
Social Enterprises in Hong Kong: Toward a Conceptual Model

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Central Policy Unit,
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Prepared by

**Kwong Leung TANG
Ho Lup FUNG
Kevin Y.F. AU
James Kin Ching LEE
Lisanne S.F. KO**

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Executive Summary

This consultancy study aims at: (a) finding the ideal model(s) for developing SEs that target different groups of people; and (b) developing ways to encourage effective and appropriate tripartite cooperation in such SEs.

Methodologically, literature review (overseas and local studies, policies, and related documents in SEs), focus groups and key informant interviews are the key modes of study.

This report first presents experience on social-enterprise development in Hong Kong, followed by a review of international experiences from Britain, the United States of America and Spain. Then, an analytical framework is established, whose variables will be posed to the focus group members and key informants.

A total of 8 focus groups (comprising 45 people) were conducted by the research team between 17 December 2007 and 18 February 2008. Of the focus-group participants, 33% were managers or organizers of SEs founded by NGOs, 16% SE managers with commercial backgrounds, 11% cooperative members, 24% SE employees, and 16% political-party representatives. At the same time, some 31 in-depth interviews were completed. These informants were politicians (23%), academics (33%), NGO representatives (17%), private enterprises (13%), think tanks (7%), and other experts (7%).

During the focus groups and in-depth interviews, the following themes were highlighted: definitions and objectives of SEs; ideal structure, operational modes, and related advantages and limitations of SEs; necessary resources for SEs; roles of government, private enterprises, and NGOs in the development of SEs; roles of other stakeholders in SEs; marketing strategies for SEs; and criteria for a successful SE.

Local and International Experiences

Hong Kong

- Social businesses that serve similar functions to those of SEs have a long history in Hong Kong. They are usually small in scale, rendering job opportunities for the disabled in the form of sheltered workshops or co-operatives.
- In Hong Kong, there are still no official statistics on SEs. As of early June 2006, 187 SE projects were participating in various types of businesses and were assisted or operated by 48 NGOs.
- The HKSAR government has been quite proactive (advocacy, training, funding) since the concept of SE was broached in a meeting of the Commission on Poverty (CoP) in 2005.
- Though the topic of SEs has been widely covered in the media as well as in government policy, the public remains uninformed.

Overseas – United Kingdom

- An SE is any organisation that trades goods and/or services under social objectives, and that uses most of the profits generated for reinvestment into the business or other social objectives.
- It was in the 1990s that SEs were considered as a solution to social problems such as unemployment and discrimination among the socially disadvantaged. The Office of the Third Sector has been responsible for setting the government's policies on SEs, whereas the Social Enterprise Unit has been responsible for acting as a co-ordinator and ambassador for SEs.
- There are some 55,000 SEs in the U.K. In 2006, they generated a combined turnover of £27 billion (HK\$400 billion), and contributed more than £8 billion (HK\$120 billion) to the national economy, almost 1% of the annual GDP.
- The Companies (Audit, Investigations and Community Enterprise) Act 2004 regulates the SEs. Additionally, a Community Interest Company (CIC) and its related regulatory system were created. CICs are limited by shares or by guarantee, and have a statutory 'Asset Lock' to prevent the assets and profits being completely distributed to the shareholders or guarantors.
- The U.K. government instituted a series of guidelines for central and local governments to work more effectively with SEs. A social clause has been included in procurement requirements for some local governments.

- Financially, the U.K. government renders support to SEs through various bodies: Community Development Finance Institutions, the Small Business Service and Community Development Finance Association and the Phoenix Fund.
- As for non-profits, the Social Enterprise Coalition is a national organisation representing more than 240 national umbrella bodies of SEs, 46 regional and national networks of SEs, and 10,000 SEs that have more than one branch in the country.
- While the U.K. government has provided assistance to SEs (financial and business support, regulatory framework), a booming ethics-conscious market, aiming at fair trade and sensitivity to the environment, provides SEs with a fertile ground for business.
- SEs are constrained by poor public knowledge, poor understanding of SEs on the part of government officials, inadequate financial support and insufficient manpower trainings

Overseas – USA

- The expansion of SEs in the U.S. coincided with massive cutbacks of government funding for social programs. Support for SE development comes from the private sector
- There is no official definition of SEs in the U.S. It is generally understood as ‘an organization or venture that advances its social mission through entrepreneurial earned income strategies.’ Apart from 175,000 non-profit

organisations that behave as SEs, over 5,000 companies identify themselves as SEs.

