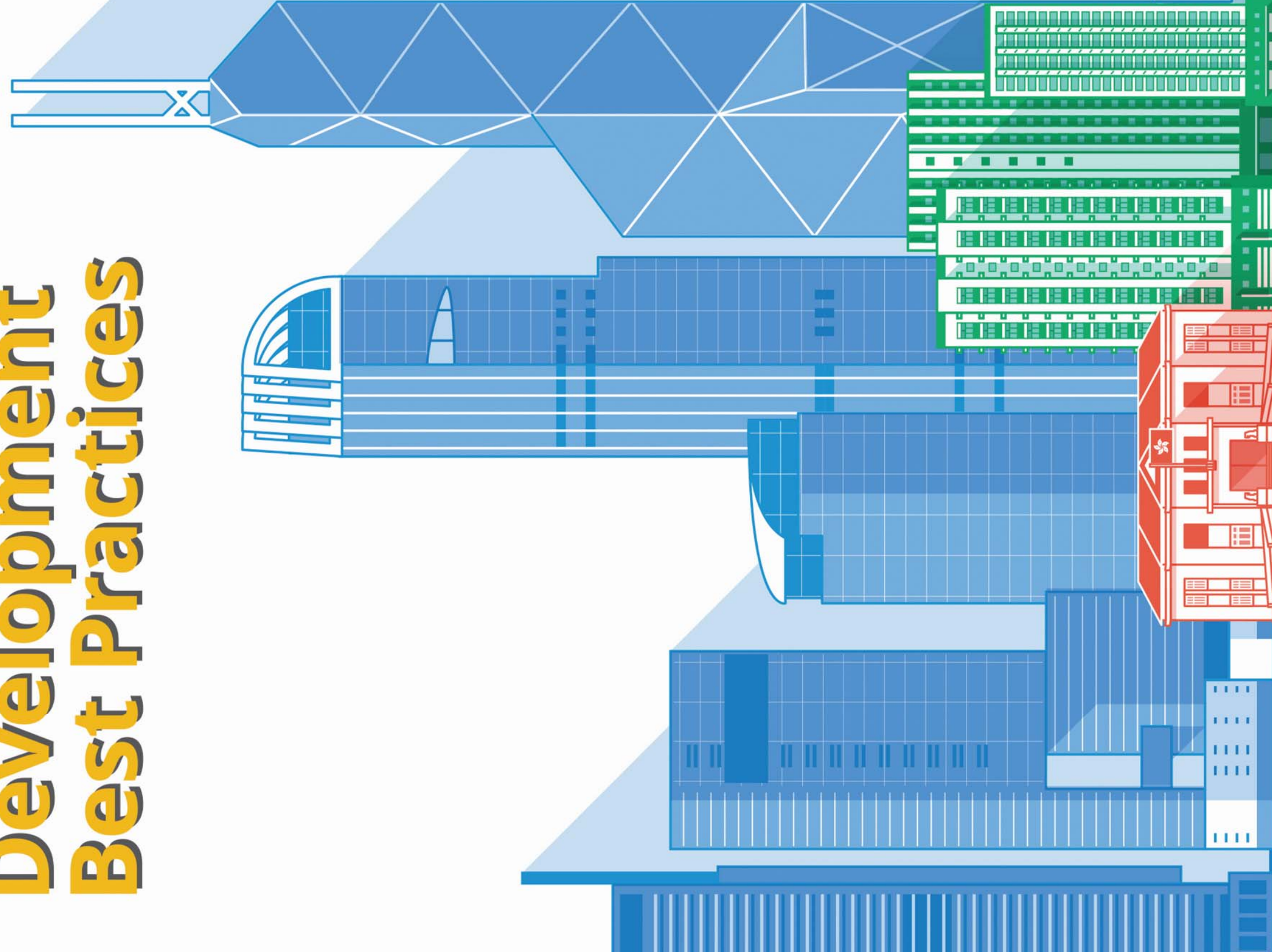


How to Social Entrepreneurship Development Best Practices



Hong Kong Social Entrepreneurship Development Best Practices

You may find this booklet and other articles on Hong Kong Social Entrepreneurship Development Best Practices at www.fses.hk and www.social-enterprises.gov.hk

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HONG KONG SOCIAL ENTERPRISES DEVELOPMENT

with Best Practice Highlights

SE 1.0: STARTING

Government provides startup funding.
New SEs need coaching on sales/marketing.



Performance of SEs funded
by Government ⁽³⁾

Profitable SEs (%)

2ND YEAR



5TH YEAR



Government Commitment
3E's/CIIF/ESR/ SIEF Projects

Encourage SEs to take responsibility
for their profits and losses and create
job for underprivileged.



2001 >

SE 2.0: ACTUALIZING

Measuring Social Impact through Kirkpatrick model.
Building Eco-system within SE sector.



78% of Hong Kong people
have heard about SEs.

Additional Ethical Consumption by Years ⁽⁴⁾

\$1.34M



2012

\$3.20M



2013

\$5.10M



2014

The Dawn Market triggered 927% SROI in 3 years ⁽⁵⁾

The market is in Tin Shui Wai and is a street market
mainly run by the elderly and housewives.

100% ↑
Earning



38 ↑
New friends
made

Gov initiated
and organized
1st SE Summit
to showcase
two local
successful SEs.



2007

2008

2009

2011

2012

Eco System Building
Within the SE Sector

• Hong Kong
Social Enterprise Challenge

• Social Enterprise Summit
• Social Enterprise Business Centre

• Hong Kong General Chamber
of Social Enterprises

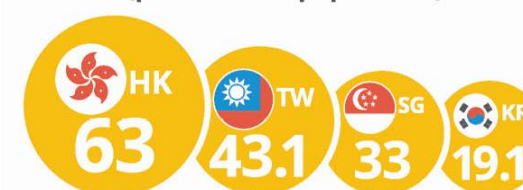
• Fullness Social
Enterprises Society

• Good Lab

HK Social Enterprise (SEs) Figures Overview

Total
457 SEs ⁽¹⁾

High Density of SEs ⁽¹⁾
(per 1 million population)



Long Life Span ⁽²⁾



SE 3.0: DIFFUSION

Catalyzing social, public and commercial sectors to pursue
societal betterment. Introducing recognition scheme
to identify authentic SEs.



