

Hong Kong:

Frontiers in

Social Entrepreneurship

Stewards

Fullness  
Salon

良心消費

Publisher

**FSES**  
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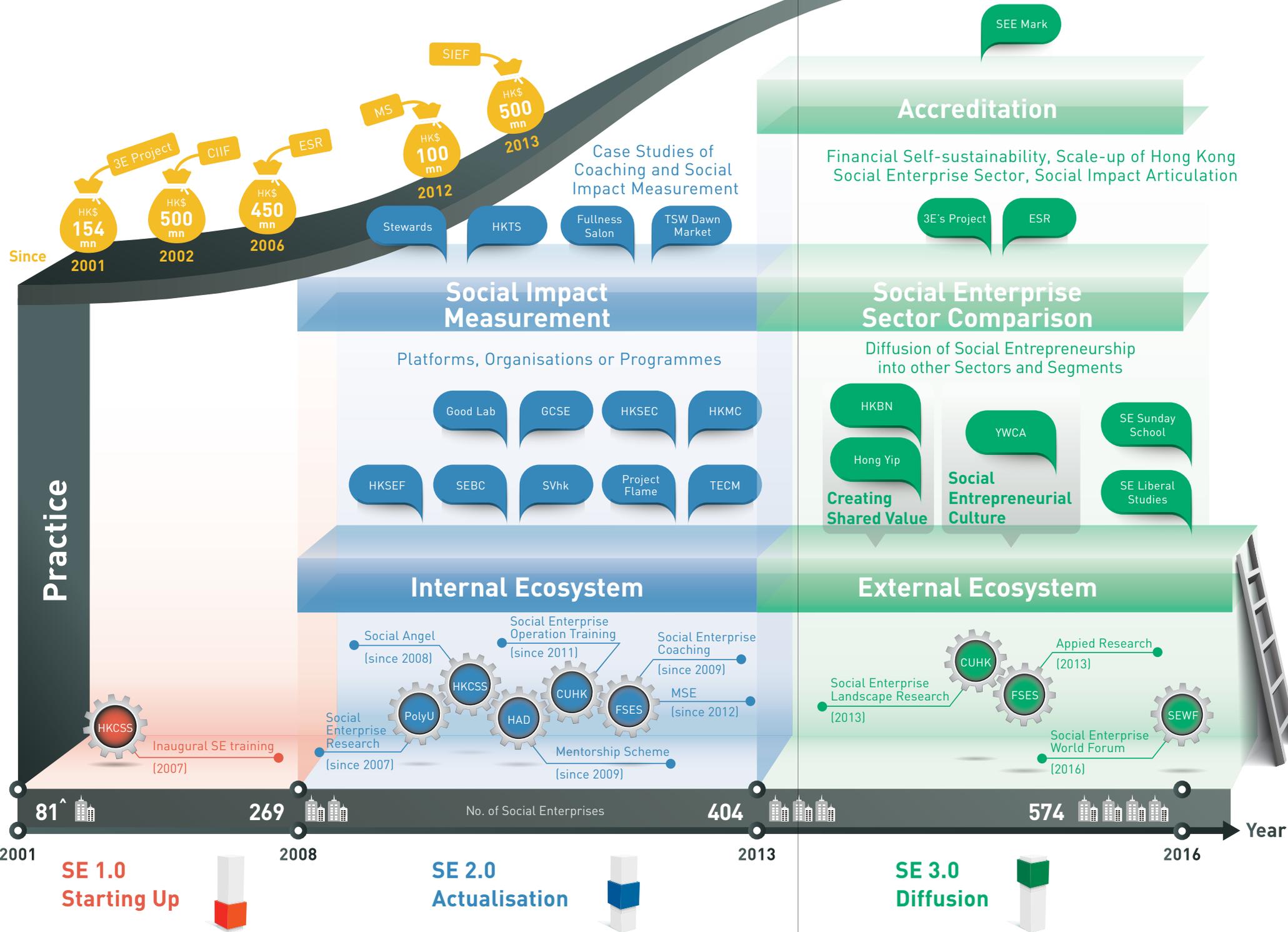
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**P. 60** About Fullness Social  
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# Evolution of Social Entrepreneurship in Hong Kong

## Government Funding & Policy



### Abbreviation

3E Project: Enhancing Employment of People with Disabilities through Small Enterprise Project

CIIF: Community Investment and Inclusion Fund

CUHK: The Chinese University of Hong Kong

ESR: Enhancing Self-Reliance through District Partnership Programme

FSES: Fullness Social Enterprises Society

GCSE: General Chamber of Social Enterprises

HAD: Home Affairs Department

HKBN: Hong Kong Broadband Network

HKCSS: Hong Kong Council of Social Service

HKMC: Hong Kong Mortgage Corporation

HKSEC: Hong Kong Social Enterprise Challenge

HKSEF: Hong Kong Social Entrepreneurship Forum

HKTS: Hong Kong TransLingual Services

MS: Microfinance Scheme

MSE: Management for Social Enterprises

PolyU: Hong Kong Polytechnic University

SEBC: Social Enterprise Business Centre

SEE Mark: Social Enterprise Endorsement Mark

SEWF: Social Enterprise World Forum

SIEF: Social Innovation and Entrepreneurship Development Fund

SVhk: Social Venture Hong Kong

TECM: Tithe Ethical Consumption Movement

TSW Dawn Market: Tin Shui Wai Dawn Market

YWCA: Hong Kong Young Women's Christian Association

Case Training, Coaching, and Research

^ Chan, K.T., Kuan, Y.Y., Ho, P.L. and Wang, S.T. (2010). Comparative Analysis of Social Enterprises in Hong Kong and Taiwan: *Scope and Dynamic*, Hong Kong Polytechnic University. Estimation is based on the findings of the research above.

# SOCIAL ENTREPRENEURSHIP: NECESSARY AND SUFFICIENT CONDITIONS

In 1972, J.A. Banks defined the necessary conditions of social entrepreneurship as **applying managerial skills** for **socially constructive purposes**<sup>1</sup>. Social entrepreneurship is the integration of selfless pursuit of societal betterment and shall be driven by result-orientation of effective business management.

In 2012, Filipe Santos defined the sufficient conditions of social entrepreneurship as **addressing neglected social problems** with **sustainable solutions**<sup>2</sup>. The solutions shall be

applied through the **logic of empowerment**, generate **positive externalities** and **benefit the powerless segments** of the society. His ideas carries more weight than the general concept of corporate social responsibility (CSR) which typically may only fulfills the two necessary conditions.

<sup>1</sup> Banks, J. A. (1972). The sociology of social movements. London: Macmillan. P.53

<sup>2</sup> Santos, F. M. (2012). A positive theory of social entrepreneurship. Journal of business ethics, 111(3), 335-351.

TABLE 1

NECESSARY AND SUFFICIENT CONDITIONS OF SOCIAL ENTREPRENEURSHIP (EXAMPLE: FULLNESS SALON)

NECESSARY CONDITIONS	SUFFICIENT CONDITIONS	EXAMPLE: FULLNESS SALON
Applying managerial skills	<ul style="list-style-type: none"> <li>• Create sustainable solutions</li> <li>• Through the logic of empowerment</li> </ul>	<ul style="list-style-type: none"> <li>• Operate at a profit of &gt; 4%</li> <li>• Employment with vocational training</li> </ul>
For socially constructive purposes	<ul style="list-style-type: none"> <li>• Address neglected social problems</li> <li>• Generate positive externalities</li> <li>• Benefit powerless segments</li> </ul>	<ul style="list-style-type: none"> <li>• Provide career prospects for deviant youth</li> <li>• Recidivism rate reduction of ~28%</li> <li>• Train up &gt; 6 youth every year</li> </ul>

# A HISTORY OF HONG KONG GOVERNMENT POLICIES TOWARDS SOCIAL ENTREPRENEURSHIP

Hong Kong government started to implement policies that encourage social entrepreneurship in 2001, about the same time as the introduction of the Lump Sum Grant Subvention System (LSG)<sup>3</sup>. The logic behind LSG is to enhance cost-effectiveness and flexibility in the deployment of subvention resources to meet changing needs of social welfare programmes in the community.

With the start-up funding support from government policies, the social enterprise (SE) sector is growing

rapidly. An SE sector ecosystem is built up to actualize social return on such investment over the years. Further diffusion of social entrepreneurship is enabled with new collaborations between government, social and commercial sectors.

<sup>3</sup> The Lump Sum Grant (LSG) arrangements are introduced for voluntary adoption by non-governmental organizations (NGOs). Under LSG, NGO management have autonomy and flexibility in the deployment of subvention resources to meet the service needs. [http://www.swd.gov.hk/en/index/site\\_ngo/page\\_subventions/sub\\_modesofsub/id\\_lsgmanualc/](http://www.swd.gov.hk/en/index/site_ngo/page_subventions/sub_modesofsub/id_lsgmanualc/)

FIGURE 1 THE 3 STAGES OF SOCIAL ENTREPRENEURSHIP

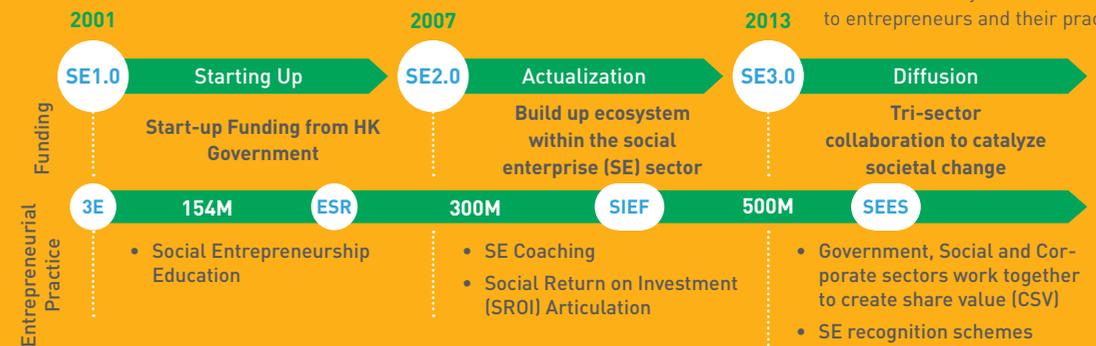


FIGURE 2 LIST OF GOVERNMENT FUNDS FOR SOCIAL ENTERPRISES



# SE#1.0

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# STARTING UP

## The Main Players of This Stage Are Innovators

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“The salient value of the innovator is venturesomeness, due to a desire for the rash, the daring, and the risky. The innovator must also be willing to accept an occasional setback when a new idea proves unsuccessful, as inevitably happens. ...the innovator plays an important role in the diffusion process: that of launching the new idea in the system by importing the innovation from outside of the system’s boundaries. Thus, the innovator plays a gatekeeping role in the flow of new ideas into a system.”<sup>4</sup>

— Everett Rogers

<sup>4</sup> Rogers, E. M. (2010). Diffusion of innovations. Simon and Schuster. P.283.

# SIGNATURE EVENTS KICKING OFF THE STAGE

2001

In 2001, the Social Welfare Department launches the Enhancing Employment for People with Disabilities through Small Enterprise Project (3E). Seed money is granted to NGOs to support the establishment of social enterprises to facilitate genuine employment opportunities for persons with disabilities through market-driven approach.

2002

In 2002, the Labour and Welfare Bureau launches the Community Investment and Inclusion Fund (CIIF) to promote the concept and application of social capital. Funding is provided to social capital development projects promoting social cohesion and some of the CIIF projects are implemented in the form of social enterprises.

2005

In 2005, the first Hong Kong's Commission on Poverty (the CoP) promotes social enterprises as a way to enhance the eventual self-reliance of the able yet unemployed workforce to integrate into the job market.

In the same year, the then Hong Kong Chief Executive Donald Tsang used the term "social enterprise" in his policy address. Since then, the government has introduced many new funding schemes for social enterprise development.

## INTRODUCTION

Like many business startups, a social enterprise (SE) may face a difficult period of struggle characterized by negative cash flow before it becomes financially self-sufficient. The availability of government funding is actually quite promising as long as SEs can prove their ability to achieve the social mission set forth. However, there are debates from time to time on whether the social impacts generated through supporting SEs could justify the use of taxpayers' money, especially when some enterprises are unable to become financially self-sufficient.

According to a survey by the DBS Social Enterprise Advancement Grant 2014<sup>5</sup>, 35% of SEs in Hong Kong are profitable, while 32.5% achieve breakeven and the remaining 32.5% operate at a loss.

These findings are in line with another research done by the Centre for Entrepreneurship at the Chinese University

of Hong Kong (CUHK)<sup>6</sup>. The research finding shows that 62% of the 174 local SEs surveyed are profitable or at breakeven in 2012.

The big question is what differentiates those startup SEs that make profit or achieve breakeven from those who do not? What facilitates success when operating a SE? As a matter of fact, with the lack of adequate commercial experience, some of the SE operators may be far too optimistic in estimating the Break Even Time (BET).