- There is limited and indirect government support for SEs. Some support came from the Community Reinvestment Act, which ensured credit for the socially disadvantaged in home ownership, and for small businesses in commercial loans. Additionally, the state and federal governments have reserved a percentage of contracts for businesses owned by ethnic minorities and for SEs.
- One instance where the government's support is prominent involves the mandatory federal-purchasing program, which 'provides employment opportunities for over 36,000 Americans who are blind or have other severe disabilities by orchestrating government purchases of products and services provided by non-profit agencies employing such individuals throughout the country'.
- Social Enterprise Alliance is a membership-based alliance of non-profit-making executives mainly from the U.S. and Canada, and it aims to promote the development of SEs through an SE movement. It networks social entrepreneurs to provide technical support and learning opportunities.
- Universities in the U.S., like their counterparts in the U.K., are also involved in SEs.
- Foundations have been a key player in SE development.
- Also prominent is the social-enterprise accelerator, which provides one-on-one consulting, seed funding, business tools, and connections with key stakeholders in the community such as service providers, funding sources, corporations, public agencies, and university programs.

- One could identify a variety of SE manifestations in the U.S. A useful classification distinguishes two forms: fundamental and combining. Fundamental models can be subdivided into the (a) entrepreneur-support model; (b) market-intermediary model; (c) employment model; (d) fee-for-service model; (e) service-subsidization model (f) market-linkage and (g) organisational-support model. Combining models include the (a) complex model; (b) mixed model; (c) franchise model; and (d) private-non-profit partnership model.
- Generally speaking, the U.S. government has not done much direct promotion of SEs. The only things it has done include the provision of taxation exemptions and credit limits, and the revision of public-procurement exercises.
- One could identify some hindering factors in the U.S. Due to the lack of government involvement, there is no way to check those SEs engaging in revenue-generating activities; also, the focus on revenue generation may make the enterprises abandon less-efficient practices. Vulnerable groups may also be excluded if revenue-generating activities are preferred to mission-related programs.

Overseas – Spain

- Spain has a long history of co-operatives, voluntary bodies, foundations and other not-for-profit organizations. It was not until the mid-1980s that these

businesses were seen as new solutions for some social problems (unemployment, poverty and social exclusion).

- There is no official definition for ‘social enterprises’ or ‘social economy.’ Yet the concept of social economy was embedded in the 1978 Spanish Constitution.
- There were some 95 social-insertion companies and 94 sheltered employment centres in 2004, which generated employment opportunities for 1,649 persons and 4,455 disabled persons, respectively. In 2006, a total of more than 51,500 social economy enterprises employed more than 2.4 million people in Spain. This accounted for some 25% of the overall working population throughout the country.
- To facilitate the development of SEs, the Spanish government has carried out a number of measures to break down administrative and legislative barriers.
- Financially, the ‘One-off Payment’ scheme provides the unemployed with a lump-sum payment to establish or invest in a social-economy enterprise.
- The Confederation of Spanish Social Economy Businesses, founded in 1992, represents about 51,000 social-economy enterprises and 24 member organisations in Spain. It provides a platform for dialogues between social-economy enterprises and public authorities.
- A variety of SE modes can be found in Spain: Workers’ co-operatives, labour societies/companies, mutual-provident societies; sheltered employment centres (or special employment centres) and social insertion companies.
- Some facilitating factors can be identified: support of customers, social solidarity and volunteerism in Spanish society. There are hindering factors: the lack of economic scale and track records of social-economy enterprises,

inadequate business skills, and inadequate public understanding of social economy.

Overseas – Work Integration Social Enterprise

- Increased unemployment rates and social exclusion of the marginalised in the wake of state withdrawal from social services created the context for the development of “Work Integration Social Enterprise” (WISE). They can be classified into social cooperatives, associative structures, community owned structures, transitional employment enterprises, and sheltered workshops.
- One can identify several hindering factors for WISEs: problems in striking a balance between the varied requirements prescribed by different funding sources; the maintenance of autonomous management; fluctuating market conditions; and regulatory constraints

Analytical Framework and Key Findings

- Borrowing the concepts highlighted in a business model proposed by various scholars, an analytical framework comprising infrastructure, customers, and financing is proposed. Four other variables are included: manpower, networking, financing and legal and regulatory system.