SEAC, SIE, CIIF to adopt SROI to measure
the impact of social enterprise, social
innovation, and social capital projects.

Returns of \$1 spent on HK Poverty Alleviation Policy ⁽⁶⁾

Comprehensive
Social Security

\$0.96

Employee
Retraining Scheme

\$3.7

Social Enterprise
(under 3E's Project)

\$7.2

Building Social
Entrepreneurial
Culture: YWCA

Recognition
Scheme:
SEE Mark

Creating shared value:
Hong Kong corporations SE engagement: MOVES model -
Hong Kong Broadband Network outsourcing
Enquiry Hotline to SE: iEnterprise ⁽⁷⁾

Break-even within
6 months

Work Revenue Ratio:
89% → Disabled
community

Workfare on
Investment Ratio:
10 times



FSES organized
Tithe Ethical
Consumption
Movement to
generate market
demands for SEs.



Footnote: 1 Hong Kong Council of Social Service Report (2014) 2 Fullness Social Enterprises Society Report (2013);
Global Entrepreneurship Monitor, Executive Report (2007) 3/4 Fullness Social Enterprises Society Report (2013)
5 Community Development Alliance Report (2013) 6 Fullness Social Enterprises Society Report (2013) 7 Tripartite



SOCIAL ENTERPRISE: NECESSARY AND SUFFICIENT CONDITIONS

In 1972, J. A. Banks defined the **necessary** conditions of social entrepreneurship as those that are applying the **managerial skills** for **socially constructive purposes**. Therefore, social entrepreneurship is the integration of: the **selfless pursuit of societal betterment** and the result-orientation of the **business management**.

In 2012, Filipe Santos defined the **sufficient** conditions of social entrepreneurship as those that are addressing **neglected social problems**, with a **sustainable solution** which based on the logic of **empowerment**; generating **positive externalities** and the benefiting the **powerless segments** of the society. This differentiates itself from concepts, like Corporate Social Responsibility (CSR), which are also meeting the two necessary conditions.

Diagram 1

Necessary and Sufficient conditions of Social Entrepreneurship

Necessary conditions	Sufficient conditions	Example: Fullness Salon
Applying managerial skills	<ul style="list-style-type: none">Creating sustainable solutionThrough the logic of empowerment	<ul style="list-style-type: none">Salon business (+4% Op. Profit)Vocational training, employment
For socially constructive purposes	<ul style="list-style-type: none">Generating positive externalitiesBenefiting powerless segmentsAddressing neglected social problems	<ul style="list-style-type: none">Recidivism rate reduction (28% reduction)6 young ex-offenders per yearCareer prospects of ex-offenders

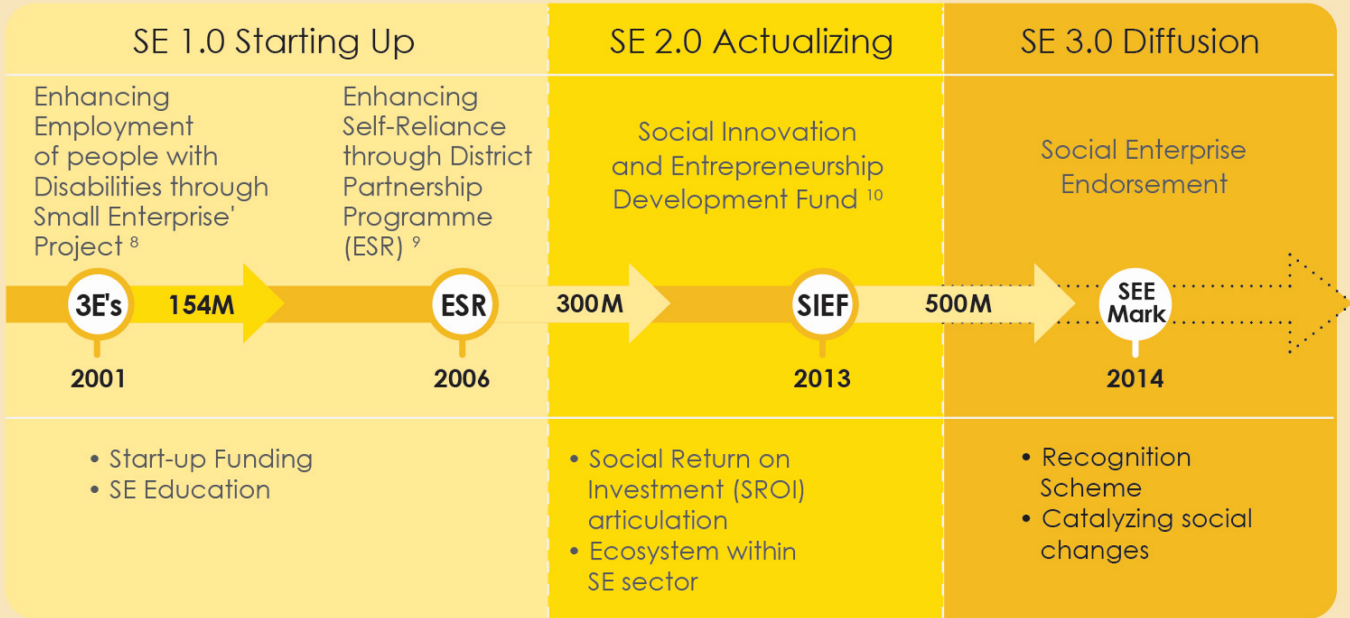


HISTORY OF HONG KONG GOVERNMENT POLICIES TOWARDS SOCIAL ENTREPRENEURSHIP

Hong Kong government started to implement SE-related polices in 2001, at the same time as it had also rolled out the Lump Sum Grant to

charity organizations receiving subvention. The logic behind is to ensure the cost-effectiveness of social welfare programs.

