

Study of Social Entrepreneurship and Innovation Ecosystems in South East and East Asian Countries

Case Study: Leping Group, China

The Japan Research Institute

Office of the Multilateral
Investment Fund

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CASE STUDY

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- Xin Hu, Deputy Director, Leping Social Entrepreneur Foundation
- Lingzi Liu, Senior Vice President and Head of Corporate Citizenship, Citi China
- Dongshu Shen, CEO, Leping Social Entrepreneur Foundation
- Ming Tang, Co-Founder and Co-Chairman, Leping Social Entrepreneurship Foundation
- Yongguang Xu, Chairman, Narada Foundation
- Staff of the Leping Group

1. Introduction

Name: Leping Group	
Description	Leping Group is an influential social enterprise group in China with ventures in domestic service training, microfinance, eco-agriculture and early childhood education. Leping Group also supports activities to foster social enterprises outside the Group. This case study focuses on the development of Fuping School, Leping Group's domestic service training venture, as well as Leping Group as a whole.
Founded	2002 (Beijing, China)
Legal format	Several legal entities exist in the Leping Group: a private foundation, an investment company, a private non-enterprise, and limited liability companies.
Num. employees/volunteers	Over 200 employees
Geographical reach	Direct reach in Beijing, Gansu, Shanxi and Sichuan provinces
Certifications/ awards	Fuping School awarded as a National Top 100 Domestic Service Companies by the Ministry of Human Resource and Social Security
Social innovation variables	
1. Innovation type	Leping Group's social ventures have developed innovative business models including Fuping School's holistic service for domestic workers through public-private partnerships.
2. Social impact	For instance, Fuping School trained 30,000 domestic workers, set the industry standard for protecting their rights and persuaded the government to subsidize the industry.
3. Financial sustainability	Leping social enterprises utilize grants from its foundation and investment from its investment company for developing new services. The training school and microfinance companies have reached breakeven financially.
4. Key partners and support ecosystem players	For instance, Fuping School, the government served as the key partner for scaling and replicating the model. Leping Group developed its charitable foundation and investment company to attract support from corporate leaders and foundations.
5. Scalability and replicability	Necessary conditions include: technology utilization; partnerships with the government; entrepreneurial managers and leaders, and sustainable financial support.
References	http://www.lepingfoundation.org/ http://www.fupingjiazheng.com/



(Photo by Leping Group)

2. Local Social Issue and the Challenge

When Leping Group first started its micro-credit trials in 1993, poverty was one of China's most pressing social issues. According to the World Bank, 57% of the country's population (671.7 million) lived under the international poverty line of USD 1.90 per day in 1993. Those below the poverty line dropped drastically to 11.2% (149.6 million) in 2010. On the other hand, inequality between the rich and the poor has widened: the GINI coefficient increased from 35.5 in 1993 to about 42.1 in 2015¹.

The wide urban-rural income disparity has been the main driver for the mass urbanization observed in China, propelling rural residents to seek higher incomes in urban areas. The urban population has grown 30 times over the past 30 years². Today, about 260 million migrant workers, nearly 20% of the population, dwell in cities as second-class citizens due to the *hukou* (household registration) system, which prevents them from accessing basic services, such as healthcare. Moreover, without education, professional skills and/or legal protection, migrant workers are often exploited by being underpaid and/or forced to work in unsafe environments.

With its success in poverty reduction over the last few decades, China's social problems have shifted from survival to quality-of-life issues, including, for instance, a lack of quality early childhood education. Research has shown that early childhood education is the most cost-effective educational intervention that the government could invest in for the long-term wellness of both individuals and the society. However, low-income families in rural areas lack access to quality early childhood education.

¹ World Bank Open Data (<http://data.worldbank.org/country/china>) [Accessed 19 February 2016]

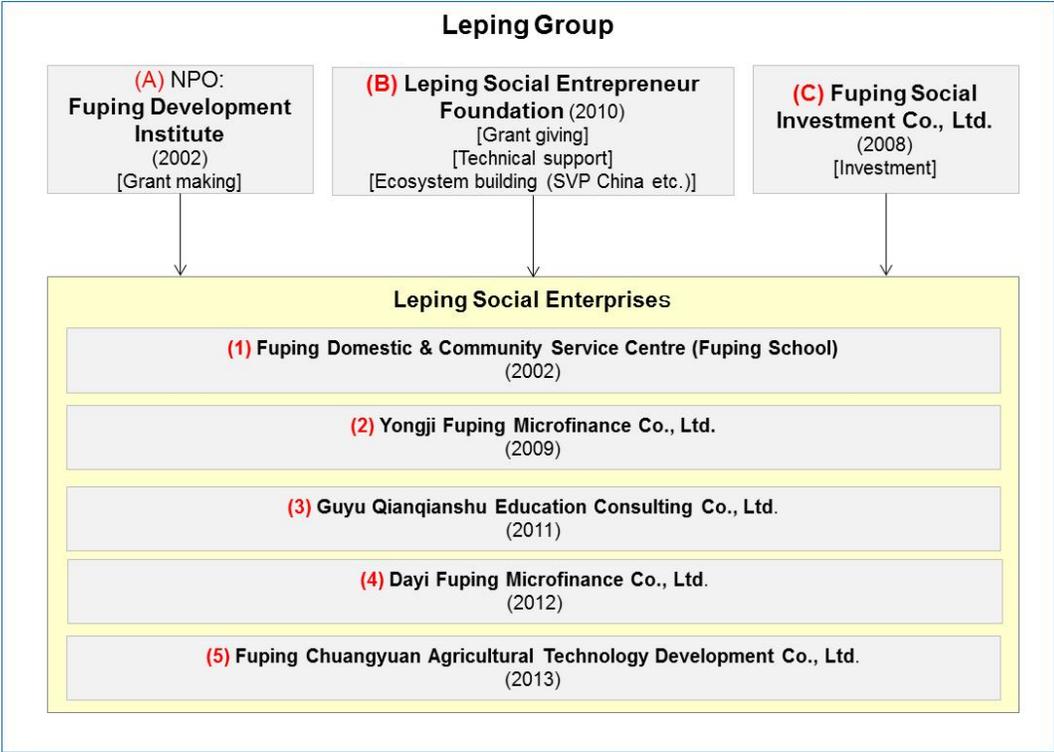
² Damien Ma. 2015. "China's 20 percent Problem - Millennial Migrants' Discontent" Foreign Affairs

Food safety is another social issue that has attracted great public interest. Since 2007, domestic and international media have reported numerous food safety incidents that revealed prevailing usage of dangerous pesticides, preservatives, additives and unhygienic ingredients.

Lastly, China’s demographics are shifting. As a result of the 1979 one-child policy, China is experiencing a rapidly aging society although it introduced the two-child policy in 2016 to curb this trend. The increase in the prevalence of nuclear families and women’s workforce participation ensure there is growing demand for domestic workers not only for housekeeping but also for childcare and elderly care service.

3. Solution and Social Impact

Figure 1 Leping Group’s organizational chart



The story of the Leping Group is rather complicated to describe given the existence of multiple entities with different legal status. The group’s complexity also owes to the fact that the Chinese social enterprise regulations and ecosystem developed along with the growth of

Leping Group.

Two renown Chinese economists, Mao Yushi and Tang Ming, began micro-credit trials for Shanxi province's rural villagers in 1993. Witnessing more and more villagers migrating to cities in search of jobs as well as the growing demand for high quality domestic workers in Beijing, Mao and Tang developed a vocational school and job placement services for rural women specializing in domestic service in 2002. The job placement agency were later registered as Fuping Domestic & Community Service Center *(1) in 2002, a few months after its parent organization Fuping Development Institute (FDI, *(A)) was established as a "private non-enterprise entity", the equivalent to a nonprofit organization in China. Fuping (富平) meaning wealth (富裕) and equality (平等) and pronounced the same as the word "helping the poor" (fu-ping 扶贫) , became its brand name.