<sup>5</sup> The DBS Social Enterprise Advancement Grant 2014  
[http://www.hkcss.org.hk/c/cont\\_detail.asp?type\\_id=9&content\\_id=1534](http://www.hkcss.org.hk/c/cont_detail.asp?type_id=9&content_id=1534) (Chinese Only)

<sup>6</sup> Au, K. (2014). Research study on the social enterprise sector in Hong Kong—to capture the existing landscape of the social enterprises in Hong Kong. Center for Entrepreneurship, The Chinese University of Hong Kong.  
<https://entrepreneurship.bschool.cuhk.edu.hk/SEresearch>

*The commercial success of a social enterprise depends on three major factors:*



### FUNDING

Mostly refers to the seed capital of start-up funding from government grant, charitable grant from organizations, or investments from individual investors.



### ENTREPRENEURIAL SKILLS

Refers to business management and marketing knowhow required to run the SE.



### MARKET DEMAND

Refers to gauging and generating genuine market demand for a viable and sustainable business.

## PUTTING GOVERNMENT FUNDING INTO GOOD USE

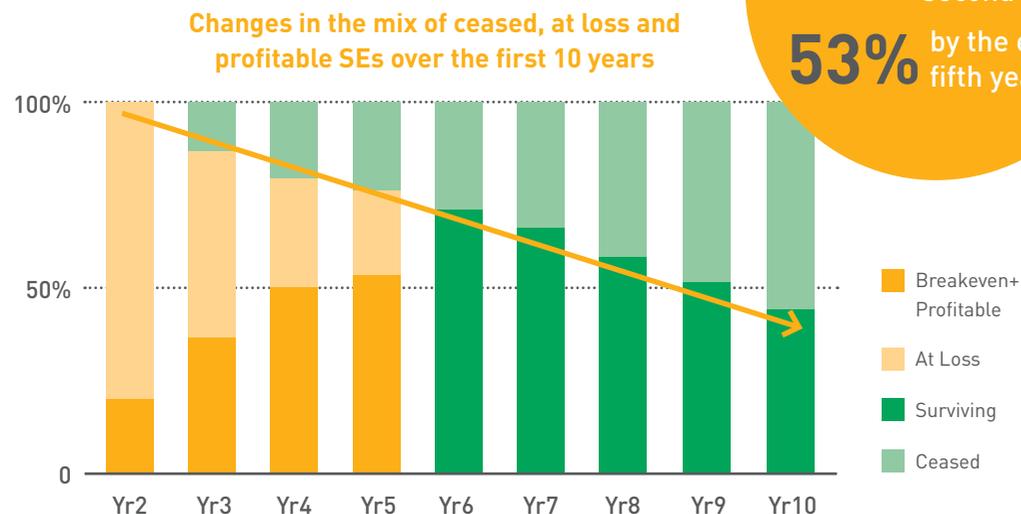
Fullness Social Enterprise Society (FSES) has published two reports in June and August 2013<sup>7</sup> that analyzed the performance of government funded SEs. They are the first of its kind with original survey data provided by the Home Affairs Department and the Social Welfare Department of the Hong Kong government.

In the FSES Report on ESR in June 2013, the Home Affairs Department provided survey data gathered from 144 ESR funded SEs for the period between 2007 and 2013, with a total amount of HK\$156 million. The data provided for analysis keeps the SE identities anonymous to ensure that

the sensitive information of any individual SE cannot be singled out.

The social return on investment on workfare of ESR scheme shows that the public money is well spent. For each \$1 dollar granted by ESR, the socially disadvantaged group can earn a share of \$0.41 per year. With the 6.4 years of median lifespan of the SEs, a total of 2.6 dollars<sup>8</sup> benefit is generated on each dollar. This excludes other forms of positive externalities such as social impact on non-monetary benefits for the socially disadvantaged

**FIGURE 3** 10-YEAR SE PERFORMANCE IN HONG KONG (ESR AND 3E PROJECTS)



employees and social cost savings that would benefit the society and the government. It is also more efficient alternative to the pure distribution of welfare through Comprehensive Social Security Assistance.

In August 2013, the Social Welfare Department provided similar aggregated data from 75 3E funded SEs for the period between 2003 and 2013, with a total amount of HK\$52 million. The two data sets are cross-analyzed by FSES in the second report published in August 2013<sup>9</sup>. The performance and survival rate of the SEs in the first 10 years since inception are analyzed.

The new findings show that the median lifespan projected for the government funded SEs is 9.3 years for both ESR and 3E in a 10-year trajectory (Figure 3). The percentage of profitable SEs increases from 19% in the second year to 53% in the fifth year. Out of the remaining 47%, 24% are still at loss and 23% have ceased to exist.

For each \$1 dollar granted by ESR, workfare generated is \$0.41 per year. With the new 9.3 years median lifespan projected, social return on

investment in workfare becomes \$3.8 for every \$1 dollar in a one-time grant. Similarly, for each \$1 dollar granted by 3E, workfare generated is even higher at \$0.77 per year. Against the 9.3 years median lifespan projected, social return on investment in workfare becomes \$7.2 for every \$1 dollar in a one-time grant. And the weighted average of social return on investment in workfare for both schemes in a 9.3 year lifespan becomes \$4.46. When comparing these findings to the average lifespan of 3.7 years<sup>10</sup> for small and medium enterprise in Hong Kong, the results on the government's supporting effort on SE development are encouraging.

<sup>7</sup> Social Return on Investment (SROI) of Enhancing Self Reliance (ESR) through District Partnership projects  
[https://www.fses.hk/ourdb/files/ourdb@fses.hk/fses\\_June\\_Article.pdf](https://www.fses.hk/ourdb/files/ourdb@fses.hk/fses_June_Article.pdf)

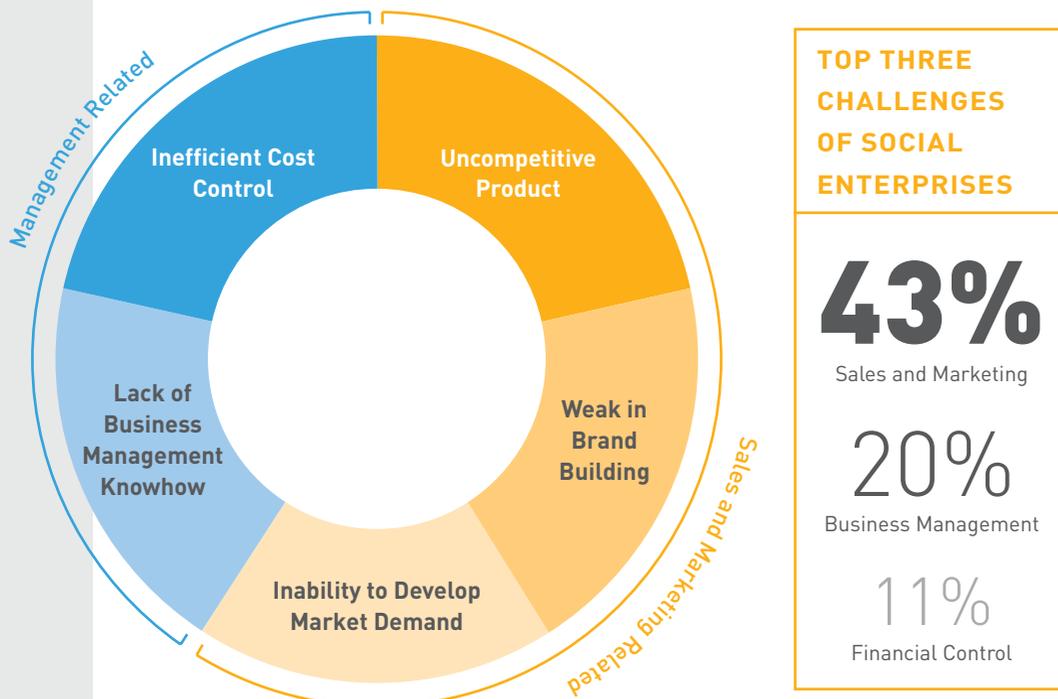
<sup>8</sup> Calculated by  $\$0.41 \times 6.4 \text{ years} = \$2.60$

<sup>9</sup> The Blank Spots and Blind Spots on Hong Kong SE Policies  
[https://www.fses.hk/ourdb/files/ourdb@fses.hk/tp\\_publication\\_2013\\_kee\\_blank\\_spots\\_blind\\_spots\\_HKSE\\_policies.pdf](https://www.fses.hk/ourdb/files/ourdb@fses.hk/tp_publication_2013_kee_blank_spots_blind_spots_HKSE_policies.pdf)

<sup>10</sup> Global Entrepreneurship Monitor, 2007 Executive Report.  
<http://www.gemconsortium.org/report>

# ENTREPRENEURIAL SKILLS AND FINANCIAL SELF-SUSTAINABILITY

**FIGURE 4** FIVE KEY FACTORS AFFECTING SE BREAK-EVEN (ESR)



### ESR 2008 FINDINGS ON SOCIAL ENTERPRISES RUNNING AT LOSS

In 2008, in an ESR briefing to potential funding applicants, ESR highlighted five factors as to why SEs could not achieve breakeven. They are: uncompetitive products; weak in build branding; inability to develop market demand; lack of business management knowhow; and inefficient cost control.

The first three factors are marketing and sales related and the last two are management knowhow related.

According to a survey on 66 social enterprise mentors conducted by FSES

in 2010<sup>11</sup>, 42.9% of SE have problems with sales and marketing; 19.7% have problems with management; and 11.2% encounter problems with financial control. These indicators echoed the earlier findings of the ESR team in 2008.

FSES knowledge volunteers have been active in SE coaching for quite some time. Business coaching or SE coaching alike, it is an articulate process that builds trust, identifies need, and develops actionable strategies.

<sup>11</sup> Fullness Social Enterprise Society Knowledge Volunteer Survey 2010

# ACQUIRE ENTREPRENEURIAL SKILLS THROUGH COACHING

Knowledge volunteers from FSES have developed and refined a coaching model for application to SEs in need. This model has been applied and proven successful in improving the entrepreneurial efficiency of SEs. Figure 5 illustrates the flow of coaching in accordance to the Coaching FIRST model.

**FIGURE 5** FSES COACHING MODEL



Figure 5 illustrates the flow of coaching in accordance to the Coaching model.

Typical business coaching usually last for nine months. It is not suggested to linger on for too long to reduce the possibility of over-reliance or slow progress. It is the coach's job to provide recommendations and advices to both the entrepreneur and employees. The focus on entrepreneurial coaching shall always be fixated on the gap between the protégé's skills and the

business goals. To avoid lopsided advices due to individual coach's background experience, team coaching is apparently more effective than individual coaching. Different skill sets from a team of specialists can pool together fresh insights from different perspective. Besides, each coach can spot different potential problems in the business process based on their respective expertise.

There are three stages in the coaching process and the focus of each stage is quite different. The first stage mainly involves finding the gaps It refers to the entrepreneur’s business goals, actual situation, perception of reality and professional standards. Hoshin<sup>12</sup> planning is one of the most popular strategic planning tools amongst corporations and entrepreneurs.

<sup>12</sup> Hoshin Plan: Strategic planning tool first introduced by Japanese academic Yoji Akao in the late 1950s and sustain its influence for more than half a century.

While a typical template of Hoshin plan could be extremely complex, it is important for social entrepreneurs to simplify it and extract the relevant parts to cater for their imminent business need. Novice entrepreneurs may choose to do everything right. Veteran

entrepreneurs may only choose to do the few critical things right due to limited resources available. The seven important steps/ components of a Hoshin plan are illustrated in Figure 6.

**FIGURE 6**

**FSES COACHING MODEL HOSHIN PLANNING EXAMPLE (FULLNESS GARAGE, MARCH 2006)**

FULLNESS GARAGE HOSHIN PLAN (MARCH 2006)					
<b>Step 1: Situation Analysis</b>					
<ul style="list-style-type: none"> <li>Current business loss: HK\$16,000 per month</li> <li>Productivity remains 60% of industry standard</li> </ul>		<ul style="list-style-type: none"> <li>Increased cost in outsourcing and auto-parts, account for 58% of income</li> <li>Customer retention rate at 92%</li> </ul>			
Step 2: Objectives	Step 4: Strategies/Actions	Step 5: Accountability	Step 6a: Anticipated Results	Step 6b: Results Tracking	Step 7: Next Step
<ul style="list-style-type: none"> <li>Healthy work environment</li> <li>Financial Self-sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing price negotiation</li> </ul>	Store Manager	<ul style="list-style-type: none"> <li>Reduce cost by HK\$4000 per month</li> </ul>	●	
	<ul style="list-style-type: none"> <li>Solution based selling</li> </ul>	Store Manager	<ul style="list-style-type: none"> <li>Extra income of HK\$1300 per month</li> </ul>	●	
	<ul style="list-style-type: none"> <li>Individual staff performance report</li> </ul>	Store Manager	<ul style="list-style-type: none"> <li>Commencement from July onwards</li> </ul>	●	
<b>Step 3: Targets</b>	<ul style="list-style-type: none"> <li>Bonus incentive scheme</li> </ul>	Board Member	<ul style="list-style-type: none"> <li>Applicable period: April to September</li> </ul>	●	
	<ul style="list-style-type: none"> <li>Regular communication with staff and listen to their feedback</li> </ul>	Board Member	<ul style="list-style-type: none"> <li>Commencement from End March</li> </ul>	●	

● On-Track   ● Warning   ● Off-Track   ● Not Yet Started   (Tracking Indicator)

It is an example compiled for Fullness Garage, which is SE providing work integration training to ex-convicts in Hong Kong and is allegedly the first work integration SE projects set up in 1987.