Social Entrepreneurship 3-stage Life Cycle



Note: ⁸ Funded by Social Welfare Department, HKSARG
⁹ Funded by Home Affairs Department, HKSARG
¹⁰ Funded by Commission on Poverty, HKSARG

Table 1

Government Policies related to social entrepreneurship

Year	Policy	Commercial Funding
2001	Enhancing Employment for People with Disabilities through Small Enterprise Project (3E's Project)	HK\$154M
2002	Community Investment and Inclusion Fund (CIIF)	HK\$500M
2006	Enhancing Self-Reliance through District Partnership Programme (ESR)	HK\$300M
2008	Revitalizing Historic Building through Partnership Scheme	HK\$2B
2012	Microfinance	HK\$100M
2013	Social Innovation and Entrepreneurship Development Fund (SIEF)	HK\$500M

Social Entrepreneurship Education

Government funding is not an issue, as long as SEs can prove their effectiveness in achieving social mission. However, due to a lack of proven business expertise, the education and mentoring programs had only cover the **necessary conditions** for running a business such as product designs and financials (as of managerial skills), but had not covered the **sufficient conditions** such as customer acquisitions, and entrepreneurial teaming.

Top 3 Challenges of Social Enterprises

43% Sales and Marketing
20% Management
11% Financial Control

By Fullness 2010 Knowledge Volunteer Survey

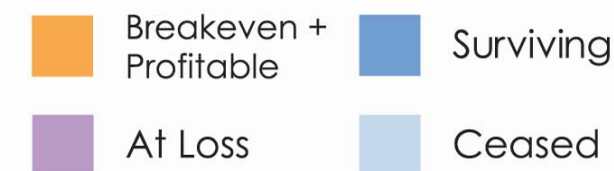


With little experience in managing the pace of customer acquisition, most entrepreneurs are far too optimistic in estimating the Break Even Time (BET). **The percentage profitable SEs increases from 19% by the end of the second year to 53% by the end of the fifth year.** The remaining 47% consisted of 24% SEs which are at loss and 23% SEs which are ceased ¹¹.

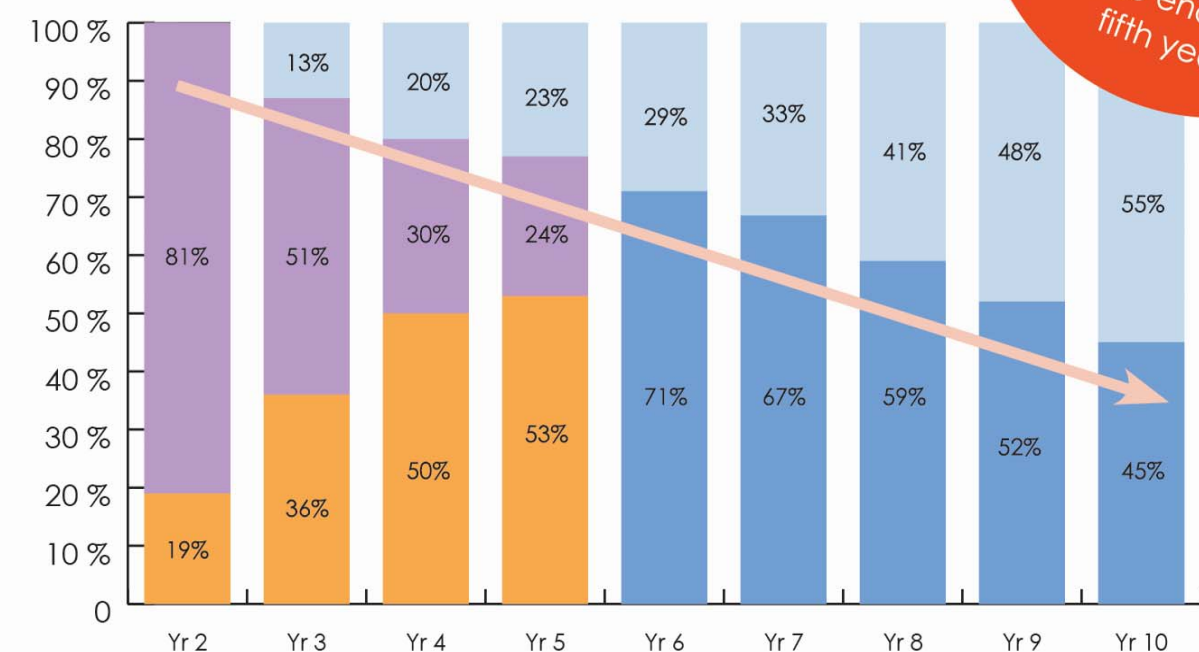
Every year, there is a new batch of SEs which will go through a similar trajectory of struggle to survive and then to be profitable. The aggregate of these new batches year after year resulted in the current situation that there are always some SEs struggling.