Mindset

- Existing SEs face the dilemma of meeting both social missions and economic goals.
- Many SEs have been formed because of a social mission, and the managers tend to put their priority on helping socially vulnerable groups rather than on meeting market demands.
- The overwhelming majority of our interviewees believe that social entrepreneurship is the key to SEs' success. Some important qualities of a genuine entrepreneur include: social conscience, ability to identify and grasp opportunities, willingness to take risks, innovation, ability to source capital, and willingness to cooperate with the business sector.
- In the development of SEs, NGOs should invite businessmen to join the executive board.
- With their long history in community work, NGOs are the agencies most aware of community needs.
- There is some consensus that social workers should not be the only personnel in an SE. Genuine collaboration of NGO with private sector are expected.

Market

- For market niches, some think that there are demands for basic services based on districts, traditional services or high-end products.
- An SE could look for new markets, targeting the middle or even upper class, with the purpose of increasing these people's quality of life. It could also look for open "shunned" markets, markets in which businesses have no interest.

- The key to SE sustainability is building up a critical mass within a short period of time.

Marketing strategies

- Social-marketing strategies target socially conscious buyers. Yet, in the study, there was no consensus among our interviewees on the use of the ‘SE’ label.

Enterprise strategies

- It was suggested that an SE could be formed as a subsidiary of an NGO, in which the SE enjoys financial and operational independence. There was another suggestion that SE be a subsidiary of large private company.

Facilitating Factors for Development of SE

- Most NGOs are well-structured organisations; hence, they may provide newly established SEs with immediate support, such as administration, venue and even clients.
- On cost containment, there is no consensus. Some prefer to have most of the SE’s indirect operational costs absorbed by a related NGO, while some disagree, saying this act will obscure the real financial situation of an SE.
- As observed by our interviewees, there are quite a number of people, in particular retirees with good business skills, who are willing to contribute to society by providing SEs with skills and knowledge.
- There is public financing which serves as seed money for SEs, but what is lacking is the support for growth.

- Hong Kong has a good and efficient framework for an enterprise to be registered. There are also sound legal and banking systems that are conducive to development of SEs.

Hindering Factors for Development of SE

- Quite a number of workers of NGOs felt helpless when asked to help set up and manage an SE.
- Some SE managers pointed out the indecisiveness in NGOs – social workers from NGOs do not always follow decisions, particularly relating to the discipline of workers.
- There is some difficulty in changing the mentality of NGOs that pay too much attention to social mission.
- Social workers working for SEs lack the business knowledge and related mindset, and they may not be able to survive in open-market competition after the first two years of using all the seed money.
- The specific abilities these NGOs lack include: expertise in running a business, managing skills and knowledge in formulating market strategies.
- There are two key conflicts - most social workers voiced difficulties with taking care of dual roles – profit-making on one hand and social mission on the other hand. The same dilemma faces the NGOs.
- NGOs can be bureaucratic, and hence the SE operated by these organizations may lose business opportunities.

- As most SE participants are those from socially vulnerable groups, continued recruitment of these people without appropriate training (to increase their abilities to fit market needs) will increase SEs' operational costs.
- The private sector faces insufficient business support, and the process of linking businessmen and NGOs can be a long one.
- SEs in NGOs face fierce competition from other SEs and from small and medium enterprises. Cost containment is difficult for these SEs, as they have to hire those with less education, lower skills and physical or mental disabilities.
- There is criticism of the insufficient government support for SEs. One common complaint about government policies is that the threshold of tender for procurement of government out-sourcing services is too high.
- There is a lack of public understanding and receptivity to SEs, since there is no official outlet through which information is coordinated and dispatched.

Four Conceptual Models

Four conceptual models of SE are advanced in this consultancy report.

(1) "Empowering social vulnerability" Model

- This model is predicated upon the concept of “from welfare to workfare”, which itself is not a new concept in strategies to alleviate poverty. The World Bank has

advanced three strategies to promote welfare: security, opportunity and empowerment.

- Under this model, SEs can serve empowerment functions in poverty alleviation because: a) they help overcome social barriers like exclusion and discrimination; and b) they can strengthen vulnerable groups through entrepreneurial input and background policy support.

(2) Process/Employment Model

- Process/employment model emphasizes the labour process and the creation of employment opportunities for those who would otherwise have difficulty finding jobs in the open market.
- It has a clear social purpose. Those who are employed by the enterprise stand to gain both socially (rehabilitation) and economically (income and employment).