The Hoshin plan provides an overview in layman terms that is likely to be comprehensible by both the social entrepreneur and the employees. It is a one-pager working paper aligning agreed business objectives, strategies and performance value matrix. Simple as it is can prevent any possible lost in translation. Once the plan is completed, the coach and the SE work team could move on to implementation.

The second stage of implementation has a focus on knowledge transfer and therefore takes six of the nine months to execute. In the process of implementing the actions defined in the Hoshin plan, knowledge transfer takes place in practice. The

team of coaches needs to do a lot of hand-holding job to ensure that skills in product development, marketing, sales, staffing, client relationship management, and iterative strategic planning are cascaded. This goes with the saying of teaching a man how to fish rather than just giving him a fish.

As such, moving into stage three, there comes the time when the coach has to set up monthly (regular) review with the SE team. Progress review against the set target is crucial in any business context. It is also a good indicator on whether there is any positive impact of coaching in business performance. Figure 7 is a template example for review of business performance. It is simple enough to compile and easy enough to detect business performance gaps. It also help to train up the business forecast skills of the SE management team.

**FIGURE 7**

**FSES COACHING MODEL MONTHLY REVIEW TEMPLATE (EXAMPLE)**

### MONTHLY REVIEW

Last Month Revenue / No. of customers (Forecast): <input style="width: 100%; height: 20px;" type="text"/>	Success stories: <input style="width: 100%; height: 60px;" type="text"/>	Current Month Revenue / No. of customers (Forecast): <input style="width: 100%; height: 20px;" type="text"/>
Last Month Revenue / No. of customers (Actual): <input style="width: 100%; height: 20px;" type="text"/>	What did not work: <input style="width: 100%; height: 60px;" type="text"/>	Current month planned activities: <input style="width: 100%; height: 60px;" type="text"/>
Last month profit (Forecast): <input style="width: 100%; height: 20px;" type="text"/>		Issues and support needed: <input style="width: 100%; height: 20px;" type="text"/>
Last Month Profit (Actual): <input style="width: 100%; height: 20px;" type="text"/>		



# STEWARDS LIMITED



## STEWARDS LEARNS TO FISH

Stewards Limited (Stewards) is a registered charitable organization founded in 1962. The organization is known for helping disadvantaged groups with physical or mental disabilities.

In 2009, Stewards is operating two sheltered workshops and a range of SE projects. Stewards provides the disabled with vocational training and allowances so that they can get themselves prepared to move on to a future with supported or open employment. The scope of Stewards' engagement with the disadvantaged groups includes catering service for schools, local agricultural development and car beautician services.

In 2009, Stewards commissioned KEEP Consulting to study and compare the social return on investment on workfare of their sheltered workshops and social enterprise projects. This exercise aimed at gauging the efficiency of their government funded projects in "numerically comparable" real terms.

The two sheltered workshops are running at a loss. For every \$1 of workfare generated per year, the on-going funding required is \$6.4 per year and \$5.0 per year respectively. Regarding the portfolio of SEs, some are profitable and some are still operating at

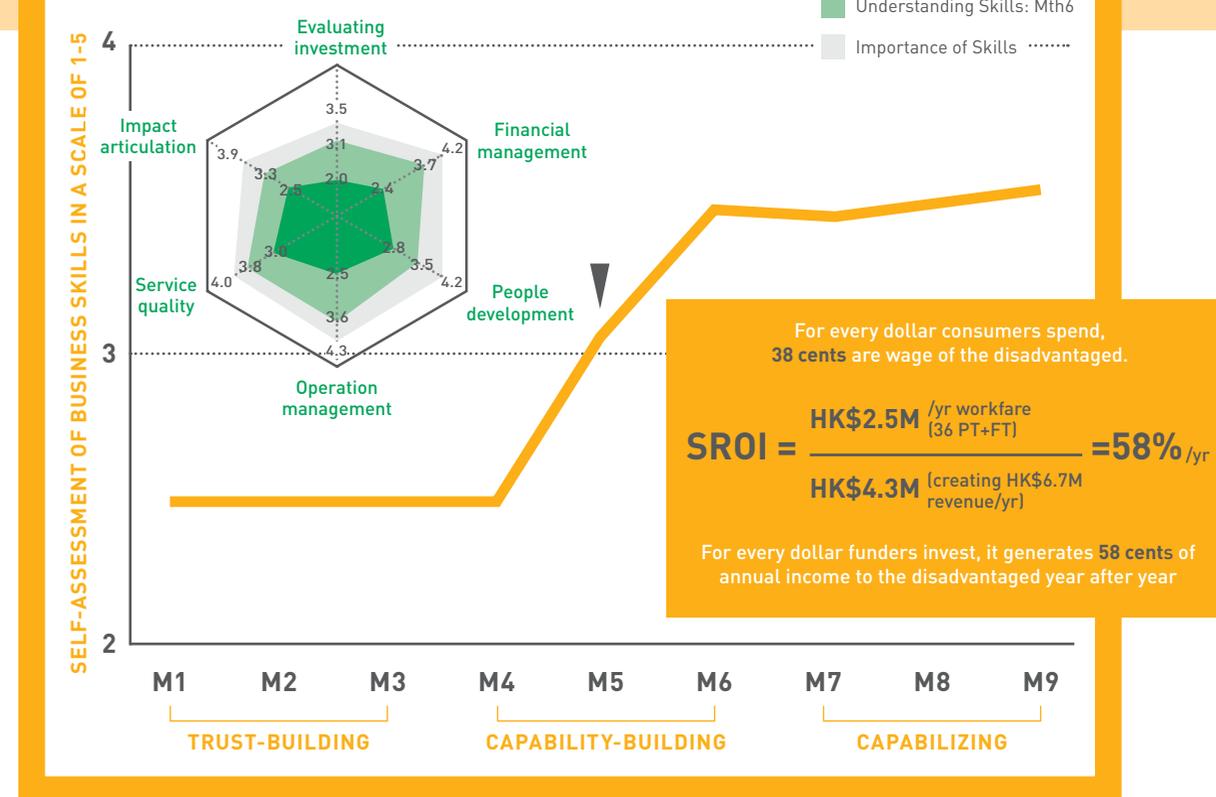
a loss. For every \$1 of workfare generated per year, the on-going funding required is \$1.7 per year to maintain operation for the portfolio of SEs. Although there is a general negative return on investment, it is obvious that the funding required to maintain the same amount of workfare is much lower through SEs set-up.

To put the funding money in better use, Stewards thus closed down the SE projects with negative return and concentrate their available resources for the remaining projects.

In the same year, Stewards continue to seek help from KEEP Consulting to be their business coach to improve the operation of their SE portfolio. Because of the paid nature of the service, the whole engagement has to adhere to strict commercial standards. In the formal contract, the specific scope and objectives of the coaching, the coaching schedule, the output of each coaching session, and the methodologies to be used are all formally laid down and agreed upon upfront. This is a scaled-down version of executive coaching services mimicking consultancy work for multi-national corporations.

The first three months are spent to detailing the scope of the engagement and finalizing

FIGURE 8 CASE STUDY ON STEWARDS LIMITED (2009)



a formal contract. This is an important planning process for the coaches to get to the bottom of the critical issues and build up trust with key personnel of Stewards. Efforts are put into improving the performance of Stewards' SE portfolio in terms of Blended Return on Investment (BROI). It is a blended measurement of both the financial return and the social return on investment in workfare. Starting from the fourth month, evaluations mechanisms are also built in on knowledge improvements after each coaching sessions.

Later in the year, Stewards' SE profitability portfolio started to turn around. Within months of coaching, the funding required to generate \$1 dollar workfare becomes \$5.0 for sheltered workshops and \$0.7 for the SEs

(significantly reduced). The SE portfolio eventually becomes financially self-sustainable. In 2013, Stewards no longer need to inject funding to cover loss of the SE portfolio. The funding required to generate \$1 dollar workfare is now \$5.0 for sheltered workshops and \$0.0 for the SEs. For every \$1 dollar investment into the SE portfolio, \$2.79 revenue and \$1.08 workfare are generated annually.

## GENUINE MARKET DEMAND FROM ETHICAL CONSUMERS

Ethical consumers patronizing social enterprises should not be regarded as charitable act. Repeated ethical consumption should be a result of genuine appreciation of quality products and services of the SE. It is a reciprocal relationship that both the social entrepreneur and the ethical consumers have a learning curve. It takes time for a SE to identify a market

that is willing to pay for the service and excel amidst competition. Market demand generation and capturing is the critical factor for sustainability of a business. There could be quite a fair bit of try and error to find the biking point to sustainable success.

CASE



STUDY

### MY CONCEPT



## FINDING THE SUSTAINABLE BIKING POINT

My Concept Event Management (My Concept) is a SE established in 2007 under the social service division of the Church of United Brethren in Christ Hong Kong Limited. It is the first of its kind to integrate creative performance and event management in their service model.

My Concept provides training to deprived youths who lack motivation, professional skills and high academic credentials. Its mission is to help such young people identify their life goals and equip them with the skills needed for developing a career in performance. The scope of training includes:

music, dance choreography, clown service, magic, balloon art, stage production and other creative initiatives.

My Concept has been struggling for five years to identify market opportunities for a business that customers are willing to pay for the performance of a group of inexperience young performers. My Concept is not able to reach breakeven in the first four years despite securing sizable start-up funding from ESR to support the first two years of their operation.

Morale within the enterprise dropped to an all-time low because of gloomy business outlook. There is even a moment of doubt over whether the business should continue to operate. Through pro-bono coaching from professionals, the social work background management team learnt from them the basic business concepts of marketing, business development and account servicing.

The coaches start by conducting a critical review of the first four years' business. Fortunately, My Concept has done a very good job in keeping track of all the business activities of different performance services categories. Client information, cost, revenue, profitability are evaluated against efforts in preparation and likelihood of repeated business. The experimentation of the first four years helps a lot in figuring out the directions to maintain a balance between projects with higher profitability and projects with greater social

### CASE STUDY: MY CONCEPT

impact in the following two years.

The first big break comes at the end of 2011 when they won a six-digit revenue tender for a full day district performance event from the Efficiency Unit of the Hong Kong Government. In no time, My Concept managed to establish a good reputation among relevant customers looking for performance services they are good at. In turn, these customer relationships helped generate leads for new and repeated businesses.

My Concept is able to achieve breakeven at the fifth year in 2012. In 2014, the same management team managed to secure new funding to set up another social enterprise – My Image – that focus on training youth that are interested in photography and video production.

In 2013, My Concept won the Social Enterprise Award in the Social Impact category from Home Affairs Bureau of Hong Kong. In 2014, the annual revenue achieved a record high of HK\$1.8 million and an operating profit of HK\$0.2 million. Over 40% of the revenue is distributed as workfare to the youth performers they have trained up over the years. Some of the performers have leapfrog to a professional dancing career.