Diagram 2

Changes in the mix of ceased, at loss and profitable SEs over the first 10 years



10 years SE Performance in Hong Kong

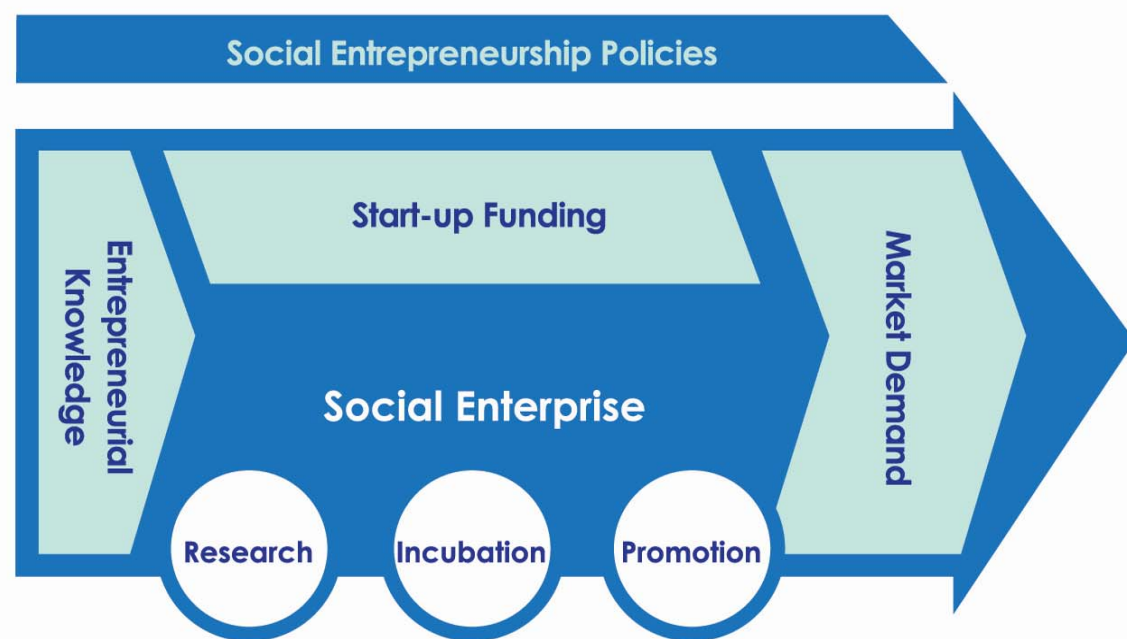


Profitable SEs increases from 19% by the end of second year to 53% by the end of fifth year

Note: ¹¹ The split percentages between the profitable SEs and the SEs at loss are not captured after the fifth year. Hence only survival percentages are shown from year 6 to year 10.

Diagram 3

Ecosystem Building within the SE Sector



- Hong Kong Social Enterprise Challenge (2007)
- Social Enterprise Summit (2008)
- Social Enterprise Business Centre (2008)
- Hong Kong General Chamber of Social Enterprises (2009)
- Fullness Social Enterprises Society (2011)
- Good Lab (2012)

LONG
LIFE SPAN¹²SE: **9.3** years
SME: 3.7 years

In the second stage, there were platform organizations which focus on helping SEs in different aspects, such as incubation, promotion, market demand generation, and one-stop solution. There are more and more successful SEs. In Hong Kong, the average life span of a commercial small-medium experience is only 3.7 years¹², but SEs have a median life span of 9.3 years¹².

Note: ¹² Calculated based on the Hong Kong statistics listed in the 2007 Global Entrepreneurship Monitor.

Social Return on Investment (SROI)

In 2007, as one of the pioneers of social enterprise, Fullness shared its cumulative SROI over the 20 years at the first Social Enterprise Summit organized by Home Affairs Bureau. In 2010, Fullness announced how SROI of Hong Kong WISE at the Taiwan Social Enterprise Forum organized by Fu Jen Catholic University.

A classic example was the Dawn Market in Tin Shui Wan, covering from 20 hawkers in 2009 to 80 hawkers in 2012 (that was, in average, 50 hawkers). The social impacts in these three years were measured according to the Donald Kirkpatrick's 4-Level Model.

Tin Shui Wai Dawn Market (2009-2012)
Social Return on Investment in 3 years

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

Level 2: Knowledge Change

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

Level 3: Behavior Change

- 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

An Example on the
Four Levels of Social
Impact Measurement
through Donald
Kirkpatrick's Model

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

Level 4: Blended Return on Investment
BROI = Financial ROI + Social ROI
$$50 \times \$60K / \text{year} \times 3$$

Hawkers Income

$$50 \times \$24K / \text{year} \times 3$$

Comprehensive Social Security Assistance (CSSA)

$$\$1300k$$

Consumer Saving

$$= \$500K / \text{year} \times 3$$

Donation

CASE STUDY: MY CONCEPT

My Concept Event Management (My Concept) is a social enterprise 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 in Hong Kong to integrate creative performance and event management in their service model. My Concept provides performance training to deprived youths in music, dance choreography, clown service, magic, balloon art, stage production and other creative initiatives. Their social mission is to provide sustainable work opportunity for youths

and functions as a platform for them to realize their dreams.

Over the years, My Concept has established a solid clientele base including government departments, NGOs, professional associations, commercial firms, schools and individuals. This is indeed an undisputed reflection of My Concept's high performance standard.

The continuous endeavor of My Concept to nurture career opportunities for deprived youths was recognized by the **Social Enterprise Awards 2013** (Social Impact), organized by the Home Affairs Bureau.

The blended social return on investment is one of the highest among the social enterprise sector in Hong Kong. Over 50% of the gross revenue is paid out as salary to youth performers, a remarkable achievement in any work-integration social enterprise operation. It achieved breakeven point at the 5th financial year and with the accumulation of SROI over 800% since its inception.

Some of the trained performers have advanced to find their own career with their specialty performing abilities. Their encouraging stories have been widely covered in local media.



CASE STUDY: FULLNESS SALON

Fullness Salon is the pioneer in social enterprise in Hong Kong, it is the first to raise capital through stock subscription in 2008, promote ethical consumption in 2009, and promote knowledge volunteers in 2010 in Hong Kong. In addition to social impact and financial sustainability, Fullness is the only SE building spiritual capital.

Fullness aims to improve the career prospects of deviant youth by employing them as juniors in a salon of the highest quality in the locality. The youth is not just given a job but in preparation to become hair stylists or technician capable of producing high quality hair style.

Fullness Salon measure the youth behavior change and incorporate their performance into their compensation system. After a two-year training, the youth could easily get an offer in an upscale salon, and Fullness will still keep informal contact with them.

Level 1: Satisfaction (Scale of 1 to 5)

= Overall satisfaction: 3.7
(Dignity: 3.6/ Caring: 3.6/ Whole Person Development: 3.5/
Sincere hearts: 3.8/ Service Quality: 3.8)

Level 2: Knowledge Change

= Significant Increase (20%) in Proactiveness, Peers
Relations and Emotion Intelligence

Level 3: Behavior Change

Recidivism rate:



Level 4: Blended Return on Investment

Financial Return (\$20K/yr)
+ Workfare (\$400K/yr) + Social Cost Saving (6 High Risk Youths) x 3yrs)
+ Social Capital (800 Ethical Consumers)
=
Impact Investing (Initial Investment \$600K) → Revenue (\$2.1M/yr)

Many of youths are from broken families which their personal needs are great. Churches are here to serve the youth's critical needs and provide spiritual comforts. The core-values of Fullness are respect, trust & care, whole person development, togetherness and customer satisfaction.