Once the vocational school gained traction and its operations started expanding, Fuping prepared to launch its own grant-making foundation as a means to promote its social mission and pool funds from different sources. However, when Fuping discovered that the government was unlikely to approve the registration of the foundation, it instead established its own investing company, Fuping Social Investment Co., Ltd. *(C) in 2008. In the following year, Fuping Social Investment, together with other investors, invested USD 4.5 million³ in Yongji Fuping Microfinance Co., Ltd. *(2), which was derived from the original micro-credit project. In 2010, Fuping finally obtained official approval to register its own grant-making foundation called the Leping Social Entrepreneur Foundation *(B). The name "Leping" (乐平) reflects its strategic shift to happiness (快乐) and equality (平等) from poverty reduction given China's rapid socioeconomic changes.

Over the following few years, the investment company and the foundation succeeded in incubating multiple social enterprises:

- Guyu Qianqianshu Education Co., Ltd. *(3) in 2011;
- Dayi Fuping Microfinance Co., Ltd. *(4) in 2012; and
- Fuping Chuangyuan Agricultural Technology Development Co., Ltd. *(5) in 2013.

Since 2013, the staff started to refer to the entire group – the foundation, investment company, nonprofit, and five social enterprises – as Leping (乐平) Group. The brand renewal reflects the

³ Unless otherwise stated, the exchange rate of RMB1=USD 0.15 is applied throughout this report.

evolution of its identify from a social enterprise to an industry leader that builds an enabling environment for other social enterprises in China. Today, Leping Group strives to be the catalyst and market maker of social innovation in China. The group plays a supporting role for social enterprises by training social entrepreneurs, mobilizing middle-class young professionals as pro-bono workers, engaging business leaders as investors, and conducting research for advocacy purposes.

The five social enterprises in the Leping Group have reached a significant number of beneficiaries. For instance, the Fuping Domestic & Community Service Center *(1) has managed to help over 30,000 migrant women from rural areas to obtain domestic service jobs by 2014. Its impact has extended beyond its own business by setting the industry standard for protecting domestic helpers' rights, such as paid holidays and insurances, and also by persuading the government to launch a program that has subsidized over 300 domestic service training schools.

4. The Social Entrepreneurs

Figure 2 Prof. MAO Yushi



Professor MAO Yushi is the Co-founder and Co-chairman of the Leping Social Entrepreneurship Foundation *(B). He is a renowned economist and activist for civil society in China.

In the 1990s, Mao made a donation to a rural school through Project Hope, a Chinese public service project initiated by China Youth Development Foundation in 1989. He received a hand-written note from a teacher that expressed his gratitude and described the challenges in his life. Moved by the letter, Mao started to think about how he can help the poor. It was then

that Mao met Tang Ming in a conference held by the Asian Development Bank (ADB) in Manila. As an ADB's economist, Tang shared with Mao his knowledge about the Grameen Bank's microcredit model. Mao was inspired by the model for enabling the poor to help themselves.

In 1993, Mao, together with Tang, began experimenting with microcredit by providing USD 75 (500 RMB) loans to farmers in a village in Shanxi province. They soon started delivering more farmers with interest -and collateral- free micro credit for education, medical care and small business development. This trial initiative later developed into Fuping's microfinance business.

Figure 3 Dr. TANG Ming



Dr. TANG Ming is the Co-Founder and Co-Chairman of the Leping Social Entrepreneurship Foundation *(B). He is a former chief economist at the Asian Development Bank and currently a Counselor of the State Council of the People's Republic of China.

Born in 1953, Tang first studied economics at Wuhan University and acquired his Ph.D. in economics from the University of Illinois at Urban-Champaign, U.S. in 1989. Upon his return to China, he joined the Asian Development Bank where he was appointed the chief economist in 2000. In 2011, he was appointed as a Counselor of the State Council. As described above, it was his partnership with Mao that led to the early efforts of poverty reduction in Shanxi province that would later evolve into the Fuping ventures and eventually the Leping Group.

Today, he also serves as the Vice Chairman of YouChange China Social Entrepreneur Foundation; an adjunct professor at Peking University and Wuhan University; and a Financial Advisor to the Beijing Municipal Government and Guangzhou Municipal Government.

Figure 4 Mr. SHEN Dongshu



Mr. SHEN Dongshu is the CEO of Leping Social Entrepreneur Foundation *(B) . It was Shen, a former venture capitalist, who transformed Fuping into a financially and organizationally sustainable social enterprise after joining Fuping in June 2002.

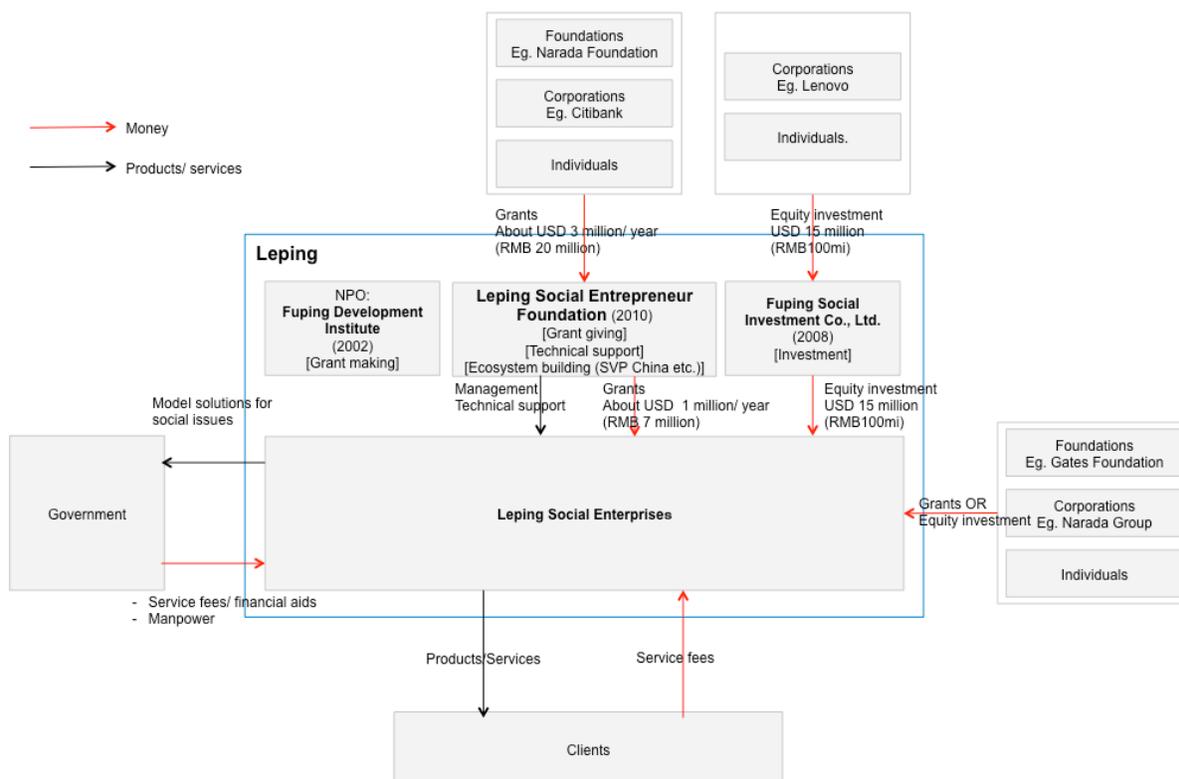
After graduating from Peking University in 1991, Shen took on investment and management positions at state-owned companies, such as CITIC (China International Trust and Investment Corporation), but then started his own company. Once his company became profitable and successful, he decided to sell it in March 2001 and contemplated three different paths as his next step: investing in mass media, investing in a new business, and working on social issues. He decided to choose the third path – the most unfamiliar for him.