As said, the most critical thing in business is to get more-than-enough customers who will buy the products of the business at the set prices. The number of repeated customers

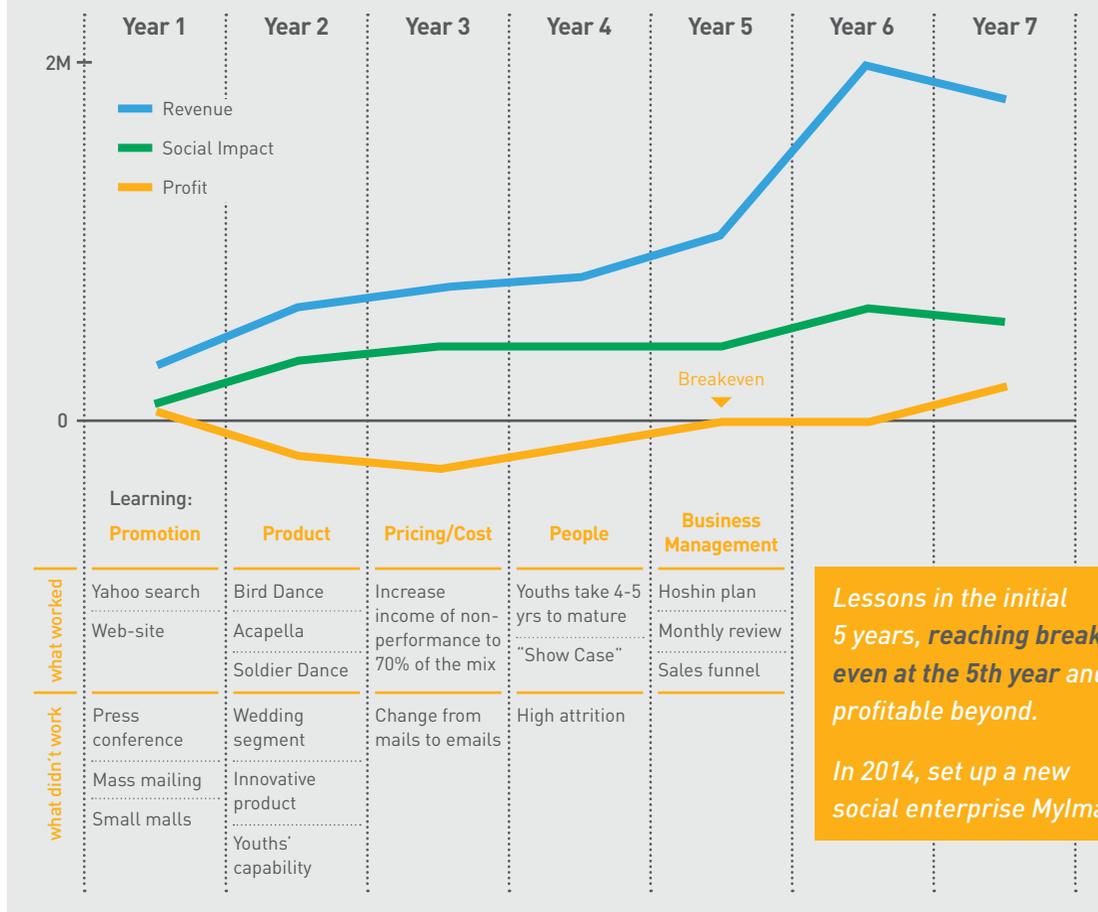
CASE STUDY: MY CONCEPT

depends on the entire experience of the customers derived from their last patronage.

My Concept's experience demonstrated a struggling learning curve of a SE. Management and marketing skills are picked up step by step. With their willingness to look for help from generous knowledge volunteers who are also business professionals, My Concept overcomes the practical challenges

hindering their growth. Customers are engaging their services willingly. My Concept has evolved into a stable and mature SE that attracts customers from government, NGOs and commercial customers alike.

FIGURE 9 THE 5-YEAR LEARNING CURVE OF MY CONCEPT



*Lessons in the initial 5 years, reaching breakeven at the 5th year and profitable beyond.*

*In 2014, set up a new social enterprise MyImage.*

## END OF SE#1.0

In the stage of Starting Up, early adopters of social entrepreneurship put the creation of social values under a business approach experiment. It is only for the fittest who are able to learn, adapt and innovate could survive.

SEs face similar challenges of the small- medium enterprises (SMEs). The only difference is the social mission carried by a SE.

Erik Wright proposed the notion of interstitial transformation. According to him, large scale of social change is achievable when many believe the desirable situation is viable. This principle is applicable to the social enterprise sector in Hong Kong. By the end of stage one, the desirable situation of creating social impact and financial self-sustainability through social entrepreneurship is proven viable.

The SE sector in Hong Kong has undergone a period ground-breaking change, illustrated by the exponential growth in number and the constant improvement in their social and financial return on investment. However, the change is a two-way path.

While the government funds offers a considerable amount of seed capital for SEs to get the engine moving, social entrepreneurs need business knowledge and managerial skills to turn an idea into a sustainable business.

The SEs who could cut through the chaos of competition, gain continuous customers' support will achieve long-term sustainability. Along the way, ethical consumers who generate continuous demand play an important role in achieving the social mission of a SE.

Since 80% of SEs in Hong Kong are operated by NGOs with a management team of social workers. It is perhaps also instrumental to aggregate a critical mass of willing knowledge volunteers to lend a helping hand in social entrepreneurship education and business coaching on a pro-bono basis.

# SE#2.0

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# ACTUALIZING

## Ecosystem Building within The SE Sector to Support SE Development

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“ The early adopter is respected by his or her peers, and is the embodiment of successful, discrete use of new ideas. The early adopter knows that to continue to earn this esteem of colleagues and to maintain in central position in the communication networks of the system, he or she must make judicious innovation-decisions. The early adopter decrease uncertainty about a new idea by adopting it, and then conveying a subjective evaluation of innovation to near peers through interpersonal networks<sup>13</sup>. ”

— Everett Rogers

<sup>13</sup> Rogers, E. M. (2010). Diffusion of innovations. Simon and Schuster. P.283.

# SIGNATURE EVENTS KICKING OFF THE STAGE

2005

In 2005, the report of the first Commission on Poverty (CoP) puts forward social enterprises as a component of the solution portfolio to alleviate poverty.

2006

In 2006, Home Affairs Department launches ESR scheme to provide grants for NGOs to carry out SE projects during their initial operations to promote self-reliance of the socially disadvantaged.

2007



First Social Enterprises Summit in 2007 – organizers and speakers

In 2007, the Home Affairs Bureau organizes the first Summit on Social Enterprise to set a new stage for Hong Kong's SE sector.

In 2007, Fullness Garage, the first work integration social enterprise in Hong Kong shared their success story on social impact at the Summit on Social Enterprise. The 20-Year cumulative social return on investment of Fullness Garage is highlighted in the sharing. The same story titled: "Social Enterprise can earn money happily" 「社企開心賺錢實錄」<sup>14</sup> is reported in NEXT magazine in Hong Kong.



<sup>14</sup> Next Magazine Volume 921  
<http://hk.next.nextmedia.com/article/921/10360302>

## INTRODUCTION

In the actualizing stage, more and more SEs are actualizing their social missions into social impact. Authentic social entrepreneurs aim at empowering the powerless groups through increasing knowledge, strengthening skills, improving attitudes, adopting new behaviors, and earning incomes. SE projects play the role of "human-change agent", helping the disadvantaged to have a dignified way of living<sup>15</sup>.

<sup>15</sup> Kee, C. H. (2016). The blank spots and blind spots on Hong Kong SE policies. In Chandra, Y., & Wong, L. (Eds.), Social entrepreneurship in the Greater China region: policy and cases (Vol. 147, P. 52-71). Routledge.

FIGURE 10 DEVELOPMENT OF SOCIAL ENTERPRISE ECOSYSTEM



Start-up  
Funding



Knowledge



Market  
Demand

— Social Entrepreneurship Policies —

# SOCIAL IMPACT MEASUREMENT

In 2012, FSES developed a Social Impact Measurement Model (SIMM) adapting the Donald Kirkpatrick 4-Level Model<sup>16</sup>. SEs as the human-change agent is interpreted through the logic of empowerment to the powerless segment at Levels 1, 2 and 3. At the same time, the neglected social problems, generating positive externalities and engendering sustainable social impact are addressed through the logic of control at Level 4.

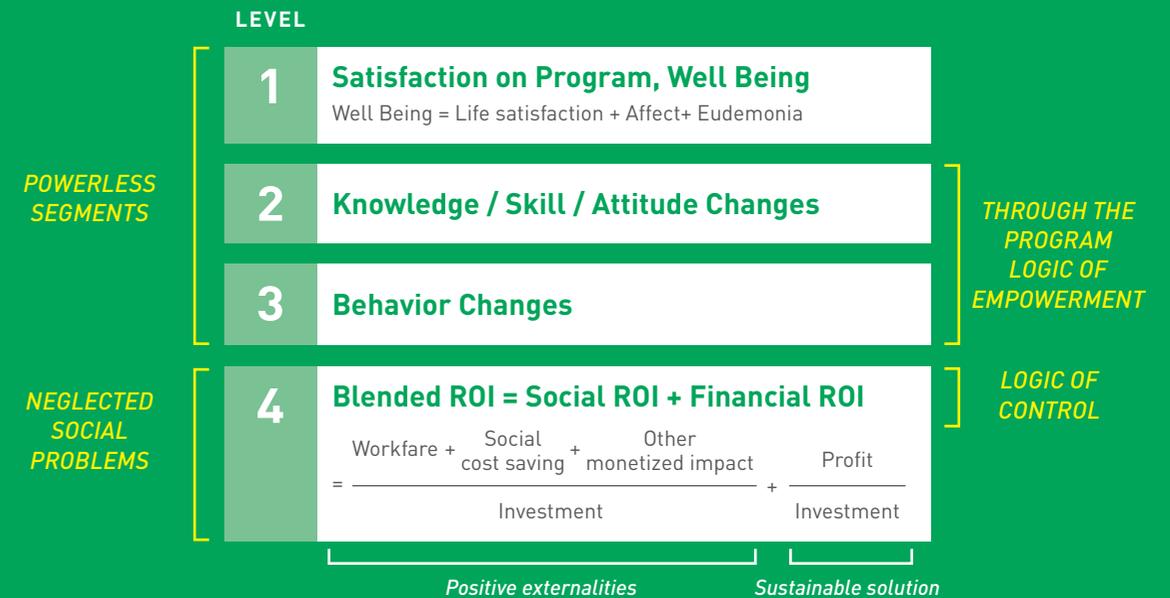
83% of SEs in Hong Kong are work integration social enterprises (WISE), which emphasize helping the disadvantaged group to integrate into the

society's workforce. True integration emanates from a total package of income-earning capability and living a dignified life with confidence. The FSES social impact measurement model is able to embrace both the quantitative and the qualitative aspects of achievements of the SE sector.

<sup>16</sup> Created by Donald Kirkpatrick in the 1950s. The model has wide-ranging applications in measuring personal, operational and organizational best practice. It remains a premier dominating model for over 50 years after it is first published and the fundamental insights of the model remain pretty much intact.

**FIGURE 11**

**FSES SOCIAL IMPACT MEASUREMENT MODEL  
(ADAPTED FROM DONALD KIRKPATRICK 4-LEVELS MODEL)**



Social impact is measure in one of 4 dimensions:

**Level 1** Satisfaction, refers to happiness or the human flourishing side of well-being.

**Level 2** Knowledge transfer, refers to the empowerment effect of improved skills and change of attitude.

**Level 3** Behavior changes, refers to expression of application in the learnings of knowledge transfer.

For Levels 1-3, SE employees will be asked to rate the before and after effect of taking part in the SE project.

**Level 4** Blended ROI, refers to (i) the Social Return On Investment (SROI) which includes workfare generated, social cost saving, other monetized impact; (ii) Financial Return On Investment (FROI) which is the financial performance of the SE in real terms.



CASE



STUDY

## TIN SHUI WAI DAWN MARKET



### LIGHT A BEACON OF HOPE



underprivileged families to start a hawking business known as the Tin Shui Wai Dawn Market. It is a representative case example using the **FSES Social Impact Measurement Model** (Figure 12). The social impact achieved through this community project goes way beyond income generation for a disadvantaged group.

Within 3 years, the number of hawkers increased from 20 to 80, indicating that the mode of making a living with their own effort is welcomed by the disadvantaged groups in the community.

Tin Shui Wai is a district in Hong Kong with a rather gloomy reputation due to its relative proportion of the population on Comprehensive Social Security Assistance (CSSA) welfare support. The district spurred a review of the inadequate social services provision due to numerous serious family and social issues, including domestic violence, mental illness, and suicide cases. Some 20 non-governmental organisations once plead with the Legislative Council's welfare panel for more resources to deal with the problems there.

In 2008, The Community Development Alliance<sup>17</sup> (CDA) collaborates with the hawker community in the district and helped

In terms of Level 1 Satisfaction, the quality of living of the hawkers improved from 2.4 to 3.5 which is higher than the Hong Kong average of 3.2. In terms of Level 2 Knowledge, the daily income of the hawker doubled in three years from HK\$126 to HK\$253. In Level 3 Behavior, each hawker made an average of 38.4 new friends, of which 9.9 are good friends.

<sup>17</sup> The Community Development Alliance is founded by a team of principled social workers in 2004, its members staunchly believe in their mission—to help organize Hong Kong's poorest citizens and to push for change on their behalf.

**FIGURE 12** SOCIAL IMPACT – TIN SHUI WAI DAWN MARKET (2009–2012)

#### LEVEL

1

#### Satisfaction (Scale of 1 to 5)

- Overall Satisfaction: 4.4
- Quality of living: Improved from 2.4 to 3.5, whereas HK average is 3.2

2

#### Knowledge Changes

- Daily earning: Grew from HK\$125 to HK\$253

3

#### Behavior Changes

- Earned 38.4 new friends
- 9.9 out of 38.4 were good friends
- 2.3 out of 9.9 could lend 2 months of income

4

#### Blended Return on Investment (BROI = Social ROI + Financial ROI)

	HAWKERS INCOME	+	COMPREHENSIVE SOCIAL SECURITY ASSISTANCE (CSSA)	+	CONSUMER SAVING
=	50 × \$60K/year × 3		50 × \$24K/year × 3		\$1300K
	-----				
	DONATION				
	\$500K/year × 3				

Remarks: The Chief Executive rolled out a \$10M plan to further support the community and develop Tin Sau Bazaar in 2012

*An Example of Social Impact Measurement (adaptation of Donald Kirkpatrick's 4-Level Model)*

Within the good friends 2.3 of them are willing to lend 2 months of income to each other if necessary. In Level 4 BROI, there are three types of beneficiaries, including the hawkers who got income, the local residents who enjoyed cheaper goods, and government saving in CSSA spending .