With the significant social impact created, Fullness Salon won the Social Enterprise Award 2011.



Tithe Ethical Consumption Movement

In the second stage, different platforms were setup to provide support to the SEs in funding, incubation, coaching, networking, and promotion channels.

Market demand is one of the critical factors for the sustainability of a business. In a 2013 survey done by The University of Hong Kong, 78% of respondents had heard about SEs, but only 18% had purchased from SEs. The Knowing-Doing gap is 60%.

Ethical consumers are those who support SEs through

buying their products or services. In a series of surveys by Baptist University students in 2010, 2011, and 2014, **64% of ethical consumers support SEs because they agreed with mission of helping the helped to self-help**, and 57% considered it as meaningful. As a result, they were willing pay with **an average premium of 16% or spend 8 more minutes if accessed the SE by foot or 25 minutes if by car**. In a scale of 1 to 5, SE shopkeepers scored 3.3 in the social mission pitch and 3.5 in the product pitch.

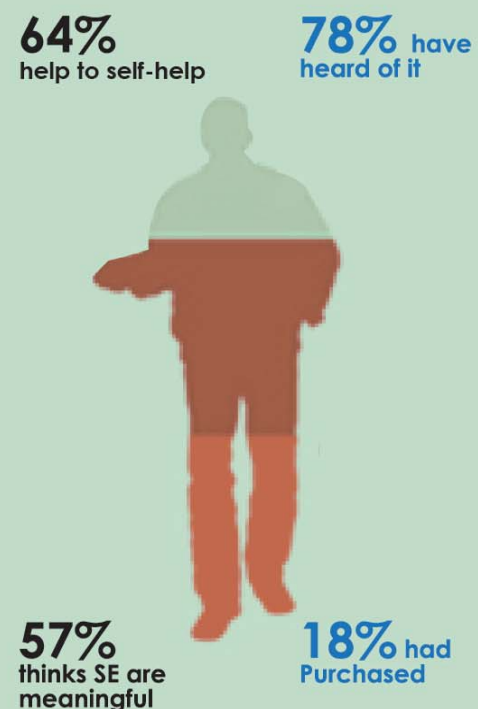
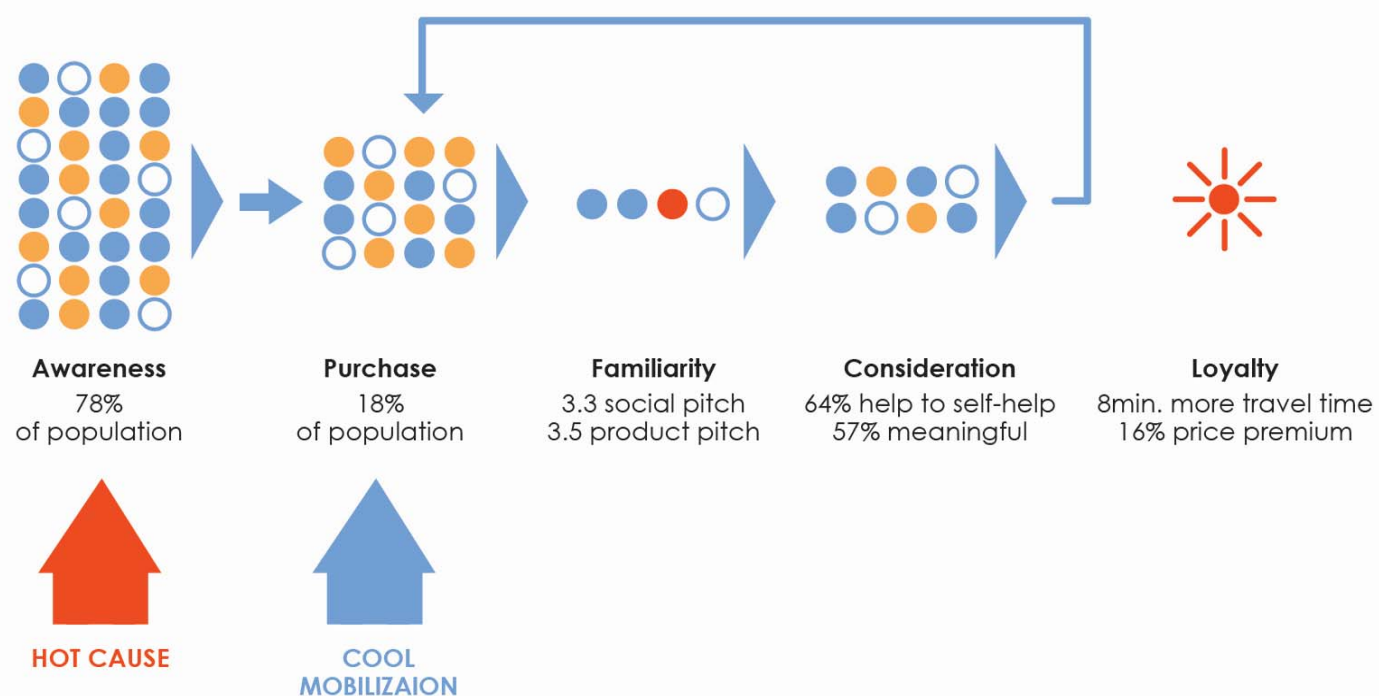


