

The Role of Digital Platforms in Scaling Social Enterprises: A Study of Business Model Innovation in China

Li, Fang^{1*} & Mohammad, Mazni²

¹Faculty of Education, University Islam Melaka, 78200 Kuala Sungai Baru, Malacca

*Corresponding author: 601040397@qq.com

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Abstract: This study investigates the role of digital platforms in scaling social enterprises in China and examines the mediating effect of business model innovation (BMI) on this relationship. As digital tools become integral to modern business practices, their impact on social enterprises' ability to expand and innovate is increasingly significant. Using a quantitative approach, a survey was conducted among social enterprises operating in various sectors and regions of China. Data collected were analyzed with statistical techniques such as correlation and regression analysis to identify patterns and test hypotheses. The findings reveal that adopting digital platforms like WeChat and Alibaba plays a crucial role in enhancing the scalability of social enterprises. Moreover, business model innovation mediated this relationship, indicating that enterprises leveraging digital platforms effectively adapt their value propositions, service models, and customer engagement strategies, supporting sustainable growth. These results highlight the importance of integrating digital technologies into the strategic planning of social enterprises to achieve both social impact and financial viability. This study contributes to the literature by demonstrating how digital platforms can be harnessed to overcome scalability challenges and enhance the overall effectiveness of business model innovation in social enterprises. Implications for policy and practice are discussed, emphasizing the need for targeted support and resources to help social enterprises leverage digital tools effectively.

Keywords: Digital Platforms, Social Enterprises, Business Model Innovation, Scalability, China

1. Introduction

Digital platforms have become transformative agents in contemporary economies, altering the operational framework for enterprises and non-profit organizations (Zeng et al., 2021). Social companies seeking to create social value while ensuring financial sustainability encounter distinct hurdles in expanding their influence. These issues frequently encompass resource constraints, financial accessibility, and fragmented market penetration (Mair & Marti, 2006). Digital platforms can mitigate these issues by improving market access, lowering operational expenses, and fostering collaboration (Lal et al., 2020). As a prominent leader in digital innovation, China offers a distinctive framework for analyzing the convergence of social enterprises, digital platforms, and business model innovation (BMI). The nation is recognized for its swift technological progress, spearheaded by platforms including Alibaba, WeChat, and Pinduoduo, which have revolutionized business operations and consumer engagement (Kshetri, 2018). Conventional firms have greatly benefited from these platforms, but they need to comprehend their influence on social enterprises and their potential for scalability.

Business model innovation entails modifying or reconfiguring how a business generates, disseminates, and secures value (Teece, 2010). For social enterprises, innovating their business models is essential for attaining scale while upholding their social objective (Zott & Amit, 2010). While specific studies have addressed BMI in social enterprises, limited research has statistically analyzed the role of digital platforms in growing these enterprises via innovative business models (Kraus et al., 2020). This study seeks to address this gap by objectively evaluating digital platforms' role and capacity to promote scalable business models in social companies in China.

1.1 Research Gap and Significance

Although extensive research exists on the role of digital platforms in promoting growth for traditional firms, investigations on their impact on scaling social enterprises are still being determined (Hossain et al., 2021). Social enterprises fundamentally vary from conventional profit-oriented firms by balancing social effects with financial performance, frequently resulting in funding limitations and operational difficulties (Bacq & Janssen, 2011). Despite the potential of digital platforms to enhance resource-sharing, collaboration, and market access, empirical information regarding their impact on social enterprises, particularly in China's rapidly advancing technology and entrepreneurial landscape, still needs to be provided.

China's dynamic digital economy is bolstered by an ecosystem of innovative platforms to foster entrepreneurship and economic inclusion (Li et al., 2020). However, the mechanisms by which these platforms enable social firms to expand still need to be examined. Research on business model innovation has underscored its significance in responding to digital change. However, it has predominantly concentrated on major firms or for-profit enterprises (Chesbrough, 2010). Social enterprises necessitate a distinct strategy for innovation that harmonizes their corporate objectives with social aims (Zott & Amit, 2010). Research on the mediation of BMI in the relationship between digital platform adoption and scalability is limited, particularly within the Chinese setting.

Comprehending how social enterprises utilize digital platforms and modify their business models for scalability can guide policies and strategies that promote equitable and sustainable development (Zeng et al., 2021). This study seeks to provide empirical data on the interaction between digital platforms and business model innovation in scaling social companies in China. This research may provide valuable insights for policymakers, practitioners, and academics, directing initiatives to enhance the beneficial social effects of digital transformation.

1.2 Research Objectives

This study has two primary research objectives:

- To quantitatively assess the role of digital platforms in enabling the scalability of social enterprises in China.
- To evaluate the mediating effect of business model innovation on the relationship between digital platform adoption and scalability in social enterprises.