In 2013, the Hong Kong government established an official hawkers market within the proximity to house the hawkers from Tin Shui Wai Dawn Market.

## CASE STUDY: TIN SHUI WAI DAWN MARKET

## EPILOGUE – TIN SHUI WAI DAWN MARKET

Ling used to be one of the hawkers at Tin Shui Wai Dawn Market. She is an immigrant from Macau, constantly struggling to find a full time job to make ends meet. Her husband a pathological gambler saddling with debts all the time. Even though she was eligible to apply for CSSA, she refused to do so because she wanted to lead a dignified life by make a living herself.

To date, Ling has emerged as an entrepreneur with a mission to safeguard hawkers' rights. Not only that she is able to support herself, she also actively lends a helping hand to the other hawkers in merchandising and selling.

This CDA dawn market community project is a remarkable example of how SE projects can actualize social impact through empowerment of the underprivileged

segments of society. The transformation of Ling from being a beneficiary (**taker**) to a helper (**giver**) lights a beacon of hope to the marginalized disadvantaged groups, who can be empowered to live a dignified life.



## FULLNESS SALON



## MEASURE THE UNMEASURABLE



Fullness Salon is a SE that adopts a 24-month apprenticeship programme to train up deviant youth to become professional hair-stylist or technician. Amongst the beneficiaries that completed the programme, most of them are able to get job offers from other up-scale salons and move on to a promising career.

Fullness Salon can be considered a pioneer in the SE sector of Hong Kong. It is the first of its kind to raise capital through stock

subscription in 2008; starts to promote ethical consumption in 2009; and adopts the help of knowledge volunteers in 2010 for market studies to identify new business opportunities. In addition to social impact and financial self-sustainability, Fullness Salon is also the first in Hong Kong to try to build spiritual capital in Christian faith. It is common that many of the deviant youth come from broken families. Spiritual capital is the source of intrinsic comfort and support to their personal

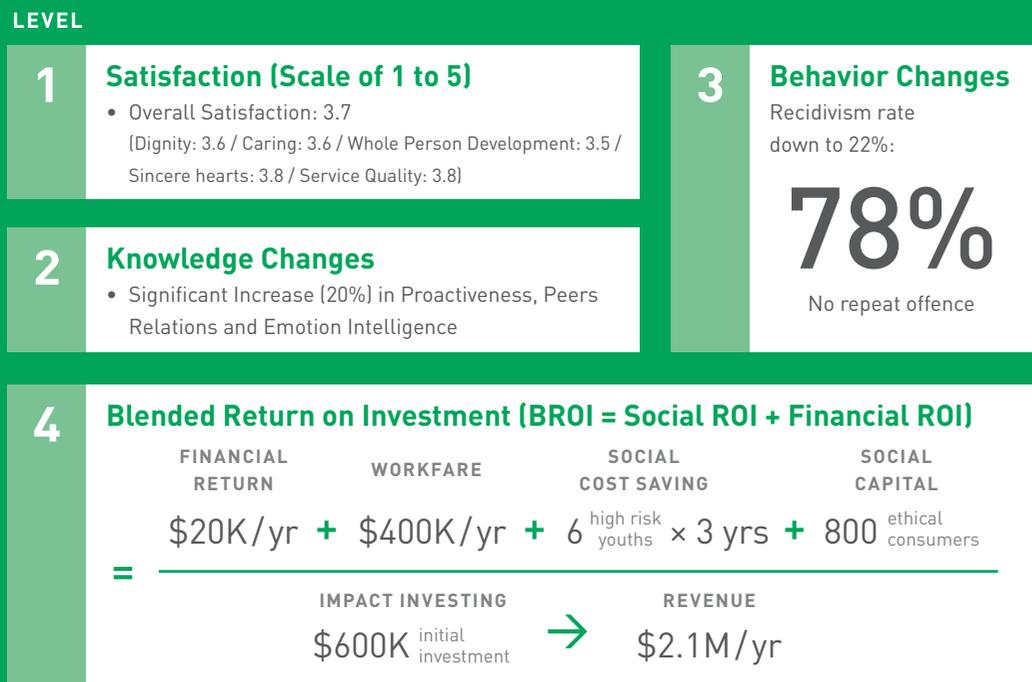
CASE STUDY: FULLNESS SALON

development. The core values of Fullness salon are respect, trust and caring, whole person development, togetherness and customer satisfaction. The programme is more than a job for the beneficiaries, as they are being coached both personally and professionally.

The successful operation of Fullness Salon is recognized by the Social Enterprise Award from Home Affairs Bureau in 2011.



FIGURE 13 SOCIAL IMPACT - FULLNESS SALON



Recipient of 2011 SE Award by Home Affairs Bureau



## HONG KONG TRANS-LINGUAL SERVICE



### SEE THE GLASS HALF FULL



There are around half a million ethnic minorities living in Hong Kong and some of them speak neither Cantonese nor English. Ethnic minorities are widely seen as falling within the realm of disadvantaged communities. The Hong Kong Trans-lingual Service (HKTS) builds a unique interpretation and translation service that engages these minorities.

With an initial funding support of HK\$ 700,000 from the ESR programme, a group of social workers founded HKTS in 2010 with a mission to create job opportunities for ethnic minorities through hiring them as translators or interpreters. The service they provide also helps other minorities to enjoy public services without language barriers. The founders of HKTS invested HK\$400,000 on



office equipment and allocate the remaining HK\$300,000 on salary for the first two years.

Currently HKTS has a team of 90 interpreters who speak 20 languages including Urdu, Punjabi and Sri Lanka's Sinhala. To make its business model more flexible, interpreters are paid on task-based compensation instead of full-time employment. The interpreters can provide services on-site, on the phone or through at video conference. Written translations can also be provided. They charge an hourly rate ranging from HK\$300 to HK\$800 and HKTS takes 40% of the pay.

Given the huge demand for South Asian language translation services, HKTS is profitable since its inception. It also won a public

tender for providing interpretation services for the ethnic minority patients of the Hospital Authority. HKTS works on more than 400 work orders a month and many of them are from the Hospital Authority. HKTS has a net profit of more than HK\$500,000 per year. The SE reinvests their proceeds to train up their interpreters so as to expand their service offerings.

The success of HKTS is because of their ability to identify a niche market and to give an edge. Unlike many social enterprises in retail business, HKTS is much less vulnerable to high operation costs while its unique service offerings are able to justify its high price point.

## CASE STUDY: HONG KONG TRANS-LINGUAL SERVICE

In 2013, HKTS is recognized by the Home Affairs Bureau's SE award for their excellent achievement in BROI (FROI and SROI).

Actualization comes in all sorts of shapes. HKTS is an early adopter in the SE ecosystem that has fully demonstrated the essence of social innovation. HKTS have created an extremely successful SE business by identifying a niche market and developed a business model that could totally be described as a double-edge sword.

### SOCIAL MISSION

Bridging the Ethnic Minorities with the Society

### THEORY OF CHANGE

Providing job opportunities with professional path to Ethnic Minorities

Helping Ethnic Minorities to enjoy barrier-free public services

### BLENDED SOCIAL IMPACT

Profitable with significant workfare as social impact since year one.

**282% + 784% = 1066%**

Financial ROI in 4 years from 6,000 translation services/year

Social ROI in 4 years by employing 90 part-time translators

1066% Blended Return On Investment (BROI)

# MAPPING HONG KONG'S ECOSYSTEM OF SOCIAL ENTREPRENEURSHIP

When early signs of social entrepreneurship as a means for societal betterment are proven by some early successes, early adopters started to emerge.

*In this stage, there are three types of early adopters:*

## TYPE

1

NGOs who decided to allocate more resource to establish SE projects.

## TYPE

2

Non-NGOs who try to create SE projects in the form of limited-by-share companies. The percentage of this type of SEs increases from 5% of the total SEs in 2007 to 21.4%<sup>18</sup> in 2016.

## TYPE

3

NGOs or individuals setting up platform organizations to support the SE development.

The ripple effect and the empowerment logic continue with the emergence of platform organizations to strengthen the SE sector ecosystem. Platform organizations address the needs of SEs and supporters and accelerate the SE sector growth.

For example, The HKCSS-HSBC Social Enterprise Business Centre (SEBC)<sup>19</sup> of the Hong Kong Council of Social Service (HKCSS) is the first collaborative platform on social entrepreneurship and social innovation to facilitate the development of SE projects in Hong Kong. With the support from Hong Kong Government, HKCSS compiles and updates the SE directory

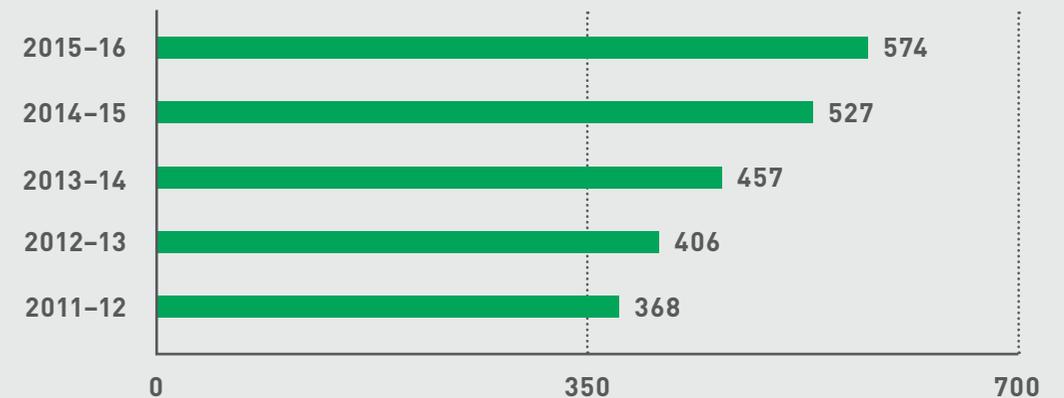
every year since 2007, initiate partnership among business sector, professional groups and SEs through a variety of engagements. There are at least 38<sup>20</sup> platform organizations or schemes in Hong Kong as reported by HKCSS in 2016.

<sup>18</sup> HKCSS [http://www.hkcss.org.hk/upload-fileMgnt/0\\_2016523172528.pdf](http://www.hkcss.org.hk/upload-fileMgnt/0_2016523172528.pdf) (Chinese only)

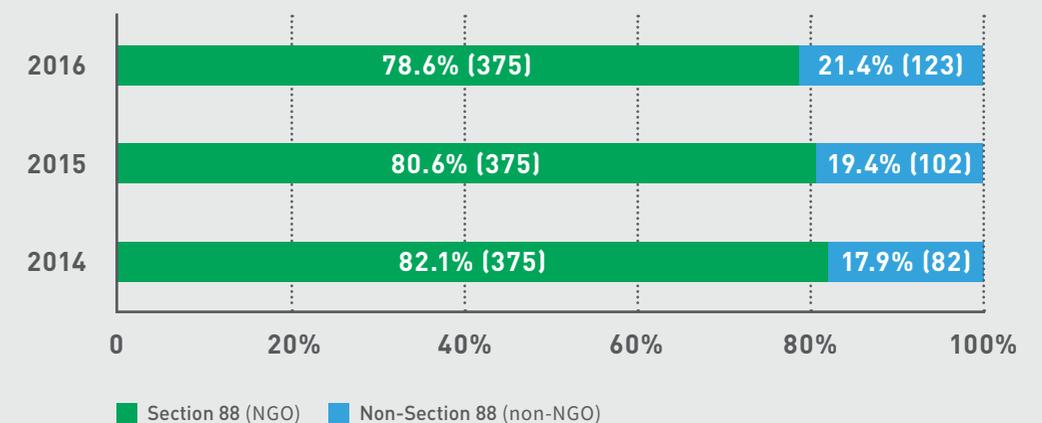
<sup>19</sup> HKCSS <http://socialenterprise.org.hk/sites/default/files/sedirectory/2015%20SE%20Directory.pdf>

<sup>20</sup> HKCSS: A Practical Guide of Setting up a Social Enterprise [http://www.social-enterprises.gov.hk/file\\_manager/pdf/Good\\_Start\\_annrxd.pdf](http://www.social-enterprises.gov.hk/file_manager/pdf/Good_Start_annrxd.pdf)

**FIGURE 14** NUMBER OF SE PROJECTS IN HONG KONG 2011-2016



**FIGURE 15** THE SPLIT BETWEEN NGO AND NON-NGO OPERATED SE PROJECTS



The SE sector in Hong Kong is growing rapidly. Back in 2008, the total number of SEs is 269<sup>21</sup>, the number increases to 384 in 2011 and 574<sup>22</sup> in 2016.