After embarking on his uncharted path, one day he came across an article describing Mao's challenges in enrolling students for his housekeeping training school for migrant women. As Shen was also thinking about starting a school and had respected Mao since his university days, he saw a great opportunity to offer his experience in setting up businesses and building a good governance structure for Mao's school. Shen was 32 years old when he joined Mao and Tang.

5. Business Model

5.1 The Business Model of Leping Group as a whole

Figure 5 Leping Group's Business Model



The Leping Social Entrepreneur Foundation raises about USD 3 million annually from philanthropic donors, such as foundations, corporations and individuals. About \$1 million is distributed among the Leping social enterprises supporting their non-income generating activities, such as training and new service development. The remaining \$2 million bolsters the foundation's ecosystem building activities, such as developing a network of middle-class professionals eager to contribute to social enterprises by establishing Social Venture Partners (SVP) China based on a venture philanthropy model introduced by SVP in the United States.

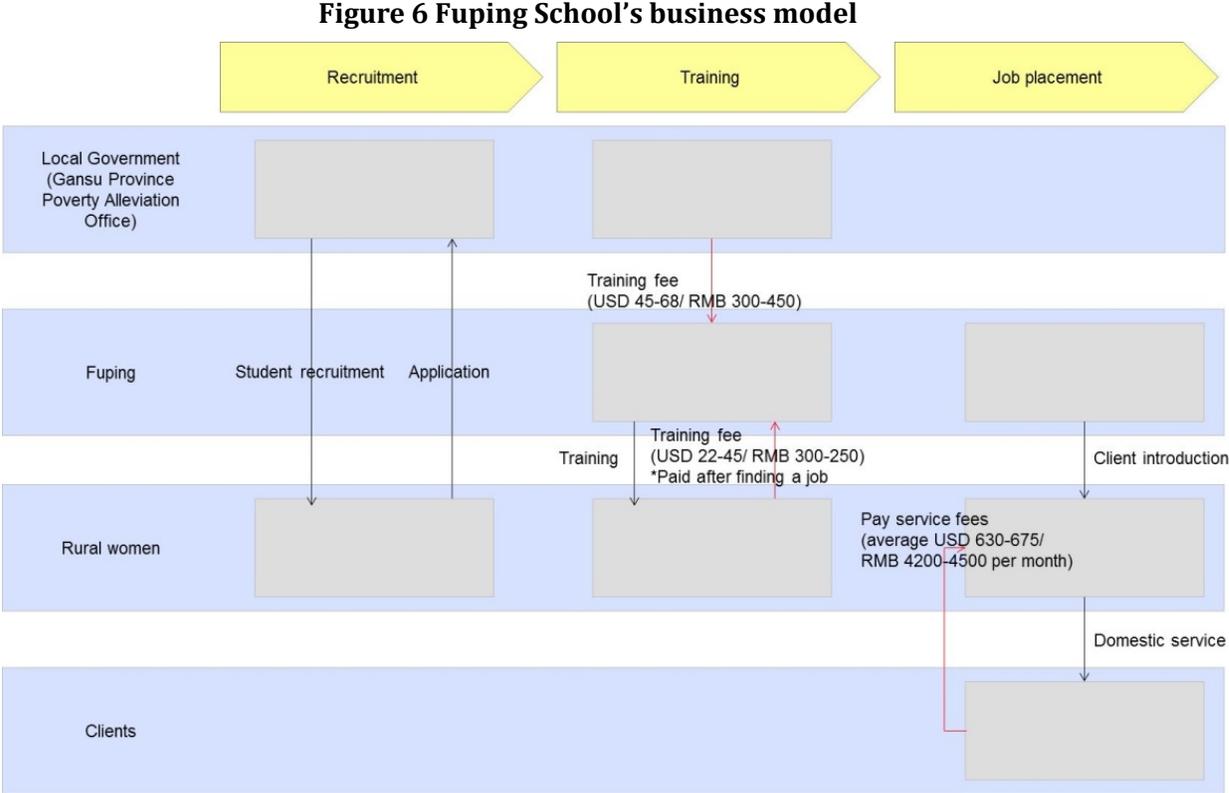
While some donors directly invest or donate in the Leping social enterprises, certain corporate and individuals utilize the financial intermediary, Leping Social Investment, to make investments. Through the latter channel, a total of USD 15 million (RMB 100 million) has been

invested in the form of equity. The role of the nonprofit Fuping Development Institute (FDI, *(A)) has diminished over time since the launch of the Leping Social Entrepreneur Foundation. Nevertheless, certain donors prefer to give grants through the nonprofit entity for technical and legal reasons.

The Leping social enterprises charge service fees from their customers as well as receive subsidies from the government, depending on their business models. The social enterprises reinvest their profits in expanding their business so that no dividend is paid to investors.

5.2 The Business Model of Fuping Domestic Service Training & Job Placement

This section specifically examines the Fuping Domestic Service Training & Job Placement *(1) (from here, referred as the “Fuping School”) as the most mature social enterprise of the Leping Group.



5.2.1 The model's main characteristics

(a) Strategic public-private partnership model

The Fuping School developed an unconventional public-private partnership model in China. Before establishing such a partnership with the government, the Fuping School staff used to spend days in rural areas recruiting students. In order to streamline its operations especially in the recruitment phase, the School signed an agreement with the Poverty Alleviation Offices at the provincial level⁴ so that the government would be in charge of recruiting students from their respective rural districts. But, the leaders of the Fuping School negotiated for more, and the agreement went beyond recruiting: the government would also prepare official documents for students, conduct health checkups, and send students safely to Beijing for job placements. Such a public-private partnership enabled the school to lower the training fee from USD 123 to 90 per student. Fuping founders' connections to high-level officials helped Fuping School to build such unprecedented public-private partnership.

(b) Integrated services covering training, job placement, rights protection and follow-up training

Domestic service training specialized for migrant women: The urban demand for domestic service, especially for childcare and elderly care, continues to grow based on urbanization trends. At the same time, rural women can easily acquire necessary practical skills through training. The Fuping School is the first entity to match the supply and demand by focusing on domestic service training for migrant women in Beijing.

Job placement service: In the past, most vocational schools failed to provide job placement services, leaving trainees jobless after graduation. To address this issue, the Fuping School established job placement agencies that provide match-making services between trainees and clients. The School charges commission to clients whenever successful matches are made; this serves as the main revenue in this business model.

Protection of domestic workers' rights: The Fuping-affiliated job placement agencies protect workers' rights through their contracts. Fuping has set the industry standard, such as four days off per month instead of two, paid leave for national holidays and insurance programs for injuries and property loss. Nowadays, other domestic service training schools

⁴ In its early years, the Fuping Domestic & Community Service Center had agreements with Poverty Alleviation Offices in not only Gansu but also Anhui, Henan and Hunan provinces. Since 2006, Fuping Domestic & Community Service Center has focused on its partnership with Gansu province and has been accepting more direct applications through its website.

enforce the almost same level of rights as Fuping does.

Follow-up training: Teachers of the Fuping School visit its graduates once a month to give them advice. The School also offers follow-up trainings, such as care for newborns, in response to increasing demand for high-skilled domestic workers. Such follow-up support helps the Fuping School as the school of choice for both trainees and clients.