(3) Social Investment Model

- Ideally, this model sees SEs as a specific form of third-sector organizations that contribute to social-capital formation through the judicious use of resources in the state, market, civil society and civic communities and the blending of economic and social goals with a public goal in one single organization.

- In essence, SE development can be subsumed under the rubric of social investment. Such an investment approach promotes social development consonant with the need for continued economic development.

(4) Social Entrepreneurship Model

- Social entrepreneurs are the crux of this model. They are conceived as free agents. They have been described as ‘path breakers with powerful new ideas’ who are ‘totally possessed’ by their vision. They are change agents and pioneers who pay attention to market forces without losing sight of their social mission.
- An SE uses entrepreneurship, innovation, and creative solutions to address social problems.

The development of SE is at an infancy stage. In the present stage of economic development (the presence of massive poverty amidst low employment), the research team suggests the government to consider adopting the social investment model as it is congruent with the growth philosophy of the government, if it is to look for a policy direction. It is a model that aspires to bridge social and economic development, an ideal that is generally accepted by the HKSAR government and that of the Beijing Government.

Recommendations (Advancing Tripartite Cooperation between Government, the Private Sector and the Third Sector)

- The government, private sector and third sector all have roles to play in the development of SEs.
- The government could cultivate a new value system to let the general public understand and identify with the concepts of social responsibility.
- Education on SEs could be part of the compulsory curriculum in primary and secondary schools.
- To make an environment conducive to SEs, government may need to think about the use of concessionary taxation or tax exemptions to encourage enterprises or individuals to give financial support to SEs.
- As most NGO staff and beneficiaries are not familiar with the market setting, the government should continue to encourage CSR among the enterprises.
- It was commonly agreed that the government should give assistance to the development of incubation centres which are often initiated and manned by private sector and the third sector.
- The stock-investor approach can be encouraged to be involved in SEs.
- The government can consider giving out high-level awards and recognition to “model” SEs and other well-designed business plans. This would foster an atmosphere of innovation in universities, the third sector and private sector.
- The private sector, third sector and universities could jointly organize business-plan competitions.
- In universities, various disciplines such as business schools and social-work departments could collaborate in studies as well as research.
- The team believes that SEs should be given a legal definition of status.

- The government should review the relationship among small and medium enterprises, social welfare and SEs. Without clear delineation, these similar concepts only make the public more confused.
- The government should continue to provide seed money for the set-up of SEs. Interest-free or low interest loans and free or low-rent premises should also be considered.
- In our study, there was a concern about growth capital for SEs. It is suggested that government give one-off financial support to participating banks with concessionary financial arrangements, such as low interest loans.
- The government could consider setting up loans for SEs
- The government could also consider setting up regulatory systems and monitoring mechanisms for performance of SEs.
- The government should broaden the age coverage in the existing training programmes, as retraining is needed to improve the performance of the socially vulnerable groups, increasing their skills and knowledge to meet the market needs.
- Similar to those mentioned in enhancing tripartite cooperation, rent concessions and other concessionary taxation measures or even tax exemptions should be considered.
- The government could institute new measures in outsourcing contracts: inclusion of social clauses in tender requirement, giving SEs more business, restricted tenders, and other privileged policies.
- The government should review the existing registration requirements for cooperatives, since most of the requirements are outdated.

行政撮要

這項顧問研究的目的為：(a) 能找出針對不同群體而設的社企的理想發展模式；以及 (b) 建議方法，鼓勵針對不同群體的社企建立有效和適切的三方合作。

是次研究採納的主要研究方法包括文獻回顧（海外及本地研究、政策和有關社企的文件）、聚焦小組、關鍵人士訪問。

本報告首先介紹了香港社會企業的發展經驗，隨後闡述英國、美國和西班牙的經驗。然後是分析框架的建立，聚焦小組及關鍵人士訪問乃環繞此分析框架的變數。

研究隊伍進行了 8 個聚焦小組會面（45 人）。這些會面於 2007 年 12 月 17 日和 2008 年 2 月 18 日進行。其成員的組成包括 33 % 為非政府組織設立的社企的管理者或組織者，16 % 為社企本身具有商業背景的管理者，11 % 為合作社成員，24 % 為社企僱員，而 16 % 為社企政黨代表。在同一時期內，31 個深入關鍵人士的訪問亦告完成。這些關鍵人士有政界人士（23 %）、學者（33 %）、非政府組織代表（17 %）、私營企業（13 %）、智囊組織（7%）、以及其他專家（7 %）。