The SE ecosystem should not be confused with SE landscape. The former highlights the interplay between different players and the dynamics that drives development. Social capital is embedded in the SE ecosystem and the players are cross-assessing such resources in order to benefit from it and in turn strengthening ecosystem per SE. The latter only outlines the key players of social entrepreneurship in a static way.

The flourishing SE ecosystem is nurtured by increasing tri-sector support from the public (government), social and commercial sectors. The SE ecosystem brings together a community SE stakeholders to further catalyze the momentum of capacity building and the stage of diffusion.

<sup>21</sup> Au, K., Yuen, T. & Tam, J. (2016) Social enterprise development in HongKong: legitimacy and institutional logics. In Chandra, Y., & Wong, L.(Eds.), Social entrepreneurship in the Greater China region: policy andcases (Vol. 147, P. 19-29). Routledge.

<sup>22</sup> HKCSS [http://www.hkcss.org.hk/upload-fileMgnt/0\\_2016523172528.pdf](http://www.hkcss.org.hk/upload-fileMgnt/0_2016523172528.pdf) (Chinese only)

# SE#3.0

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# DIFFUSION

“ *The early majority adopts new ideas just before the average member of a system. The early majorities interact frequently with their peers but seldom hold positions of opinion leadership in a system. The early majority’s unique location between the very early and the relatively late to adopt makes them an important link in the diffusion process. They provide the interconnectedness in the system’s interpersonal networks.*”<sup>23</sup>

—— Everett Rogers

<sup>23</sup> Rogers, E. M. (2010). Diffusion of innovations. Simon and Schuster. P.283-284.

# SIGNATURE EVENTS KICKING OFF THE STAGE

2012

In 2012, the Hong Kong government reinstates the Commission on Poverty (CoP) led by the Chief Secretary for Administration. The objectives is to sooth the problem of poverty and to render assistance to the disadvantaged groups.

2013

In 2013, the Social Innovation and Entrepreneurship Development Fund (SIEF) is launched under the CoP. A \$500 million fund is put aside for nurturing of social entrepreneurship and innovation in Hong Kong. The goal is to foster an ecosystem where social entrepreneurs can thrive, and innovative ideas, products and services can turn into sustainable business to benefit the society.

## INTRODUCTION

Management theorist Peter Drucker defines innovation as “changes that creates a new dimension of performance.”<sup>24</sup> Unlike economic innovation, social innovation highlights the positive social impact created rather than only emphasizing on the capacity to create wealth. For example, the introduction of managerial skills to the non-profit sector could also be a form of social innovation.

In the diffusion stage, social entrepreneurship diffuses to the early majority outside the SE sector to create a more favorable external environment for further expansion of the SE sector. There are at least six possible paths of diffusion, including three sectors, two segments, and the general public (Figure 16). Each of these paths is influencing and facilitating diffusion in its own unique way.

### THREE SECTORS

Public sector  
Commercial sector  
Social sector

### TWO SEGMENTS

School segment  
Religious communities segment

### GENERAL PUBLIC

Ethical consumers

<sup>24</sup> Drucker, P.F. (2006). Innovation and entrepreneurship. New York: Harper Collins.

FIGURE 16

## THE SIX DIMENSIONS OF SOCIAL ENTREPRENEURSHIP DIFFUSION



**SOCIAL ENTERPRISES**  
Doing Good by Doing Well

Catalyzing social changes outside the sector to support SE development



**COMMERCIAL SECTOR**

Creating Shared Value



**SOCIAL SECTOR**

Building Social Entrepreneurial Culture

- Continuous improvement in Program Logic
- Quantifying Social Impact



**PUBLIC SECTOR**

Social Impact Articulation

Social Security	\$1:\$0.96
Employee Retraining	\$1:\$3.70
SE	\$1:\$7.20



**SCHOOL SEGMENT**



**RELIGIOUS SEGMENT**



**CITIZENS AS CONSUMERS**

"When many people believe the Desirable option is Viable, large scale social changes may be Achievable."<sup>25</sup> — Erik Wright (2010)

<sup>25</sup> Wright, E. O. (2010). Envisioning Real Utopias (Vol. 98). London: Verso.

# DIFFUSION THROUGH POLICY SUPPORT IN THE PUBLIC SECTOR

SE policies (Figure 17) are instrumental in driving social entrepreneurship in Hong Kong. SE policies with well-defined goals, transparent measurement standards and clear

benchmarking frame of reference (Figure 18)<sup>26</sup> would make it easier to gauge whether public money is well-spent, manages public perception and capacity building.

<sup>26</sup> Cost effectiveness projections based on annual budget of the policy/scheme, cost per recipient and income generated per recipient. CSSA is financial welfare to. Between 2011 and 2012, the amount of CSSA distributed to citizens in need stood at HK\$19.5 billion. ERB is an independent statutory body that offers vocational training to job seekers to re-join the work force with new skills. Participants are eligible for a retraining allowance. In 2011 to 2012, it cost ERB HK\$800 million to train 97,000 people to fill 40,000 jobs. Density data from one of two sources: (1) estimation by scholars, research agencies or government departments; (2) published SE listings with actual names. Hong Kong (574/7.32 million=78); Singapore (300/5.6 million=54); Korea (950/49.8 million=19); Taiwan (1000/23.2 million=43).

FIGURE 17

## DIFFUSION OF THE PUBLIC SECTOR: SE POLICIES DRIVING SOCIAL INNOVATION AND ENTREPRENEURSHIP THROUGH FUNDING AND NURTURING ON ECOSYSTEM

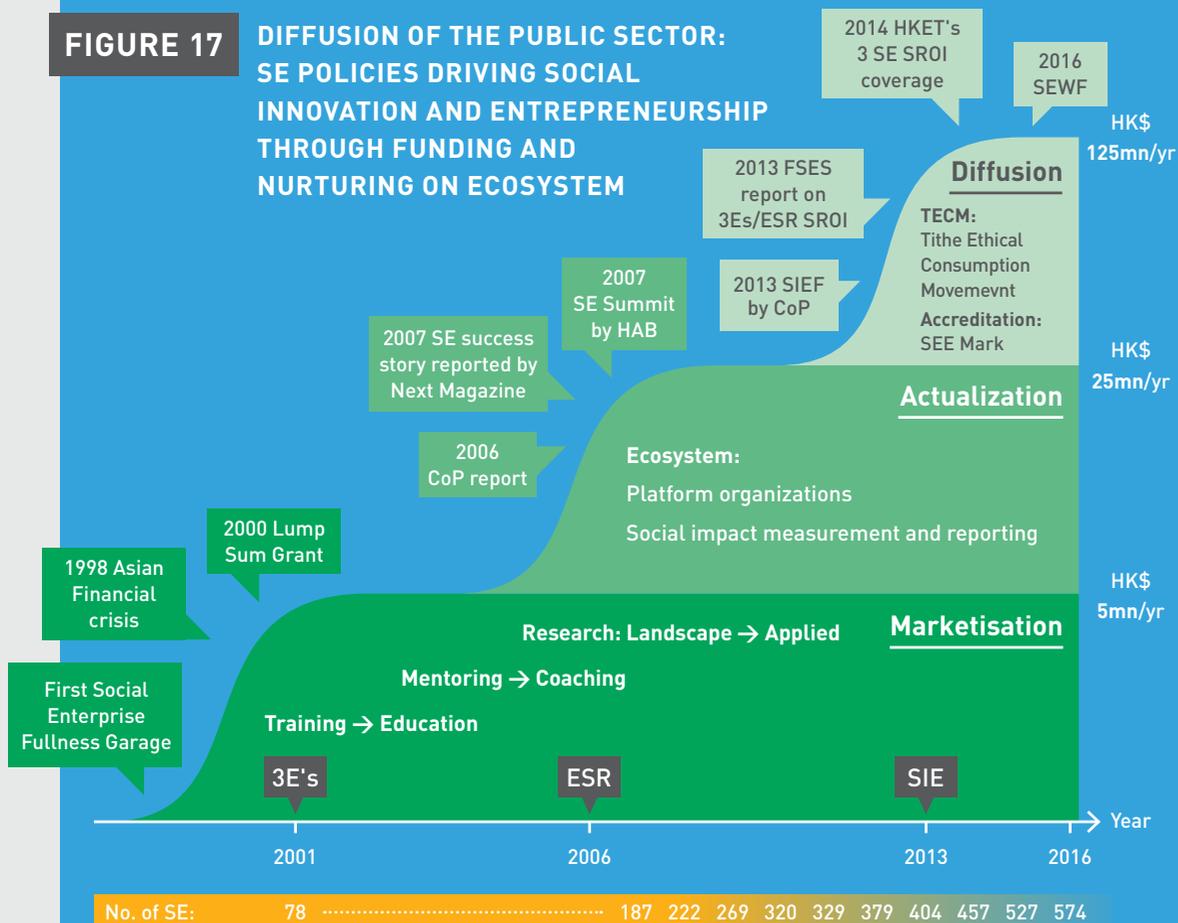


FIGURE 18

## MANAGING COST-EFFECTIVENESS OF SE POLICIES AND ACCOUNTABILITY TO THE PUBLIC

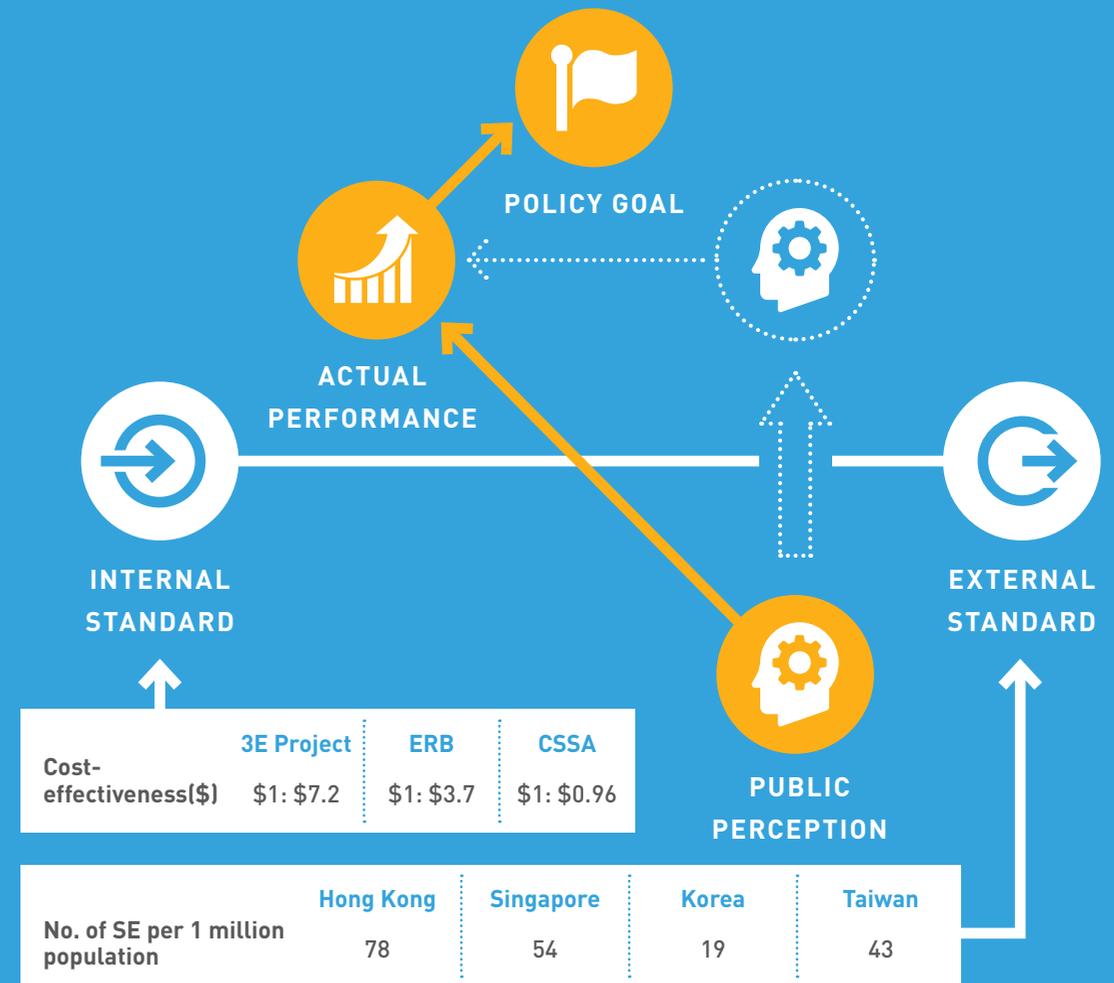


TABLE 2

## DENSITY OF SOCIAL ENTERPRISES IN HONG KONG, SINGAPORE, KOREA AND TAIWAN

	HONG KONG	SINGAPORE	KOREA	TAIWAN
<b>Data Source*</b> (Year of Publication)	Hong Kong Council of Social Services (2016)	Ministry of Social and Family Development (2015)	Korea Social Enterprises Promotion Agency (2013)	Department of Commerce (2014)
<b>No. of SEs</b>	574	300	950	1000
<b>Population (mn)</b>	7.32	5.6	49.8	23.2
<b>No. of SEs per 1mn population</b>	78	54	19	43

To ensure the authenticity of the social ventures, it is desirable to establish some form of accreditation system to maintain the public trust. The Hong Kong General Chamber of Social Enterprises (HKGCSE) joins forces with Project Flame of City University of Hong Kong to launch the SE Endorsement Mark (SEE Mark) scheme. It is an assessment tool on SEs for continuous improvement.