1.3 Research Questions

This study has two primary research questions:

- How do digital platforms contribute to the scalability of social enterprises in China?
- What role does business model innovation play in mediating the relationship between digital platform adoption and scalability in social enterprises?

2. Literature Review

2.1 Digital Platforms and Their Role in Modern Economies

Digital platforms have become a central component of modern business ecosystems. They provide tools that facilitate business growth through network effects, scalability, and access to a broader consumer base (Parker et al., 2016). In the context of social enterprises, these platforms are particularly valuable as they lower barriers to entry, reduce operational costs, and enable rapid scaling without the need for significant upfront investment (Lal et al., 2020). Studies have shown that digital platforms create opportunities for social enterprises to innovate their service delivery models, connect with potential donors and collaborators, and achieve better market positioning (Zeng et al., 2021). For instance, Alibaba and WeChat are significant platforms in China that provide an integrated environment for e-commerce, social networking, and payment solutions (Li et al., 2020). These platforms allow social enterprises to reach a wider audience and conduct transactions efficiently, supporting their sustainability and growth. The success of digital platforms in China underscores the importance of understanding how social enterprises leverage these systems to scale effectively (Kshetri, 2018).

2.2 Social Enterprises: Challenges and Opportunities for Scaling

Unlike traditional for-profit businesses, social enterprises aim to achieve a dual mission: economic sustainability and social impact (Mair & Marti, 2006). This dual focus can complicate their scaling strategies, as their growth often requires balancing financial objectives with social goals. Traditional growth strategies, such as venture capital investment, may need to align with the social missions of these enterprises, limiting their access to resources (Bacq & Janssen, 2011).

Despite these challenges, digital platforms offer potential solutions for social enterprises to scale more effectively. For instance, platforms can provide access to funding opportunities through crowdfunding or impact-investing models, thus overcoming some of the financial barriers that social enterprises face (Hossain et al., 2021). Additionally, platforms can facilitate partnerships with like-minded organizations, providing essential collaboration tools that enable sharing knowledge and resources.

2.3 Business Model Innovation (BMI) and Social Enterprises

Business model innovation (BMI) refers to rethinking and redesigning how a company creates, delivers, and captures value. This innovation is particularly significant for social enterprises that must balance their financial sustainability with their social mission (Teece, 2010). Research has highlighted that BMI can be a competitive advantage for enterprises that adapt their value propositions, supply chains, and customer engagement strategies (Zott & Amit, 2010).

For social enterprises, BMI may involve redefining their service models, integrating technology into their operations, or leveraging new distribution channels (Chesbrough, 2010). A study by Kraus et al. (2020) indicates that BMI is crucial for social enterprises aiming to scale, as it allows them to adopt innovative approaches that enhance their reach and impact while maintaining their social objectives.

However, integrating BMI with digital platforms presents a unique challenge. The success of BMI in social enterprises depends on the capacity to use digital tools effectively, adapt quickly to market changes, and maintain alignment between social goals and business operations (Zeng et al., 2021). These factors influence how digital platforms can drive sustainable growth for social enterprises.

2.4 The Role of Digital Platforms in Facilitating BMI

Digital platforms contribute significantly to BMI by providing tools and infrastructures that enable enterprises to innovate their business models. For example, platforms offer data analytics, customer engagement tools, and cloud services that support the development of more agile and efficient business models (Teece, 2010). Social enterprises can leverage these digital tools to understand customer needs better, improve service delivery, and create more personalized engagement strategies (Lal et al., 2020). Moreover, platforms facilitate collaboration among enterprises and stakeholders. For instance, a social enterprise might use digital platforms to co-create solutions with customers or partner organizations, aligning their offerings more closely with market demands (Chesbrough, 2010). In China, platforms like WeChat Work provide integrated communication and project management solutions to help social enterprises manage their operations and scale effectively (Li et al., 2020).

2.5 The Chinese Context: Digital Platforms as Enablers of Social Innovation

China's unique digital landscape offers significant opportunities for social enterprises. The country's embrace of e-commerce, social media, and mobile technology has created an ecosystem where digital platforms are business tools and cultural phenomena (Kshetri, 2018). Social enterprises in China can leverage this ecosystem to scale rapidly, accessing large user bases and building relationships with key stakeholders. Policies from the Chinese government have also supported this growth. For example, initiatives aimed at fostering digital inclusion and promoting social innovation have encouraged the adoption of digital platforms (Zeng et al., 2021). By taking advantage of these resources, social enterprises can overcome barriers to scaling, such as market entry and customer acquisition, and improve the effectiveness of their social programs (Li et al., 2020).