5.2.2 Fee structure

(a) Training fee

The total training fee per student is USD 90 that includes tuition for three intensive weeks, accommodation and meals. If a student applies through the government, the government subsidizes about USD 45-68 per person depending on that year's budget; the student pays the remainder after she starts her domestic service job. If a person applies directly to the Fuping School, the school covers the training costs. Trainees pay USD 75 in deposit, which will be returned one year after she starts her work through Fuping-affiliated job placement agencies. This is to encourage students to get jobs through the Fuping School.

(b) Commission fees

Below are the commission fees for the center's job placement intermediary services.

Table 1 Commission Fees for job placement services

	Signing a one-month contract	Signing a half-year contract	Signing a one-year contract
Brokerage fee	USD 90 (RMB 600)	USD 192 (RMB 1280)	USD 297 (RMB 1980)
Service fee*	USD 30 (RMB 200)	N/A	N/A

*To pay for insurance, follow-up mentoring and training costs

5.2.3 Target beneficiaries

Any woman between the age of sixteen to fifty years old, who is physically and mentally healthy with authentic identification documents, is eligible for the training courses.

5.3 Other Businesses

The Leping Group also boasts other social businesses as described below.

Table 2 Leping Group's Other Social Businesses

Business line	Description
Microfinance (Yongji Fuping Microfinance Co., Ltd.*(2), Dayi Fuping Microfinance Co., Ltd. *(4))	Fuping started its microcredit trial in 1993 and established two microfinance companies in 2009 and 2013. Their average loan size is less than USD 5,000. The total amount of loans disbursed had exceeded USD 40 million by 2013.
Pre-school education for low-income families (Guyu Qianqianshu Education Consulting Co., Ltd. *(3))	Children from low-income families in rural China do not have access to quality preschool education. Thousand Trees Equal Education Partners develops curriculum, conducts teacher training, delivers online education resources for parents and operates demo preschools.
Eco-agriculture (Fuping Chuangyuan Agricultural Technology Development Co., Ltd. *(5))	With heavy usage of pesticides and chemical fertilizers, food safety has become a major social issue in China. Fuping and <i>Daichi wo Mamoru Kai</i> , a Japanese social enterprise that pioneered organic farming and direct distribution, jointly launched a for-profit venture in 2013.
Social innovator incubation programs	Introduced Social Venture Partners to China in 2013. It aims to build a network of middle-class professionals supporting social entrepreneurs in Chinese cities. Other projects include LEAD & Beyond (a social innovation leaders' executive training program) and building a cross-border researcher community,

6. Social and Financial Performances

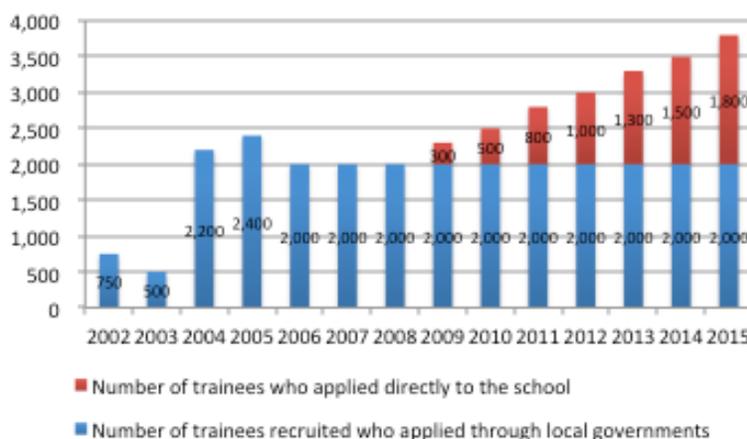
6.1 Social Impact Performance

6.1.1 Social impact achieved

(a) The Fuping School *(1)

Direct beneficiaries: With over 2,000 women trained every year, the school has managed to create over 30,000 jobs for domestic helpers as of December 2014, 90% of whom are from poor, rural areas. While the Anhui provincial government was the first one to sign an agreement with the school in 2002, since then the school has expanded its partnerships three more provincial governments, including Gansu, Hunan and Henan. Since 2006, the school has focused on the partnership with the Gansu provincial government, which has managed to recruit and send 2,000 students to the school every year. At the same time, the number of students who apply directly to the school has been increasing rapidly since 2009.

Figure 7 Number of trainees enrolled in the Fuping School (2002-15)



Scale: The Fuping School has achieved impact in providing migrant women with economic opportunities not only through scaling up its own business but also through replication by its competitors and the government.

Setting the industry standard for domestic helpers' rights: The training school succeeded in creating positive impact beyond its own business by raising the industry standard for protecting domestic helpers' rights. For instance, when it started in 2002, the school set its domestic helpers' monthly minimum wage at USD 67.5 when the common rate was only USD 45. There were concerns that clients may turn to cheaper services when Fuping's rates fared significantly higher. But, Fuping succeeded in gradually attracting clients through quality - ensuring them highly trained and trustworthy domestic helpers. The school goes beyond securing respectable salary levels; it also provides accident and medical insurance of USD 45,000 per person. Now in Beijing, many domestic service companies also buy different insurances for their workers.

Showcased a model training program to the government: During the global financial crisis in 2008, the government became concerned with the rising unemployment rate among migrant workers. In 2009, Tang submitted a case study on the Fuping School to the State Council, recommending the government to support the domestic service industry as an effective means to mitigate unemployment among migrant workers. Tang's policy recommendation contributed to the launch of a nation-wide "Domestic Service Program" by

the Ministry of Commerce and Ministry of Finance, which together subsidize about USD 180 in training fee per person. Based on the exemplary holistic services provided by the Fuping School, the government requires domestic service agencies to provide workers with training and employment contracts in order to be eligible for the subsidy. In 2009 only, the government spent USD 30 million to help 200,000 people get jobs as domestic service workers. Today, the government subsidizes about 300 domestic service training schools.

(b) Other businesses *(2) to (5) etc.

Other Leping social enterprises have also reached to a significant number of beneficiaries.

Table 3 Social impact achieved through other social businesses

Business line	Beneficiaries
Microfinance (Yongji Fuping Microfinance Co., Ltd., Dayi Fuping Microfinance Co., Ltd.)	Over 8,000 rural households (2013)
Pre-school education for low-income family (Guyu Qianqianshu Education Consulting Co., Ltd.)	120 children in the demo school, 417 preschools utilizing the curriculum, 1,152 teachers trained (2013)
Eco-agriculture (Fuping Chuangyuan Agricultural Technology Development Co., Ltd.)	Delivered products to 1,100 families, 60 suppliers, 30 trainees (2013),
Social innovator incubation programs	4 grantees and 35 partners of SVP China

6.1.2 Social impact measurement

Leping Group monitors and evaluates its social impact through both internal and external assessments. The Leping ventures monitor immediate outputs of their activities, such as the number of beneficiaries. To measure their programmatic outcomes in a mid-to-long term basis, Leping Group commissions social impact assessments to external research institutes. For instance, the Social Resources Institute, a nonprofit research institute specialized in social impact assessment, conducted a study in 2014 on the social impact created by the Fuping School’s activities from 2002 to 2013. The study found that the Fuping graduates increased their income by 18% annually on average. In 2011, the average salary of Fuping domestic helpers was 1.5 times higher than the average salary in Gansu province.