The SEs being assessed are grouped in four different stages (Table 2), with each stage reflecting a different level of performance in terms of revenue, full-time equivalents and the number of beneficiaries employed. In view of the increasing amount of seed funds available for SEs and growing emphasis on ethical consumption among consumers, the SEE Mark scheme is able to strengthen the confidence of investors and customers based on its accreditation.



TABLE 3

AVERAGE PERFORMANCE OF HONG KONG'S SOCIAL ENTERPRISES IN FOUR STAGES

	INCUBATING	STARTUP	INTERMEDIARY	ADVANCED
Years	1	2	8	17
Revenue/yr (\$M)	N/A	0.5–1.9 Median 1.4	2.4–7.5 Median 3.3	8.7–118 Median 36
Total FTE	0.6–3.7 Median 1.0	4–7 Median 2.5	10–50 Median 24	11–520 Median 45.5
% disadvantaged	Median 0	Median 0	Median 5	Median 24

## DIFFUSION THROUGH CREATING SHARED VALUE IN THE COMMERCIAL SECTOR

Harvard academic Michael Porter and Mark Kramer coined the idea of “creating shared value” (CSV)<sup>27</sup>, a shared value approach reconnecting commercial success with social progress. And that the generation of economic value can also produce value for society by addressing its challenges.



CSV is not the same as corporate social responsibility (CSR). CSR has a focus on corporate reputation. CSV has a focus on creating economic value by creating social value. The notion of CSV is facilitating a genuine partnership between commercial firms and SEs. Commercial firms are proactively turning to SEs to interact, collaborate or provide support.



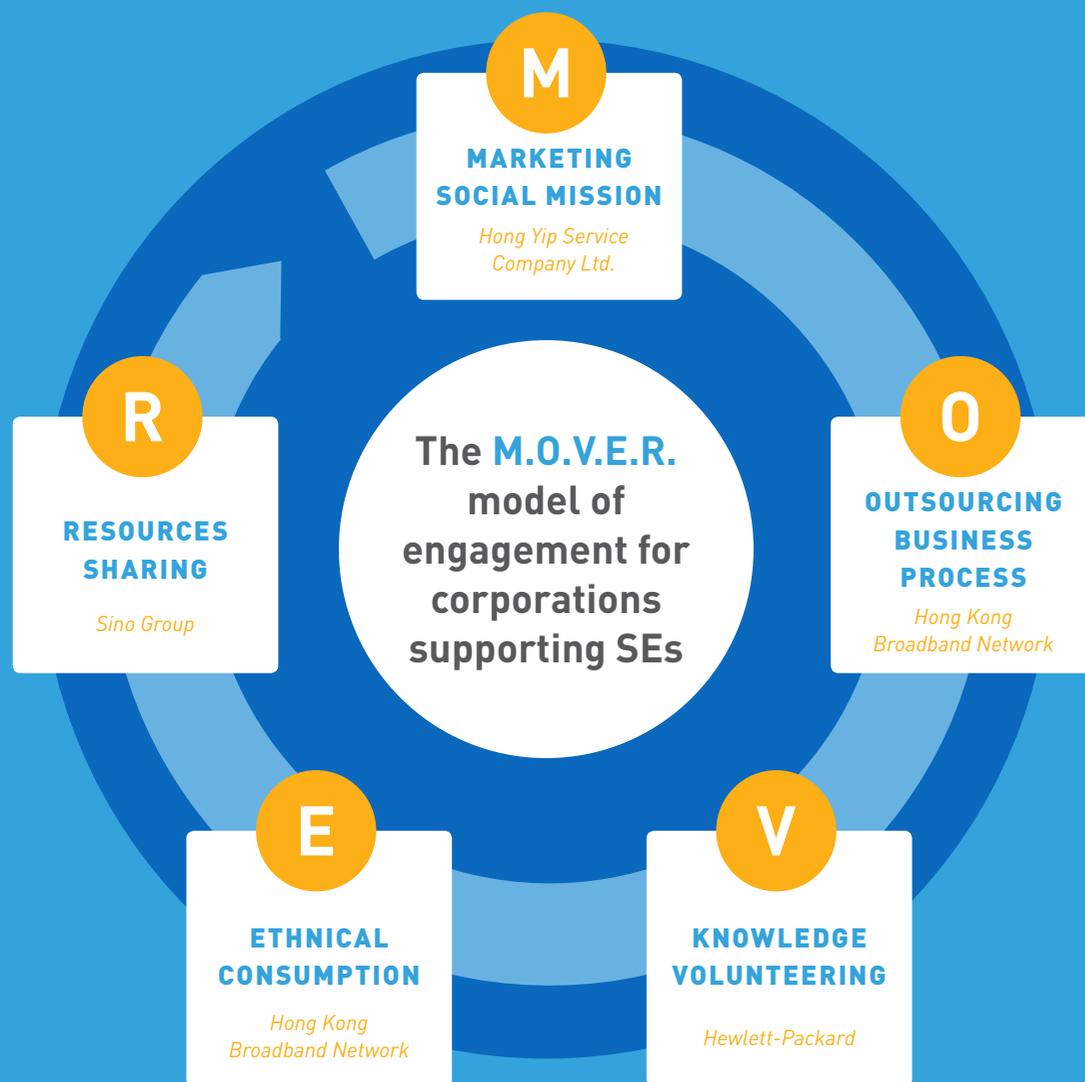
<sup>27</sup> Porter, M. E. and Kramer, M. R. (2011). Creating shared value. Harvard business review, 89(1/2), 62-77.



The MOVER model (Figure 20) illustrates how the generation of reciprocal commercial and social value is done in five ways of corporate-SE partnership. If social entrepreneurship is the integration of the selfless pursuit of

societal betterment and the result orientation of business management, the MOVER model can be regarded as a win-win partnership pursuit.

**FIGURE 19** MOVER MODEL OF CREATING SHARED VALUE



## **M** MARKETING SOCIAL MISSION

Hong Yip Service Company (Hong Yip), a property management commercial organization, helps to promote ethical consumption to the 150,000 residential and commercial units under their management. A selected list of SEs is featured in their mobile app SoLeisure, more than 400,000 SE promotion leaflets are distributed, numerous mini-bazaars are organized to promote products and services of selected SEs.

## **V** KNOWLEDGE VOLUNTEERING

Both Hewlett-Packard Hong Kong (HP) and HKBN have set up a cross-functional knowledge volunteer SE coaching team. The HP team has supported Ground Works, an SE of St. James' Settlement. HKBN has supported 12 SEs including MY Concept Event Management, Leave Love, 3H Handicraft, NEIGHBOR Plus Workshop, Fair Trade Hong Kong Foundation, Tithe Ethical Consumption, Teresa New Life Coffee Shop, rwb330, eshop330, Essence Hub, Hong Kong Youth Talent Institute, and HK Recycles.

In Hong Yip, there are about 30 employees who support Tithe Ethical Consumption Movement as volunteers. According to a survey to these volunteers, on a scale of one to five, the average score is encouraging. (4.30 for satisfaction; 4.40 for continuous participation and referral to others; 4.27 for improved sense of belonging to their company; and 4.43 for support of similar events in future.)



<sup>20</sup> HKBN Honored with 13 Awards at 2014 HKCCA Awards [http://reg.hkbn.net/WwwCMS/upload/pdf/en/20141029\\_HKCCA%20Awards\\_eng\\_FINAL.pdf](http://reg.hkbn.net/WwwCMS/upload/pdf/en/20141029_HKCCA%20Awards_eng_FINAL.pdf)

## **O** OUTSOURCING BUSINESS PROCESS

Hong Kong Broadband (HKBN), a prominent telecom operator outsources part of their 1083 telephone inquiry hotline service to iEnterprise, a SE that employs disadvantaged groups with physical disabilities. HKBN provides ongoing training and support to ensure service level is at par with the commercial standard. The SE achieved breakeven in 6 months. The annual revenue generated is 10 times the initial investment. 89% of the revenue generated is distributed as workfare to the beneficiaries. 7% is distributed as service fee to the collaborating NGO Rehabilitation Power. This is a unique tripartite management system reinvented by the SE operator, an ibanker with skills and knowhow to make it happen. The SE is the recipient of Gold Award of Best Contact Centre in CSR<sup>20</sup> in 2014 at the Hong Kong Call Centre Association Award. As a continual effort in CSV, HKBN also outsources their canteen to another SE.

## **E** ETHNICAL CONSUMPTION

Patronizing SEs for ethical consumption movement is not confined to individual consumers. HKBN is the co-organizer of the Tithe Ethical Consumption Movement (TECM) since 2013. Not only personal consumption is widely publicized within the company, HKBN also purchase coupons from SEs to use as acquisition or retention rewards to their telecom service subscribers. Over HK\$4 million ethical consumption is generated as diffusion efforts to enlist public support to SEs.

## **R** RESOURCES SHARING

Tai O Heritage Hotel is running as a non-profit SE under Hong Kong Heritage Conservation Foundation (HCF)<sup>21</sup> established by the Sino Group family. The hotel provides employment opportunities to residents within the proximity. Over half of the working staff of Tai O Heritage Hotel are residents of Lantau Island or Tai O fishing village. The devotion to share company resources to with the community as corporate-social enterprise partnership with HCF is recognized by numerous accolades over the years.

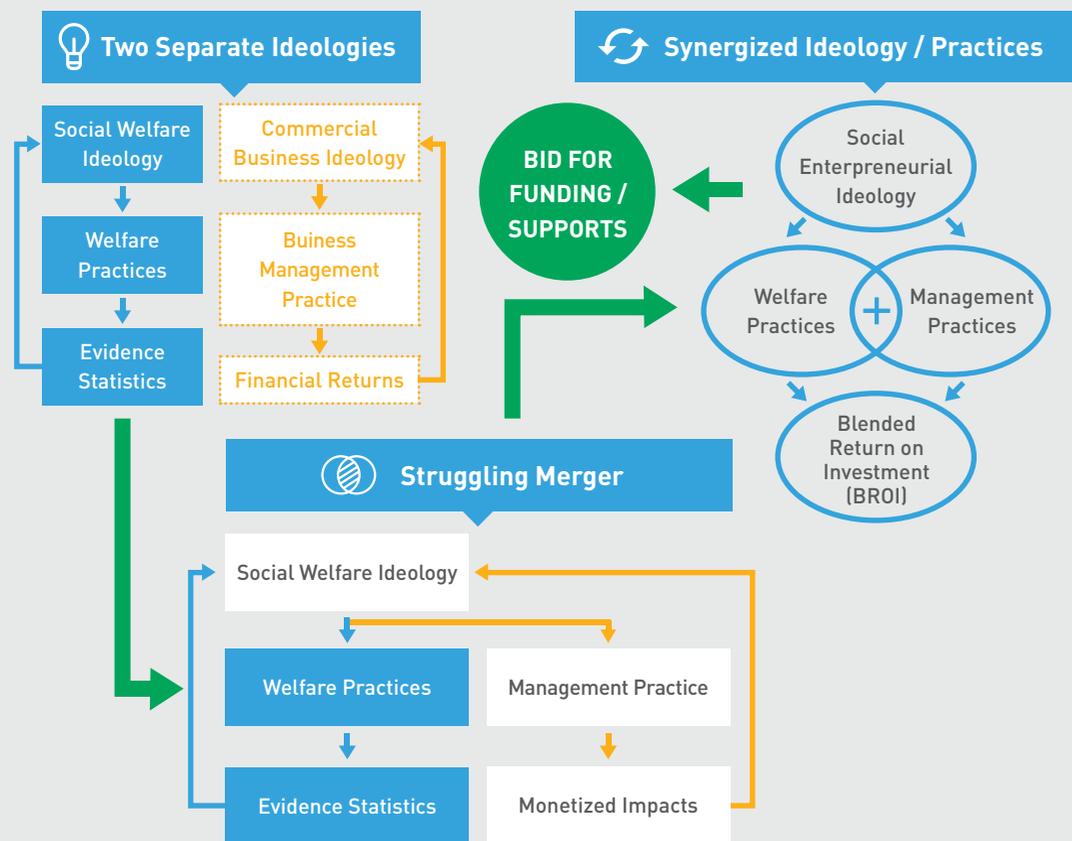
<sup>21</sup> Hong Kong Heritage Conservation Foundation Limited <http://www.hkheritage.org/en/about.asp>

## DIFFUSION THROUGH BUILDING SOCIAL ENTREPRENEURIAL CULTURE IN THE SOCIAL SECTOR

The journey of cultivating social entrepreneurial culture in a non-profit/charity organization (NGO) appears challenging. Traditional NGOs have a deep rooted welfare-focus mentality as their operation mostly rely on public funding and donations.