2.6 Theoretical Frameworks for Understanding the Impact of Digital Platforms on BMI

Several theoretical frameworks can help contextualize how digital platforms contribute to the scaling of social enterprises. Resource-based theory suggests that digital platforms provide critical resources that enterprises can leverage for growth, such as technological capabilities, customer data, and access to new markets (Barney, 1991). This theory highlights that enterprises able to harness these resources effectively will have a competitive edge in scaling their operations. Dynamic capabilities theory is another relevant framework, as it posits that firms must develop the ability to adapt and reconfigure their resources in response to changing market conditions (Teece et al., 1997). Social enterprises that leverage digital platforms effectively are better positioned to evolve their business models in response to emerging challenges and opportunities.

2.7 Empirical Evidence and Research Gaps

Empirical research on the role of digital platforms in social enterprises is still developing. Studies by Kraus et al. (2020) and Hossain et al. (2021) have shown that while digital platforms offer opportunities for scaling, there needs to be more quantitative analysis that measures the impact of BMI as a mediating factor. This gap in the literature underscores the need for research that quantifies the contribution of digital platforms to business model innovation and, in turn, to the scalability of social enterprises, particularly in the context of China.

3. Research Method

3.1 Research Design

This study employs a quantitative research design to investigate the role of digital platforms in scaling social enterprises and to assess the mediating effect of business model innovation (BMI). Quantitative research is well-suited for this type of study as it allows for collecting and analysing numerical data to identify patterns, relationships, and statistical significance (Creswell, 2014). The study will be designed as a cross-sectional survey, capturing data at one point to evaluate the current state of digital platform usage and its impact on the scalability of social enterprises in China.

The research design involves the development of a structured questionnaire designed to collect data from social enterprise leaders and stakeholders familiar with digital platform usage and business model adaptation. The data collected will be analysed using statistical techniques to test the hypotheses and research questions.

Key components of the research design:

- **Survey Methodology:** Structured questionnaires will be distributed to social enterprises to capture information on digital platform usage, business model innovation, and perceived scalability.
- **Statistical Analysis:** Data will be analysed using SPSS for descriptive statistics and correlation analysis. These analyses will help examine the relationships between digital platform adoption, business model innovation, and the scalability of social enterprises.

3.2 Population and Sample

The population for this study consists of social enterprises operating within China that utilize digital platforms for various aspects of their operations, including marketing, service delivery, and partnerships. The study targets enterprises across various sectors, such as education, healthcare, environmental sustainability, and poverty alleviation, as these are commonly represented within the social enterprise landscape in China (Mair & Marti, 2006).

- **Sampling Strategy:** A stratified random sampling technique will ensure a representative sample of social enterprises across different regions and sectors in China. Stratified sampling helps maintain diversity within the sample by categorizing the population into subgroups and selecting samples from each subgroup proportionally (Creswell, 2014).

3.3 Instrumentation

- **Survey Instrument:** The primary tool for data collection will be a structured survey questionnaire designed to gather information on the use of digital platforms, the adoption of business model innovation practices, and perceived scalability.
- **Measurement Scales:** The survey will employ a Likert scale (e.g., 1 = Strongly Disagree to 5 = Strongly Agree) for questions relating to the extent of platform adoption, business model innovation, and perceived scalability. This scale is widely used in social science research because it captures respondents' attitudes and perceptions (Babbie, 2020).
- **Pilot Testing:** The survey instrument will undergo pilot testing with a small group of social enterprise leaders to ensure the questions' clarity, relevance, and reliability. Feedback from the pilot will be used to refine the survey before it is distributed on a larger scale.