Leping Group is currently trying to strengthen its internal monitoring and evaluation system by developing a standard framework for all the group’s entities and activities. According to Mr. HU Xin from the Leping Social Innovation Research Center, the challenge is that *“the theory of change of each social enterprise actually changes from time to time. Thus, it is quite difficult to fix social impact indicators at the outset.”*

6.2 Financial Performance

6.2.1 Trends in revenue and expenses

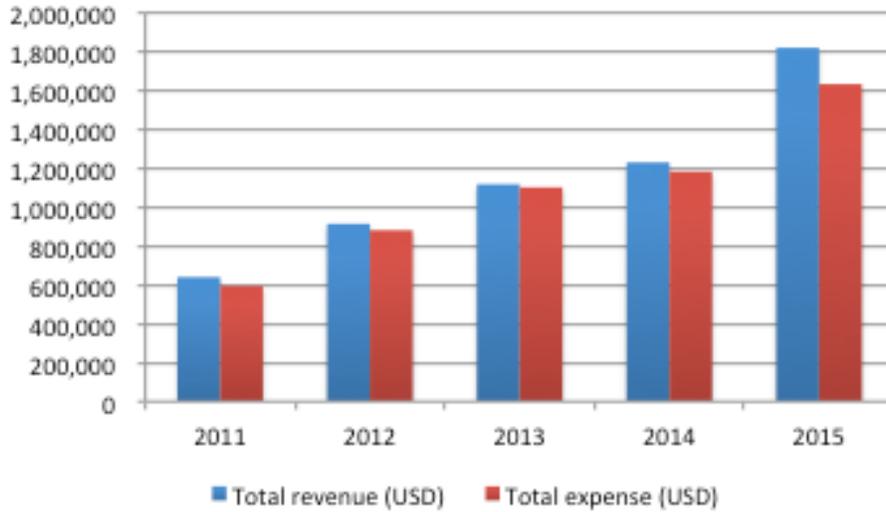
**Figure 8 Trend of the Leping Social Entrepreneur Foundation's revenue & expenses (USD)
(2010-15) *(B)**



The Leping Social Entrepreneur Foundation *(B) has been increasing its total revenue since its launch in 2010. The revenue spike in 2012 owes to the receiving of donations from its board members. The differences between total revenue and expenditure are saved as reserves or invested to earn interests.

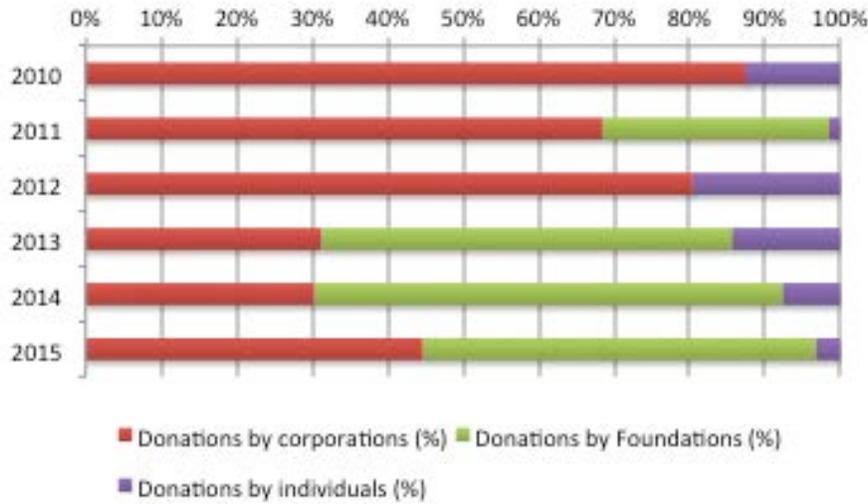
The Fuping School *(1) reached its breakeven point in 2005. It has been increasing its total revenue every year and reached USD 1.8 million in 2015. The other four social enterprises under the Leping Group are expected to reach breakeven points within two to three years and recover their losses after five to eight years since establishment.

Figure 9 Trend of the Fuping School's revenue & expenses (2011-15⁵) *(1)



6.2.2 Proportion of income from sales

Figure 10 Trend of the Leping Social Entrepreneur Foundation's revenue breakdown (2010-15) *(B)

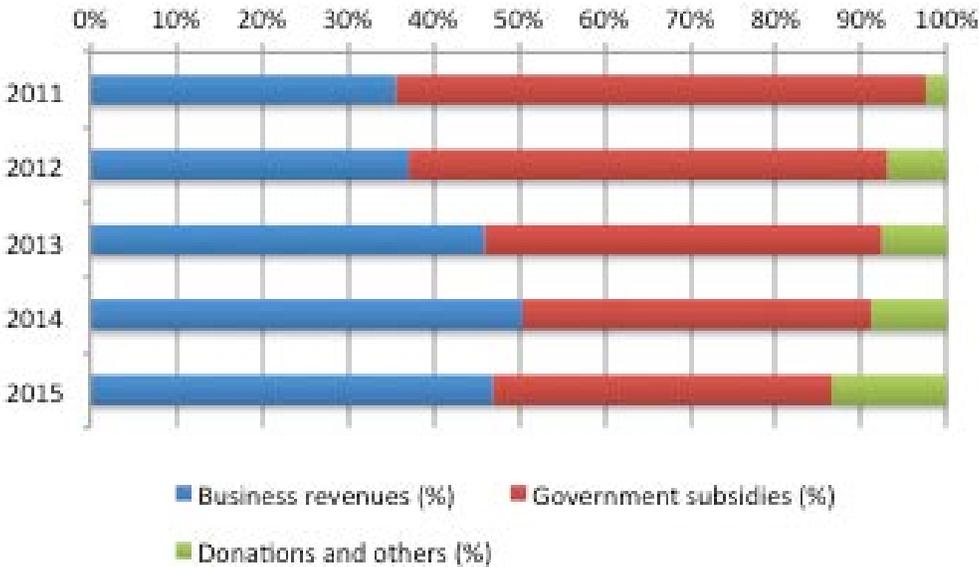


The Leping Social Entrepreneurship Foundation *(B) has a diverse set of donation sources by raising a little less than 50% from corporations, a similar level from foundations and the rest from individuals. When the foundation was first launched in 2010, it mainly relied on funds

⁵ The financial data of Fuping School were only available from 2011.

from corporations owned by the foundation’s board members, such as the Narada Group. In 2012, the foundation benefits from large donations from individual board members. In order to balance its income sources, the Leping Social Entrepreneur Foundations builds long-term partnerships with corporations such as Citibank and foundations such as the Narada Foundation.

Figure 11 Trends of the Fuping School’s revenue breakdown (2011-15) *(1)



The Fuping School *(1)’s income consists of approximately 45% business revenue, 40% government subsidies and 15% donation. In 2015, the school earned about USD 0.9 million from its services. As the domestic worker market expanded and the school’s brand name became more recognized, the contribution of business revenue increased while that of government subsidies decreased. Donations are often used for non-income generating activities such as curriculum development for online training.

7. Business Development and Ecosystem Evolution

Leping Group's business development process can be categorized into four stages: start-up, early, first growth and second growth⁶.