Over-emphasis on the number of beneficiaries and their level of satisfaction could lead to losing sight of financial self-sustainability and the positive multiplying effect of a good management system.

**FIGURE 20** TRANSFORMING TO SOCIAL ENTREPRENEURIAL CULTURE (SOCIAL SECTOR)



YWCA HONG KONG  
(2012 -2015)



## RE-INVENT THE SOCIAL ENTREPRENEURIAL CULTURE TO IMPROVE OPERATION EXCELLENCE



In 2012, YWCA commissioned FSES to conduct entrepreneurial training to their department heads and senior managers. A desired way to train up social workers on managerial skills is to make them come to be “good with time” (e.g. potential opportunity analysis and innovative thinking), “good with number” (e.g. social impact measurement and articulation) and “good with people” (e.g. leadership and analytical decision making).

A series of Strategic Visioning<sup>30</sup> workshops are held in July 2012. Four strategies are formulated with 30 senior managers. Each

strategy is voted by the participants based on its **IMPACT (I)** on the YWCA’s mission and the **PROBABILITY (P)** of success. The two scores are used to determine the approval of each strategy. If the impact and/or probability of a proposed strategy is low, the strategy shall be revised until approval is gained from the majority. The workshops depict a spirit of social entrepreneurial culture in an organization than can be defined by doing the good things (indicated by social impact) and doing the right things (measured by the probability of success) at the same time.

Subsequently, two more social entrepreneurial and managerial skills training workshops are organized in 2014 and 2015 to two other batches of managers with similar or higher seniority.

One obvious change is that the social worker managers start to develop numeric acumen, especially in relation to articulating social impact. One of the participants is able to impress a funder with SROI presentation and secured new funding for projects. Participants also share their new practices and skills with their peers and customized what they learn to their needs. There is more confidence in their self-formulated strategies, team spirit is improved, and social impact is enhanced with improved financial results (Figure 21).

<sup>30</sup> Strategic Visioning is a product of Grove Consulting [http://www.grove.com/ourwk\\_prods.html](http://www.grove.com/ourwk_prods.html)

**TABLE 4 YWCA HK KEY STRATEGIES APPROVAL RATE IMPROVEMENT**

STRATEGIES	2012 APPROVAL RATE	2015 APPROVAL RATE
Service Impact Assessment	40%	61%
New Business Development	39%	62%
Integration of Y movement	46%	63%
Employee Engagement / Management	47%	67%

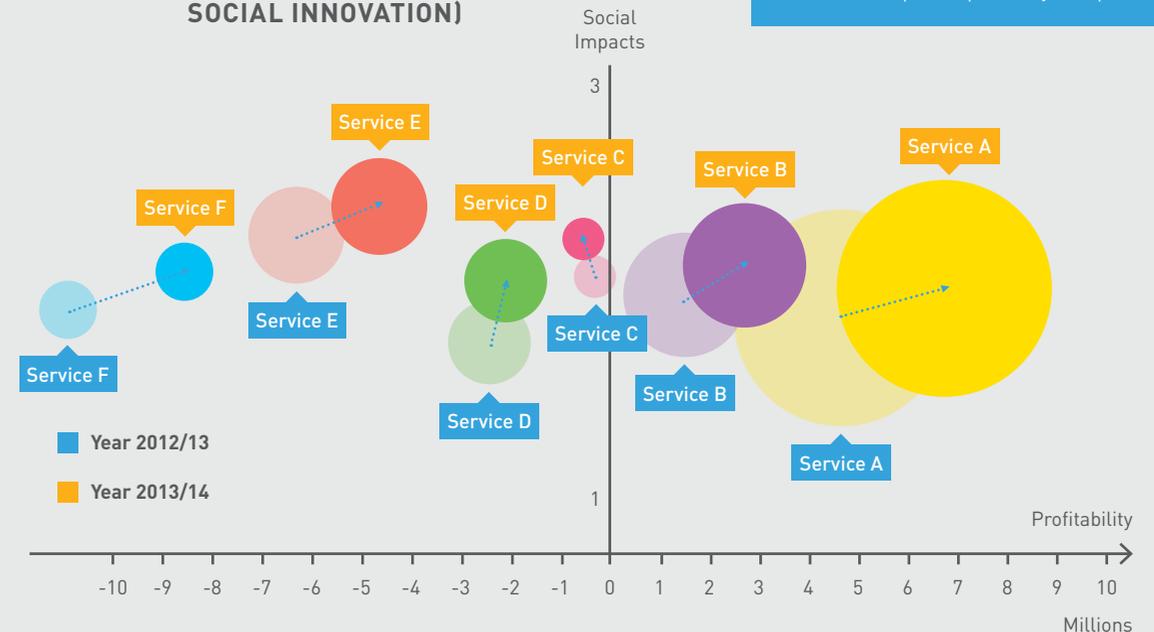
**CASE STUDY: YWCA HONG KONG (2012 -2015)**

Within 18 months, YWCA is back on track with healthy development. In April 2015, in yet another Strategic Visioning workshop, the approval rate of the four key strategies is revisited (Table 4). The approval rate sustains over a period of three years with obvious improvements.



The success case of YWCA shows that social entrepreneurship has the potential to foster change in the NGO/non-profit social sector. Even though some of the social ventures undertaken by the social sector are yet to be financially self-sustaining, these organizations are still making remarkable progress in transforming themselves with entrepreneurial flair.

**FIGURE 21 SOCIAL SECTOR: BUILDING SOCIAL ENTREPRENEURIAL CULTURE (FROM SOCIAL WELFARE TO SOCIAL INNOVATION)**



- L1 Team-spirit improved by 22% point
- L2 Knowledge improved by 34% point
- L3 Strategies approval rate increased by 21% point
- L4 Revenue size increased by 5%  
Surplus improved by 1.7% point  
Social impact improved by 10% point

Incremental percentage point = Pre-score minus Post-score  
Growth percentage = Post-score divided by Pre-score and then minus one

## DIFFUSION THROUGH LIBERAL STUDIES CURRICULUM IN THE SCHOOL SECTOR

In 2015, The Social Innovation and Entrepreneurship Development Fund (SIEF) supported the Social Entrepreneurship School Education Programme (SENSE) organised by FSES and the Chinese University of Hong Kong. It is a 3-year programme that integrates other learning experiences (OLE) into the liberal studies curriculum of secondary schools. The objective is to influence young minds to become social change makers through OLE exposures to real life social entrepreneurial practices. The

pilot programme is well received by both students and teachers. Teachers who have used the teaching materials give a score of 4.2 out of 5.0 to indicate their level of satisfaction. 90% of students expressed interest to learn more or pursue a career in social entrepreneurship.



Satisfaction with teaching materials



Students interested to pursue social entrepreneurship

## DIFFUSION THROUGH RELIGIOUS COMMUNITIES SEGMENT

The proactiveness of the Christian community in driving ethical consumptions is mainly because the spirit of social entrepreneurship is a natural fit to the Christian faith. Since 2009, 10 Christian churches in Hong Kong have organized SE Sunday school

programmes. The learning outcome is to integrate biblical wisdom and values into doing good by supporting SEs through social investment, knowledge volunteering and ethical consumption.

## EXHIBIT ACTIVE CITIZENSHIP THROUGH ETHICAL CONSUMPTION

### *Doing Well by Doing Good*

According to a survey conducted in 2013 on knowledge and attitude towards social enterprises in Hong Kong, 79%<sup>31</sup> of people in Hong Kong heard/learned about SEs. However, there exist a knowing-doing gap in supporting SEs and patronizing SEs. 64%<sup>32</sup> of ethical consumers are in agreement with the mission to help the self-helped. 57% considered ethical consumptions meaningful. They are willing to pay a 16% premium in price and spend more time to commute (8 minutes on foot and 25 minutes by car) to an SE, in order to support social missions.

Impact investors and social entrepreneurs are often seen as the centre of the SE ecosystem, but not enough attention are paid to the role of ethical consumers. Ethical consumers are crucial to the sustainability of SE projects.

<sup>31</sup> Social Enterprise Advisory Committee [http://www.social-enterprises.gov.hk/file\\_manager/pdf/research/executive\\_summary\\_chi.pdf](http://www.social-enterprises.gov.hk/file_manager/pdf/research/executive_summary_chi.pdf) (Chinese only)

<sup>32</sup> Based on a series of survey conducted by FSES with the help of students from Hong Kong Baptist University.



# TITHE ETHICAL CONSUMPTION MOVEMENT (TECM)



## INFLUENCE PUBLIC BEHAVIOR FOR GOOD

TECM, previously known as Ethical Consumption Month is a consumer campaign organised by volunteers of FSES since 2012. The movement promotes “10% Swap for Good” to encourage consumers and corporations to become ethical consumers by making a socially conscious choice of purchasing products and services from SEs. TECM has accumulatively generated the market demand of 102,700 purchases with HK\$17.54M sales for SEs from 2012 to 2015.

### SOCIAL MISSION

‘Influence Public Behavior for Good’ through Tithe Ethical Consumption

### SOCIAL IMPACT

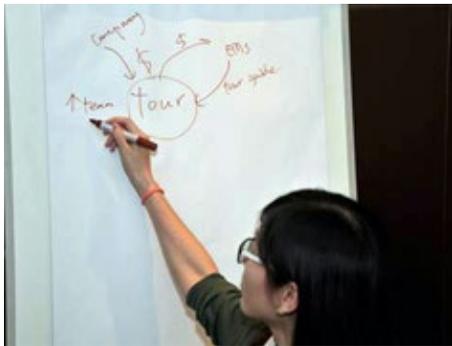
Accumulatively generated 102,700 purchases with HK\$17.54M from 2012 to 2015



FIGURE 22 TITHE ETHICAL CONSUMPTION MOVEMENT (TECM 2012-2015)



## CASE STUDY: TITHE ETHICAL CONSUMPTION MOVEMENT (TECM)



## THE RECIPE TO RE-INVENT

The primary objective of “social entrepreneurship” is social value creation instead of profit maximization. Financial self-sustainability is a necessary condition to furthering positive externalities in value creation. The SE ecosystem in Hong Kong is driven by two key elements of funding and entrepreneurial practice. There is soaring growth in the sector in the last 15 years and the city takes pride in its momentum of successful marketization.

Social impact measurement and benchmarking have taken the Hong Kong SE sector to a next level. These tools enable policy makers, funders and entrepreneurs to review their efforts in both the qualitative and quantitative paradigm. Effective social impact measurement is instrumental to success and improvements (Stewards, My Concept, Fullness Salon). The commercial sector co-creates shared value with SEs through corporate-SE

partnership in re-invented business processes (HKBN and Hong Yip). The non-profit sector reinvents the social entrepreneurial culture to improve operation effectiveness (YWCA). Diffusion in education is also enabled by influencing social entrepreneurship thinking into the secondary school liberal studies curriculum and OLE (SENSE). The TECM in Hong Kong is a remarkable example of cross-sector stakeholders’ engagement – government, commercial, NGOs, churches, schools, SEs and knowledge volunteers. It is also a milestone of the mature development of SE ecosystem in Hong Kong.

In a city full of entrepreneurial flair like Hong Kong, the synergy between public, social and private sectors has made the Hong Kong SE story unique and presents a good reason for the social entrepreneur community to stay positive.

# ABOUT FULLNESS SOCIAL ENTERPRISES SOCIETY (FSES)

FSES supports Social Entrepreneurship development in Hong Kong for societal betterment. We work to create practical knowledge through coaching, education, applied research

and action research. The goal is to develop a structured Social Entrepreneurship Body of Knowledge (SE-BoK) for Hong Kong.

**FIGURE 23** FSES SOCIAL ENTREPRENEURSHIP BODY OF KNOWLEDGE (FULLNESS SE-BoK)



## 1987

- Fullness Christian Vocational Training Centre (FCVTC)
- Auto Service Centre (First SE in Hong Kong)

## SOCIAL MISSION

Help young ex-convicts to reintegrate into mainstream society

## 2008

- Fullness Christian Social Enterprise (FTSE) set up under FCVTC
- Fullness Salon (First SE to raise capital by share subscription in Hong Kong)

## SOCIAL MISSION

Help deviant youth to build a professional career

## 2011

- Fullness Social Enterprises Society (FSES) set up under FTSE
- Hong Kong Social Innovation Institute(HKSII)
- Tithe Ethical Consumption Movement (TECM)
- Social Entrepreneurship School Education Programme (SENSE)

## SOCIAL MISSION

Promote social entrepreneurship development and city transformation in Hong Kong through a team of pracademia and knowledge volunteers.

Develop a body of knowledge on social entrepreneurship for Hong Kong through research, consultation, education and coaching.

## **HONG KONG: FRONTIERS IN SOCIAL ENTREPRENEURSHIP**

This booklet and other articles on Hong Kong Social Entrepreneurship Development can be found at [www.fses.hk](http://www.fses.hk)

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### **Address**

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### **Author**

Kee Chi Hung  
Kan Chung Kan Clara

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