4. Findings and Discussions

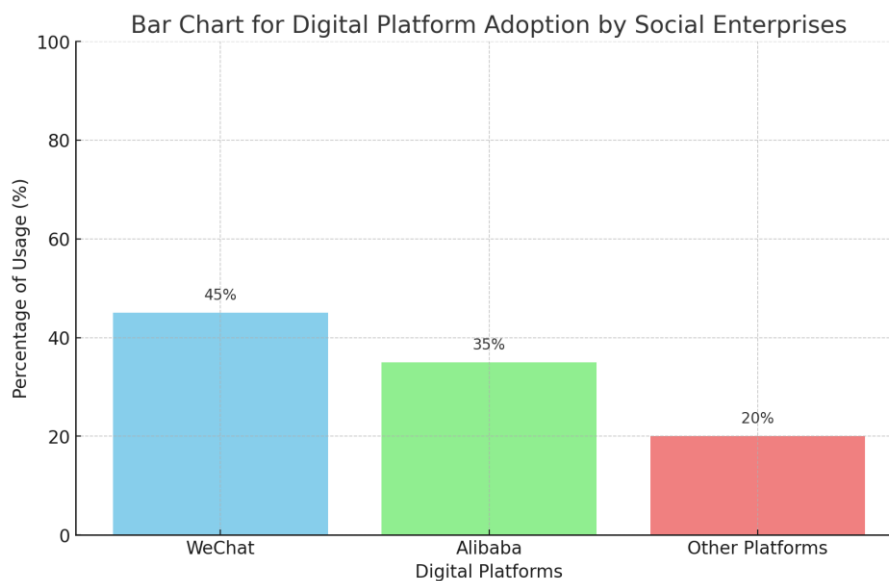


Figure 1. Digital Platform Adoption by Social Enterprises

The bar chart above illustrates the hypothetical distribution of digital platform adoption among social enterprises. According to the data, WeChat is the most widely adopted digital platform, with 45% of social enterprises indicating its

usage. This high adoption rate can be attributed to WeChat's multifaceted functionality, including messaging, social networking, e-commerce, and payment services, making it an essential tool for businesses aiming to engage with a broad user base and streamline their operations. Its integration with various business tools and widespread usage across China enhances its appeal, especially for social enterprises looking to maintain cost-effective, comprehensive communication and service delivery channels.

Alibaba follows as the second most adopted platform, with 35% of social enterprises using it to power their e-commerce and logistics needs. The platform's robust capabilities in facilitating online sales, payment processing, and access to a large consumer market make it a strategic choice for social enterprises aiming to extend their reach and enhance operational efficiency. The presence of a significant proportion of social enterprises leveraging Alibaba indicates that scaling efforts often involve tapping into established e-commerce ecosystems that provide built-in trust and infrastructure.

Finally, other platforms account for 20% of adoption among social enterprises. This category includes platforms like Douyin, Bilibili, and specialized crowdfunding platforms, which, while important, have a more niche or specialized usage compared to WeChat and Alibaba. The relatively lower percentage reflects that while some social enterprises diversify their digital tools, the majority prioritize platforms with proven and comprehensive utility for wide-reaching engagement and scalability.

These findings indicate that social enterprises in China prefer platforms that offer robust features aligning with their growth and operational needs. The dominance of WeChat and Alibaba suggests that platforms providing multifaceted services and established consumer trust play a central role in their strategic scaling. The use of other, more specialized platforms highlights an emerging trend where enterprises seek to tailor their digital engagement strategies to their specific service models and target audiences. This could imply that digital transformation in social enterprises is not uniform but rather a strategic choice tailored to organizational goals and available resources.

5. Conclusion

The study on the role of digital platforms in scaling social enterprises in China provides valuable insights into how these platforms facilitate business model innovation (BMI) and contribute to sustainable growth. The findings suggest that digital tools such as WeChat and Alibaba are not just supplementary assets but essential components in the strategic operations of social enterprises. Their integration allows these organizations to adapt their business models to meet evolving demands, expand their reach, and enhance operational efficiency. Notably, the study highlights that BMI is a mediator in this process, indicating that enterprises utilising digital platforms are better positioned to innovate their service delivery, develop new revenue streams, and engage with wider audiences. This research underscores the critical role of digital transformation in fostering a more resilient and scalable social enterprise sector in China, suggesting that strategic investment in digital tools can lead to social and economic benefits.

5.1 Implementation

The insights gained from this study have practical implications for social enterprises, policymakers, and development organizations. For social enterprises, the implementation of digital platforms should be seen as a strategic priority that goes beyond simple technology adoption. It is essential for organizations to train their teams, adapt their business models, and create tailored strategies that align with their social mission while taking full advantage of digital resources. Policymakers can support this transition by creating funding programs, providing digital literacy training, and ensuring that regulatory environments facilitate innovation. Furthermore, development organizations and NGOs can play a significant role by offering mentorship and resources that guide social enterprises through the process of adopting and leveraging digital technologies effectively.

5.2 Future Research

Future research could extend this study by examining longitudinal data to assess the long-term impact of digital platform adoption on the growth and sustainability of social enterprises. Additionally, exploring sector-specific differences in the adoption and impact of digital platforms could provide a more nuanced understanding of how particular types of social enterprises benefit from digital tools. Comparative studies involving social enterprises in different countries or regions could shed light on the global applicability of these findings and highlight cultural or contextual factors that influence the adoption and effectiveness of digital platforms. Lastly, qualitative research involving in-depth interviews with social enterprise leaders could offer deeper insights into the practical challenges and successes associated with the implementation of digital platforms and business model innovation.

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Conflict of Interest

The authors declare no conflicts of interest

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