, and environmental goals. Future research may explore other social entrepreneurship activities in China. Second, our study does not measure moral sentiments directly. Instead, we focus on the drivers for moral sentiments, and in our case, they refer to four kinds of personal distress that are specific to the Chinese entrepreneurial context. Some of these drivers may be applicable to similar concepts such as felt obligation, empathy, or compassion (Carroll, 1979; Davis, 1983; Tsui, 2013). As such, future efforts to distinguish moral sentiments from related concepts and develop direct measurements are needed.

Despite these limitations, this study offers opportunities to examine the theory of moral sentiments in other strategic management areas. In contrast to the increasing attention given to social management issues, management research concerning the theory of moral sentiments remains scant. Although we find that personal distress experiences trigger moral sentiments that, in turn, encourage social entrepreneurial efforts, moral sentiments may also drive other social aspects of business, such as corporate philanthropy, philanthropic venture capital, or executive decisions regarding corporate social responsibility. Future research that expands or modifies the theory of moral sentiments to other social issues in management would be valuable.

CONCLUSION

After more than two decades of defining and exploring the domain, recent literature reviews have urged that social entrepreneurship must progress to theory building

and theory testing (see, e.g., Hoogendoorn et al., 2010; Short et al., 2009). Our study represents an attempt in those directions, but more effort is needed to advance the field and illuminate this important social topic. Because entrepreneurs can apply their economic skills and capabilities to solve social problems, society will greatly benefit if more entrepreneurs are encouraged to become involved in social causes. In many emerging economies where a large number of individuals do not have economic prosperity, we need better knowledge about social entrepreneurship.

NOTES

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- [1] We conducted a robustness check by testing the mean difference between the firms in the final sample and those not in the final sample. The results show no significant difference (at 0.05) between the key demographic variables (e.g., firm performance, debt equity ratio, listing status, ownership) of the two groups. This indicates that firms were likely to have been randomly rather than systematically dropped from the initial sample. Supplementary analyses are available on request.
- [2] We conducted a robustness check by using an alternative count measure of the participation of social entrepreneurship (0 to 6) on the results of negative binomial regression, which produced similar results to our main findings.

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