Table 4 A summary of Leping Group's business development milestones

Stage	Year	Fuping School *(1)	Other Leping social enterprises *(2) to (5)	Social innovator incubation
Start-up	1993		Started informal microcredit trial	
	2002	Registered the Fuping Development Institute as a "private non-enterprise entity"		
	2002	Founded the Fuping Domestic & Community Service Center		
Early	2002	Signed an agreement with the Anhui Province Poverty Alleviation Office.		
	2002	Started insurance program for domestic workers		
	2005	Started the Fuping Domestic Service Mutual Help Group for follow-up training and support		
	2005	Established the Medical Assistance Fund for migrant workers		
	2005	Reached a breakeven point		
1 st growth	2008	Founded Fuping Social Investment Co., Ltd.		
	2009	Became a designated training base for domestic service by the Beijing HR and Social Security Bureau	Founded Yongji Microfinance Co., Ltd.	
	2009		Started Dayi microfinance program	
	2009		Started "Fuping-Daichi Trust Agriculture" program	
	2010	Awarded "Outstanding Organization in Serving the People's livelihood" by Civil Affairs Bureau of Tongzhou Dist.	Started preschool education program	
2 nd growth	2010	Founded the Leping Social Entrepreneur Foundation		
	2011	Awarded "National Top 100 Domestic Service Companies" by Ministry of HR and Social Security	Founded Guyu Qianqianshu Education Consulting Co., Ltd.	
	2012		Founded Dayi Microfinance Co., Ltd.	Started LEAD & Beyond program
	2013		Founded Fuping Chuangyuan Agricultural Technology Development Co., Ltd.	Established Social Venture Partners (SVP) China
	2015			Entered into an MoU with Stanford University's Center on Philanthropy & Civil Society

⁶ **Start-up stage:** a preparation period for setting up a business. The entrepreneur team develops a business idea and a business model. In some cases, the team may have product/service prototypes that are not fully developed or tested. **Early stage:** A period from business initiation until business scale-up. The entrepreneur team may first deliver its products/services in a test market to examine its business model. Also, the team may file patents or obtain licenses, if necessary. Once the business model is consolidated, business operations commence. However, the business remains quite small due to a lack of capacity and resources. It may reach a breakeven point at the end of this period. **Growth stage:** A period after scaling up the business. The business moved beyond the breakeven point and increases its sales, number of beneficiaries and market share. The team revises the business model in order to sustain and/or expand the business, if necessary. In some cases, the team starts to investigate new products/services.

7.1 Start-up Stage (1993 - March 2002)

(a) Milestones

Leping Group's start-up stage spans from the original microcredit trials to before the establishment of the first social enterprise, the Fuping Domestic & Community Service Center *(1). Key milestones in this stage include: Mao and Tang initiating microcredit trials in 1993; launching a domestic service training school in March 2002 but facing difficulties in enrolling rural women; Shen joining the management team; and registering the Fuping Development Institute *(A) as a "private non-enterprise entity", a nonprofit organization under the Chinese law, in April 2002.

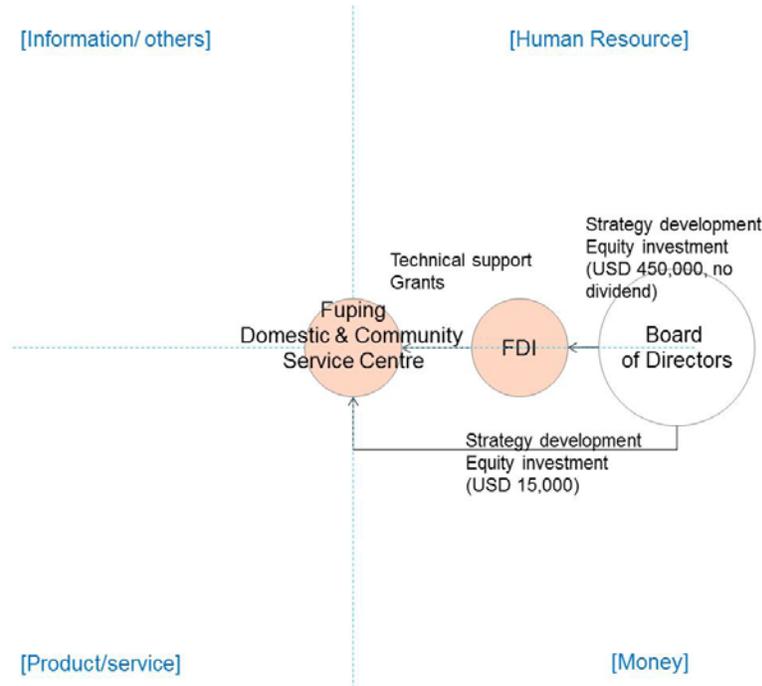
Shen considers Leping Group's first major milestone to be the reorganization of the Fuping School. The restructuring resulted in Mao owning 26%, Tang 25% and Shen 19% of the Fuping School as well as granting them ultimate decision-making rights. They also decided the school to be not-for-profit in nature so that any profit generated will be reinvested in expanding its operations or in non-revenue generating activities.

The biggest challenge Leping Group faced in this stage was a lack of entrepreneurial talent. In an interview, Tang emphasized the importance of an entrepreneur driving a social enterprise.

"Mao and I are economists. We have good ideas, but do not know how to manage a business. Shen was young and experienced in business; he had made some money and wanted to have a different life. Soon after Shen joined, the school became a success. Now we have many social enterprises and over 200 staff. Without Shen, we could never have done this. You need to have a real business man to run social businesses."

(b) Key supporters

Figure 12 Leping Group's key supporter map in its start-up stage (1993 - March 2002)⁷



In its start-up stage, Leping Group relied on the founders' own financial and social capital to experiment with effective business models for tackling issues of inequality. In an interview, Shen stated that he considers it healthy for a social enterprise to maintain financial independence in its start-up stage so that it can take risks and innovate. Because the founders were well-respected economists, the Group managed to mobilize their social capital to engage with business leaders and invite influential scholars to be board members.

7.2 Early Stage (April 2002 - 2005)

(a) Milestones

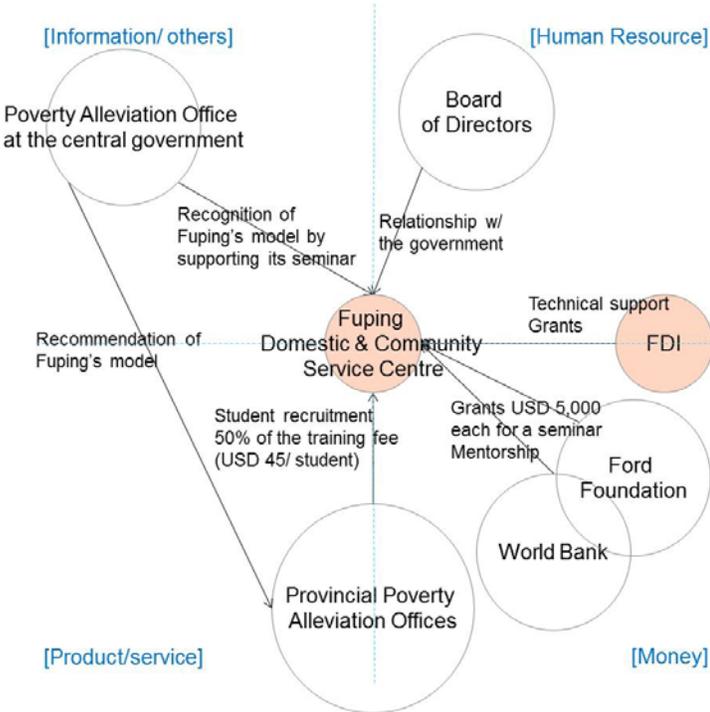
7 A brief guide to the key supporter map:

- The names of key supporters appear inside the circles.
- The support offered is placed within one of the four quadrants (HR, Product/service, money, information) depending on the kind of support.
- The nature of the support is described near the arrows.
- The size of the circle expresses the level of impact (high, medium, low) as perceived by Fuping

In this period, Leping Group developed and refined its domestic service training *(1) business model. According to Shen, the second milestone came in the form of establishing a strategic public-private partnership by signing an agreement with the Anhui Province Poverty Alleviation Office in August 2002. The school later signed similar agreements with the Poverty Alleviation Offices in Gansu, Hunan and Henan provinces. In addition, the school developed an integrated service model of providing training, job placement, right protection and follow-up service. In October 2002, it opened three job placement outlets in Beijing’s residential areas. The school’s notable achievements in this period also include raising the minimum wage of domestic workers, starting an insurance program and establishing a medical assistance fund. The school reached a breakeven point in 2005.