Diagram 4

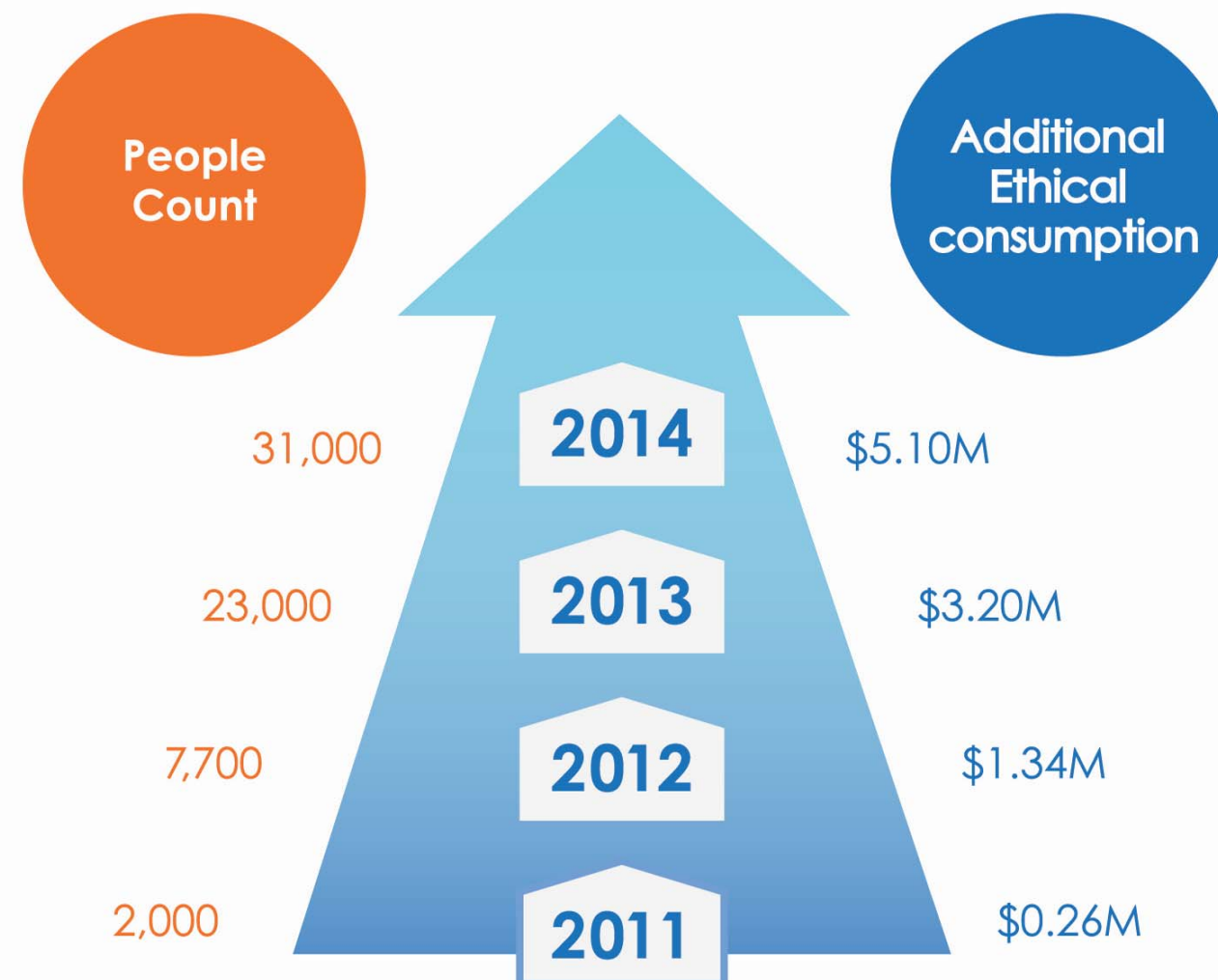
Generating Market Demand for Ethical Consumption



In 2012, FSES organized the Tithe Ethical Consumption Movement in November-December timeframe to generate market demands for SE products and services. The strategy was "Hot Cause and Cool Mobilization". The slogan was **"Two Not and One More"** which means that the consumption

should not be made due to sympathy and should not lead to waste, but proceed with an additional meaning that is a socially conscious. It is a **"10% Swap for Good"**, that is, doing good by buying good SE products or services once out of ten purchases.

Market Demand Generation to narrow the 60% Knowing-Doing Gap in Ethical Consumption



SE #3.0 DIFFUSION

Catalyzing social, public and commercial sectors to pursue societal betterment. Introducing recognition scheme to identify authentic SEs



Public Sector – The GAPS Model

All public policies have **G**oals. Their **A**ctual performances sometimes are not **P**erceived properly by the public because the **S**tandards used to benchmark the performance have not been identified upfront. Once the impacts of the policies

can be quantified or even monetized, then it is easy to conclude whether the public money is well-spent. If there are benchmark data from other countries, then comparison can be made to trigger improvement.

Diagram 5 Managing Cost-effectiveness of SE policies and Accountability to the Public

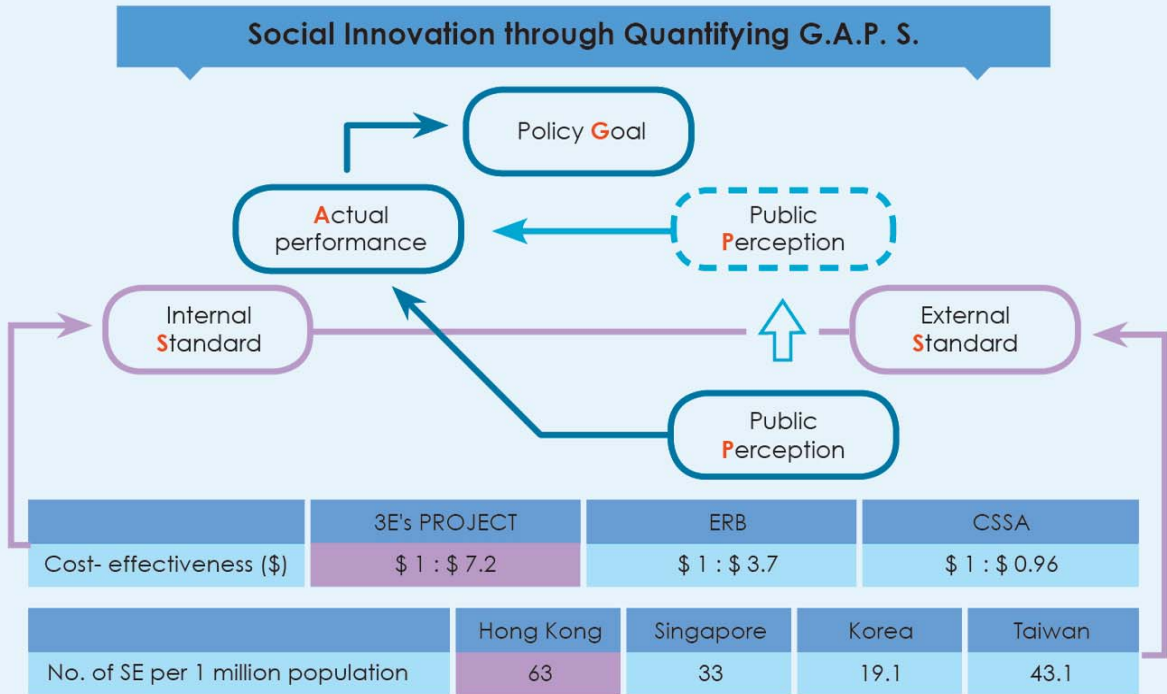


Table 2 Overview on Hong Kong’s Poverty Alleviation Policy

	Annual budget (HK\$)	Cost per recipient (HK\$)	Income per recipient (HK\$)	Cost-effectiveness (HK\$)
Comprehensive Social Security Assistance	\$19.5 bn	\$39,000 per recipient	\$37,000 per recipient per year	\$1 : \$0.96
Employees Retraining Scheme	\$ 0.8 bn	\$21,000 per employee	\$7,600 per month x 10 months	\$1 : \$3.7
Social Enterprise (under the 3E's Project)	\$0.015 bn**	\$97,000 per job	\$6,245 per month x 112 months***	\$1 : \$7.2

* The average duration of employment of those can land a job is 10 months. Therefore, the total income is \$7,600/month x 10 months

** There are two SE funding schemes, including Enhancing Employment through Small Enterprises Project (3E's Project), and Enhancing Self-Reliance through District Partnership Scheme (ESR).

*** The median life span of the SEs under 3E's Project is 9.3 years. Therefore the total income should be 9.3 years x 12 month/year = 11.6 months, rounded up to 112 months.

Table 3 Density of Social Enterprises in Hong Kong, Singapore, Korea, and Taiwan

	Hong Kong	Singapore	Korea	Taiwan
Data Source* (Year of Publication)	Hong Kong Council of Social Service	Social Enterprises Association	Korea Social Enterprises Promotion Agency (2013)	Department of Commerce (2014)
No. of SEs	457	179	950	49
Population (mn)	7.2	5.5	49.8	23.2
No. of SE per 1 mn population	63	33	19.1	43.1**

* There are two types of data sources of the number of SEs. The first type is those estimated by scholars or agencies or government departments. The second type is those listing of SEs with actual names. In 2013, the UK government estimated that there were 70,000 social enterprises, but the Community Interest Company (CIC) Registrar only had 7,670 CICs. In 2014, the population in the UK is 64 million, so the number of registered CIC per one million of population is 119.

** There are 49 NGOs which are operating SEs that have registered under the Department of Commerce of Taiwan government. It is estimated that there are round 1,000 SE projects in Taiwan.

Social Sector – Building Social Entrepreneurial Culture

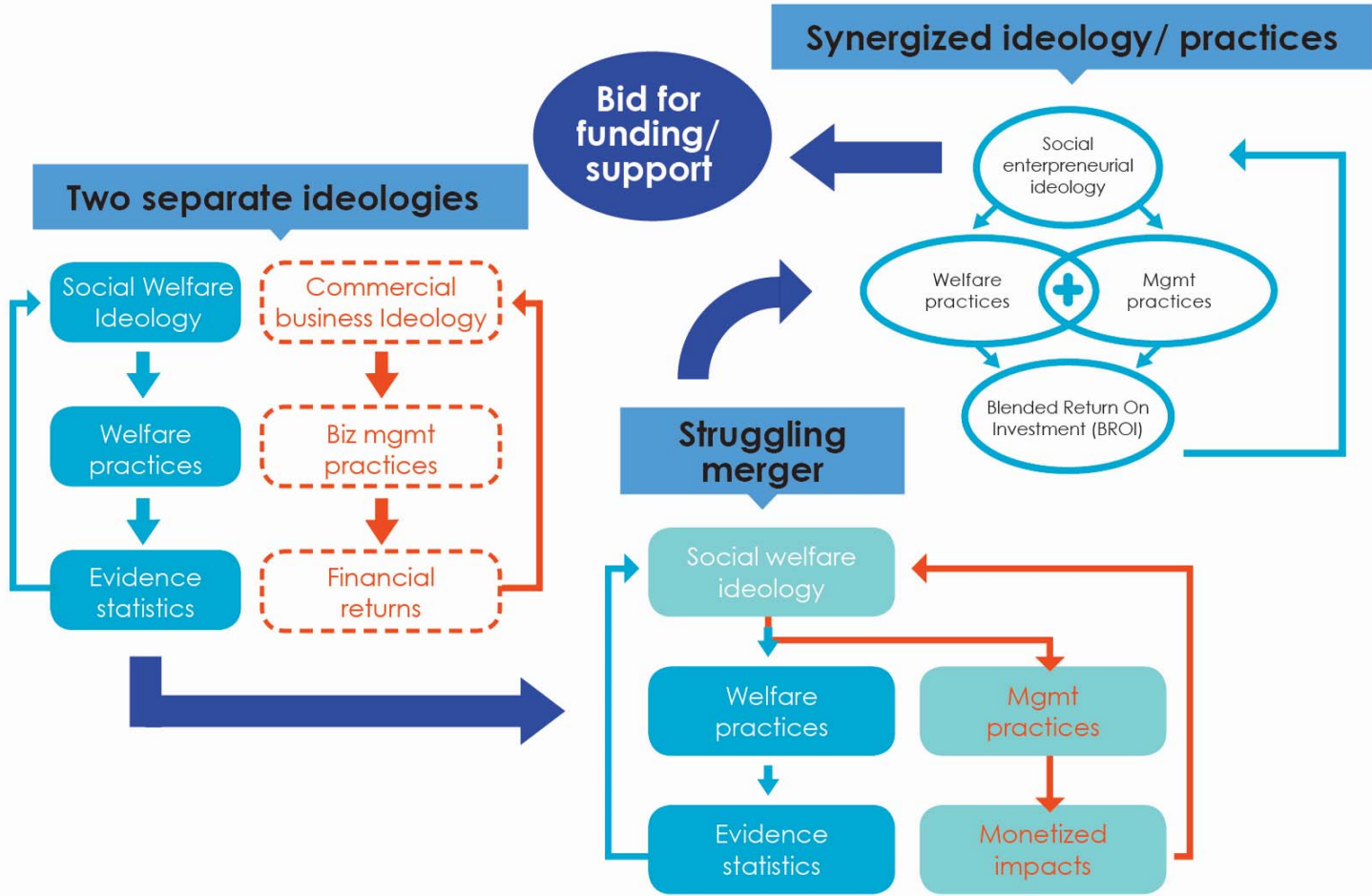
When J. A. Banks (1972) discussed about the social entrepreneurship, he was persuading the charity organization to **develop a social entrepreneurial culture** instead of set up a present day SEs. It is about to run social welfare programs through the management framework, which focuses on getting the expected results with a program logic based on controlling.