(b) Key supporters

Figure 13 Leping Group’s key supporter map in its early stage (April 2002 - 2005)



The most prominent supporters in this period were provincial governments that recruited students on behalf of the Fuping School and subsidized a part of the training fee. The school succeeded in building such partnerships not only because the founders had connections to the government, but also given the proven effectiveness of the training program to engage migrant

workers and alleviate poverty. The Central Government in fact introduced the Fuping-Anhui partnership to other provincial governments as a good practice. This contributed in scaling the student recruiting scheme to Hunan, Henan and Gansu provinces. Commenting on the public-private partnership, Shen emphasized the sequencing of activities: *“It is important to maintain your independence. Once you find a government partner, you first conduct small-scale experiments and then conduct research so that others can replicate. In this way, the public-private partnership model can scale. This is what we learned from our early days.”*

In this period, the Fuping School continued to depend on the financial foundation created by the board members. This financial arrangement gave the Fuping management the luxury to concentrate on developing a sustainable business model without potential interventions from investors. In 2003, Fuping received its first grants from the World Bank and Ford Foundation (USD 5,000 each) for organizing a seminar to disseminate its domestic service training and employment model. *“Although the grants were very small in amount, we learned a lot from these international organizations. Their money was quite flexible, and we could reach out to others through their international network”* recalls Shen.

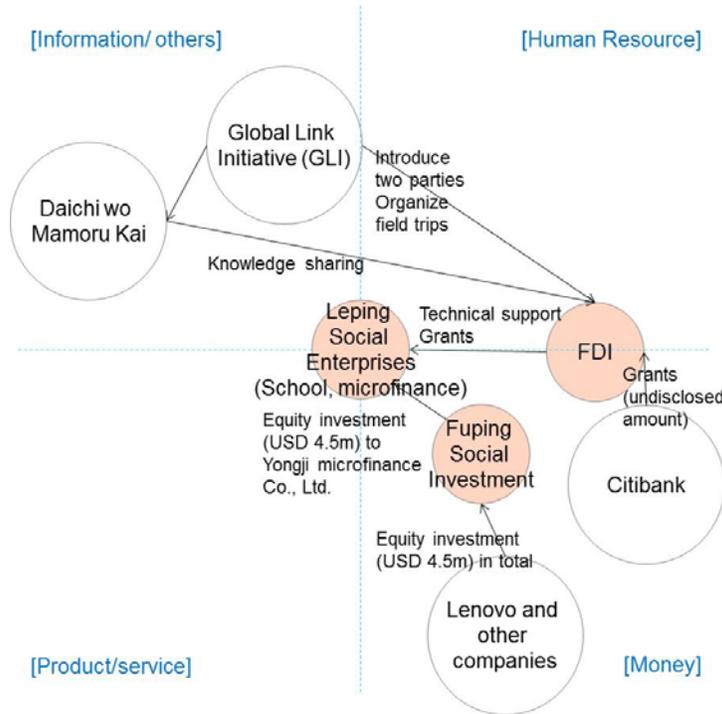
7.3 First Growth Stage (2006 – October 2010)

(a) Milestones

Leping Group’s first growth stage can be marked from 2006, a year after reaching a breakeven point, until before the established of the Leping Social Entrepreneur Foundation *(B) in November 2010. Leping Group managed to achieve rapid expansion in this period. In 2008, Leping Group established Fuping Social Investment Co., Ltd. *(C) as an investment vehicle to set up and support a microfinance company *(2) (subsequently founded in 2009) and other social enterprises. Then, Leping Group began setting its eyes on new business opportunity. In 2009, Shen mobilized Leping board members to visit Daichi wo Mamoru Kai (Daichi) in Japan, a pioneer of organic vegetable home delivery service. This visit later led to establishing a joint venture with Daichi. In this phase, Leping Group faced challenges in securing enough funding for expansion.

(b) Key supporters

Figure 14 Leping Group's key supporter map in its first growth stage (2006 – October 2010)



With its business model and organizational capacity built, Leping Group started to raise funds from external sources. In 2008, Leping Group and Lenovo created China's first social investment corporation by raising funds from a few major Chinese companies, such as Huayuan Property. Through this investment corporation, Leping Group invested in equities of its microfinance company and other Leping ventures. In 2007, the Group succeeded in formalizing another corporate partnership with Citibank that has become a long-term donor.

Also in this period, Leping Group managed to develop a partnership with Daichi wo Mamoru Kai (Daichi), the social enterprise that pioneered the organic vegetable delivery business in Japan. Shen first visited Daichi in Japan in 2006 as a participant in the Sino-Japan social entrepreneur exchange program, organized by the nonprofit Global Link Initiative (GLI). Shen became convinced about the potential of a similar model in China and thus aimed to bring the Daichi model to China. To convince Mr. Kazuyoshi Fujita, President of Daichi, Ms. Li Fan, Co-founder of GLI, raised USD 5,000 from a philanthropist to invite Mr. Fujita to visit Chinese

farmers borrowing from the Leping Group's microfinance venture. Moved by Leping Group's commitment to transform farmers' lives, Mr. Fujita decided to support Shen.

7.4 Second Growth Stage (November 2010 - Present)

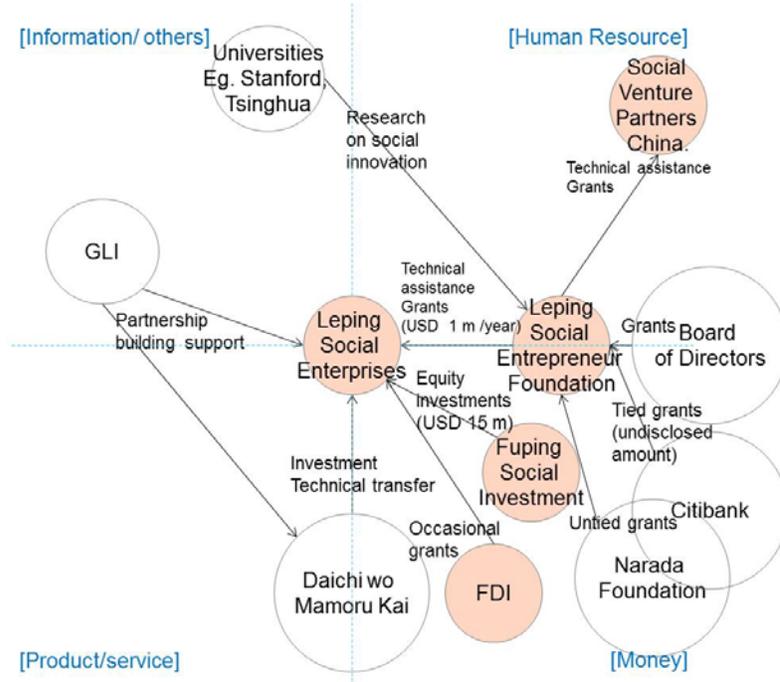
(a) Milestones

According to Shen, the year 2010 was a turning point for Leping Group ushering in new sources of funding to inspire innovation. The Leping Social Entrepreneur Foundation *(B) was launched to pool grants from philanthropic donors to finance the non-income generating activities of the Leping ventures as well as social entrepreneurs outside Leping Group. After the foundation launch, Leping Group established new ventures one after the other: Guyu Qianqianshu Education Consulting Co., Ltd. *(3) in 2011, Dayu Microfinance Co., Ltd. *(4) in 2012, and Fuping Chuangyuan Agricultural Technology Development Co., Ltd. *(5), a joint venture with Daichi, in 2013.

In 2012, the Leping leadership made a pivotal decision to play a proactive role in building a supportive environment for social enterprises and social innovation in the country. As its various businesses grew, Leping Group realized that in order to further scale their operations, the social enterprise sector as a whole needs to change. Among the many issues in the sector, Leping Group focused on the lack of entrepreneurial talent as the biggest bottleneck for scaling social businesses. To address this shortage, Leping Group launched an E-MBA program for social innovation leaders, together with Peking University, the Non-profit Incubator (NPI, a social entrepreneur incubator) and Shan Shui Conservation Center. In 2013, Leping Group imported the Social Venture Partners (SVP) model from the United States to build a network of middle-class professionals to support social entrepreneurs in China.

(b) Key supporters

**Figure 15 Leping Group's key supporter map in the second growth stage
(Nov 2010 onwards)**



In this period, Leping Group established its own foundation in order to raise funds from China's growing philanthropic donors. Mr. Zhou Qingzhi, the Founder and Chairman of the Narada Group, played a key role in establishing the foundation. Inspired by Mao's self-help philosophy of helping the disadvantaged to help themselves, Zhou and the Narada Group provided initial capital to Leping Group to launch its foundation. Later, the Narada Foundation, the Narada Group's philanthropic arm that promotes social entrepreneurship, became a major donor to the Leping Social Entrepreneur Foundation as well as a partner for building China's social investment network. The Narada Group also invested in Fuping's microfinance and eco-agriculture companies.

Zhou represents China's first generation of self-made business leaders. Some from his generation of business leaders are increasingly interested in engaging in philanthropic work by applying their strong belief in self-help and business efficiency. Leping Group tries to engage such business leaders not only for Leping Group's own social businesses, but also for

the development of the social enterprise sector at large by inviting them to become board members of the Leping foundation. On this positive trend, Tang remarked, “There is no Leping Group today without these business leaders’ support. As our future vision, we hope these first-generation business leaders will join the social innovation sector more. They can not only provide large donations but also good judgment to investment decisions.”

Leping Group also succeeded in mobilizing the emerging young middle-class professionals to support social enterprises and nonprofits. In an interview, Tang described the generational shift in priorities: “The younger generation is more open-minded. My generation was concerned about how to make our stomach full. They want more meaning in life than making money.” In 2011, Mr. Li of the Global Link Initiative, together with the East-West Center in Hawaii, invited Shen and the SVP headquarter executives among others to participate in a workshop titled “China-US Strategic Philanthropy Partners”. Shen immediately took interest in the SVP model and visited the SVP headquarter soon after the workshop to discuss the potential of introducing SVP to China. Since 2013, Leping Group has been managing the SVP chapter in Beijing and is now in the process of expanding the model to Shanghai and Hangzhou.

In order to conduct research on building an enabling environment for social innovation in China, Leping Group has developed partnerships with leading academic institutes, such as Tsinghua University, Peking University and Stanford University. Shen understands the significance of learning from pioneering work abroad; he commented, *“In order to play a leading role in promoting social innovation in China, it is important to work with international leaders of social innovation.”*

8. Scalability and Replicability

Table 5 Key elements of Scalability and Replicability

	The Fuping School	The Leping Group as a whole
Scalability	<p>(a) Increase in its training capacity by developing an online training course: The school is currently developing an online training curriculum and aims to exponentially increase the number of trainees from 3,000 to 100,000 per year.</p> <p>(b) Service adjustments in response to changing demands from customers: For instance, the school is currently strengthening its elderly care training curriculum since demand for elderly care is rapidly growing.</p>	<p>(a) Technology utilization: The other Leping social enterprises also plan to utilize technology particularly ICT to expand their businesses.</p> <p>(b) Partnerships with the government: For Leping Group, government partnerships are critical to build a supportive environment for its social enterprises and to persuade the government to be clients of its services as effective alternatives to solving social challenges.</p> <p>(c) Entrepreneurial talent: In order to scale further, Leping Group needs more entrepreneurial talent like Shen at the managerial level.</p> <p>(d) Sustainable financial support: Leping Group currently uses donations for non-income generating activities such as developing new services. The Leping Group needs to secure more sustainable financial resources, such as long-term sponsors.</p>
Replicability	<p>Fuping School developed a replicable business model by sharing recruiting/ training costs with the local governments and by providing holistic services to meet the market demand. Today, the government subsidizes about 300 domestic service training schools across the country based on the Fuping School model. This number shows the replicability of the Fuping School.</p> <p>The above conditions are also necessary for other organizations to replicate the business model of the Fuping School.</p>	<p>In addition to the above, other organizations need the following condition to replicate the social businesses operated by Leping Group.</p> <p>Visionary leaders with social capital: Since many of Leping Group's social businesses require partnerships with the government to scale, strong connections to and credibility among government circles are key.</p>

9. Final Reflections

(a) Sequencing of social innovation: In an interview with JRI, Tang described the three tiers of innovation that Leping Group attempts to embody:

- developing innovative (new, effective, and efficient) solutions for social issues which the government has not been able to address;
- demonstrating the innovation to the private sector to obtain financial support and improve the model; and
- striving for the government to adopt the innovation based on evidence.

(b) Internal incubation of social initiatives. Given its nascence, China's social enterprise sector struggles to identify investable ventures with growth potential. In this sector landscape, Leping Group placed emphasis on internal experimentation and incubation of social ideas by utilizing internal resources (e.g. donations from founders). This approach enabled Leping Group to focus on the process of model refinement without the risk of interventions from shareholders and other stakeholders. Once the business model achieved a high level of certainty in terms of social impact and financial performance, Leping Group engaged China's top business leaders as board members and utilized their financial and social capital as well as business expertise. Leping Group also partnered with pioneers of innovative businesses, such as Daichi wo Mamoru Kai, in order to learn from best practices from other geographies and adapt them into the Chinese context.

(c) Scaling innovation through partnerships and networks. Leping Group's extensive experience in expanding social enterprises points to three key lessons in scaling innovation:

- The first involves partnership with the government. As for its domestic service training, the Fuping School achieved financial sustainability and social impact by developing a public-private partnership model and enabling the government to replicate the model. The founders' social capital, such as connections to the high-level officials, was crucial in enabling Fuping School to influence the government. Moreover, Fuping School offered the government a proven solution, leading the government to replicate Fuping School's model.
- The second refers to utilization of technology. For instance, the Fuping School is currently developing an online training curriculum so that it can increase the number of

trainees exponentially.

- The third lies in creating collective impact through multi-sector partnerships. In Leping Group's early childhood education program, more than 20 stakeholders, including the government, nonprofit organizations, foundations, and universities work together by setting common goals. It also applies a shared-economy approach by enabling their trainees to train others.

(d) Building and driving the ecosystem. As Leping Group's businesses began to grow, the Leping leadership realized that in order to truly scale their social businesses, Leping Group itself needs to actively build an enabling environment for social innovation. This realization led Leping Group to develop its own mini ecosystem consisting of its own investment company and foundation to invest in and/or give grants to not only its own social enterprises but also external social innovators. As for the issue of talent shortage, Leping Group saw it as a major bottleneck to the sector and thus started to provide grants through its foundation to support social innovators outside Leping Group, such as SVP. Believing in the power of evidence and knowledge, Leping Group also partners with influential research institutions to conduct research proposal policy recommendations to central and local governments