A charity organization can develop social entrepreneurial culture by migrating some of its social services to social enterprises. Or, it can start by transforming its fund bidding into more business-like, such as jumping to the forecasted SROI of the proposal behind the briefly explanation of social issues. Then supporting the forecast by explaining the program logic and why the proposed one is better than other alternatives.

Diagram 6

Capacity Building of Social Entrepreneurship for Charity Organization

Transforming to Social Entrepreneurial Culture



Comparing to the SE approach, the fund-bidding approach is a low hanging fruit because the financial benefits can be obtained within weeks instead of years. The successful bidding will become a positive feedback to the circle.

Example: YWCA has arranged training for its social work management staff to acquire the knowledge of SROI calculation and program logic improvement. The training aims to build the social entrepreneurship culture in the agency, the program logics of the existing social services projects were reviewed so as to create a more effective way to maximize social impact. The agency has successful cases of fund-bidding after the training.



There is also a pilot project to teaching Social Entrepreneurship as a module in Liberal Study in secondary schools starting 2015



Commercial Sector – The MOVES Model

Social entrepreneurship is the integration of the **selfless pursuit of societal betterment** and the result-orientation of the **instrumentality business management**. Instead of “selfless pursuit”, the commercial sector is more ready for “win-win pursuit”. This is summarized by Michael Porter (2011) as Creating Shared Values, the value for the society and the value for the company.

Diagram 7

The M.O.V.E.S. model of engagement for corporations supporting SEs



M:

M: Hong Yip Service Company has helped in promoting ethical consumption to its 150,000 households through its nearly developed Apps for property management, and through its assistance to distribute the promotion leaflets to the households. The App has secured over 2,000 ethical consumption visitors.

O:

O: Hong Kong Broadband Network (HKBN) outsources some of its incoming calls for 1083 Phone Enquiries to iEnterprise which broke even within 6 months after startup and has an annual SROI of ten-folds. The total wage payment to employees is 89% of the yearly revenue generated. The wage of employees of iEnterprise Call Center (89%), service fee to Hong Kong Rehabilitation Power (7%) and

surplus retained for iEnterprise (1%) are the key stakeholders' revenue arising from the business revenue of the call center. Hence, the Stakeholder Revenue Ratio (SRR) of iEnterprise Call Center is 97%. This is a proven Tripartite Management System in which HKBN has confirmed that the service quality standard of iEnterprise call center for “1083 Telephone Enquiry Service” met with the customer service standard of HKBN.

V:

V: Hewlett-Packard Hong Kong has a voluntary coaching team consisted of its marketing, supply chain, HR and admin staff to help the Groundwork SE of St James Settlement in 2014 and then the Holyfield SE in 2015.

E:

E: Hong Kong Broadband Network had over HK\$2 million of ethical procurement by the company and ethical consumption by its staff in the last two years.

S:

S: Sino Group has operated the Tai O Heritage Hotel as a SE project with its hotel chain management experience and infrastructure since 2011.



ABOUT FULLNESS SOCIAL ENTERPRISES SOCIETY (FSES)

In 1987, Fullness Christian Vocational Training Centre (FCVTC) was set up as a charity organization, aiming at helping young ex-offenders and ex-addicts to reintegrate into the mainstream society through vocational training and job creation as well as Christian faith. The first business is an Auto Service Centre which is still in operation and making single digit percentage of operating profit.

In 2008, Fullness Christian Social Enterprise (FCSE) was set up by FCVTC to run hair salon

business so that the young ex-offenders and ex-addicts can have one more options for their career. The salon was the first SE raising capital through share subscription in Hong Kong. The opening of the ownership had attracted not only financial capital, but also human capital and social capital. The salon was also the "SE laboratory" of Fullness in piloting and experimenting SE concepts and practices.

In 2011, Fullness Social Enterprises Society (FSES) was set up by FCSE as a charity organization, aiming at promoting social

entrepreneurship development in Hong Kong instead of directly operating SEs. The mission of FSES is to create proven knowledge for social entrepreneurship development by its practic-amdemia team. Its scope includes research, experiment, create, publish, educate, and provide consulting on social entrepreneurship. The goal is to develop the Social Entrepreneurship Body Of Knowledge (SE-BoK) for Hong Kong.



How FSES Evolves - From 1987 to present

Auto Service Centre

Aiming at helping young ex-offenders and ex-addicts to reintegrate into mainstream society



1987

Hair Salon

The 1st SE raising capital through share subscription in HK



2008

FSES

2011

Entrepreneurship

Social Impact

Shared Value Economy

City Transformation

Stakeholders Community

Diagram 8

Fullness Social Entrepreneurship Body of Knowledge (SE-BoK)



Presented by



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民政事務局
Home Affairs Bureau
The Government of the Hong Kong Special Administrative Region