聚焦小組和深入訪談均強調以下主題：社企的定義和目標；理想的結構，運作模式，以及社企的相關優點和局限性；社企必要的資源；在社企的發展中政府、私人企業以及非政府組織的角色；其他利益相關者在社企中的角色；社企的營銷策略；以及成功社企的準則。

本地及國際經驗

香港

- 與社企的功能相近的社會事業在香港有著悠久的歷史。它們通常規模較小，以庇護工場或合作社的形式為殘疾人士提供就業機會。
- 香港還沒有社企的官方統計數字。截至 2006 年 6 月初，已有 187 個項目，在 48 個非政府組織的協助或經營下，進行不同類型的商業事務。
- 從 2005 年當時的扶貧委員會於一個會議上提出社企的概念開始，香港特區政府一直頗積極主動（宣傳，培訓，資金）。
- 雖然社企這個題目已被媒體及政府政策廣泛報導，但市民對社企仍不甚了解。

海外-英國

- 社企乃任何為社會目標而進行商品和/或服務的交易組織，並利用大部分的利潤再投資到企業或其他社會目標。
- 社企的論述是於 90 年代被提出，並作為解決例如失業和弱勢受歧視等社會問題的辦法。第三部門辦公室一直負責制訂政府的社企政策，而社會企業局則負責統籌和作為社企大使。
- 在英國有 55,000 個社企。在 2006 年，他們合共的營業額達 270 億英鎊（為 4,000 億港元）以及有助國家經濟 80 億元英鎊以上（1,200 億港元），佔年平均的國民生產總值近 1 %。
- 《2004 年公司（審計、調查和社區企業）法》用以規管社企。此外，社會公益公司以及相關的管理制度亦相繼成立。社會公益公司對股份或擔保人設限，並有法定「資產鎖定」，以防止資產和利潤完全被分配給股東或擔保人。
- 英國政府實行了一系列的措施，以指導中央和地方各級政府更有效地與社企合作。一些地方政府已將某些社會條款列入採購規定。
- 在財務方面，英國政府通過各個機構為社會企業提供支持：社區發展財務機構、小型企業服務處、社區發展財務協會以及鳳凰挑戰基金。
- 至於非營利性的機構方面，社會企業聯盟是一個全國性組織，代表超過 240 所全國性的社企附屬的主機構，46 個地區性和全國性的社企網絡，10,000 所於國內有多於一間分行的社企。
- 除了英國政府為社企提供援助（財務業務支援和規管架構）外，一個針對公平貿易和善待環境及有道德意識的市場發展蓬勃，亦為社企提供了富饒的營商環境。
- 公共知識的貧乏、政府官員對社企了解的貧乏、財政支持的不足和人力培訓的缺乏均制約了社企的發展。

海外-美國

- 在美國，社企的擴充正值政府大規模削減用於社會項目的撥款，故社企發展的支持是來自私營部門。
- 美國並沒有社企的官方定義。社企普遍理解為「透過創業賺取收入的策略以實現社會使命的組織或創投公司」。除了有 175,000 非營利組織可被視作以社企的模式運行外，有超過 5,000 間公司亦自稱為社企。
- 政府對社企的支持是有限和間接的。部分支持來自社區再投資法。此法例為弱勢社群的自置居所及為小型企業的商業貸款提供了信貸的保證。此外，州政府和聯邦政府預留了某個百分比的合約給少數民族及社企經營的企業。
- 其中一個說明政府的支持是顯著的例子，涉及到強制性的聯邦採購計劃。此計劃「策劃由政府購買在整個國家僱用失明或其他嚴重殘疾的非營利機構提供的產品和服務，為超過 36,000 個有這些殘疾的美國人提供了就業機會」。

- 社會企業聯盟是一個會員制的聯盟，成員主要為來自美國和加拿大的非牟利機構的行政人員。它的目的是通過社企運動以促進社企的發展，以及作為社會企業家的網絡以提供技術支持和學習機會。
- 在美國的大學也與英國的一樣參與社企的發展。
- 基金已成為社企發展的關鍵角色。
- 社會企業加速器亦擔演顯著的角色，提供一對一的諮詢服務、種子資金、商業工具，以及提供社區的關鍵利益相關者如服務供應商、資金來源、公司、公共機構、大學課程等的網絡。
- 社企在美國可以由不同的形式展現。一個有用的分法，區分了兩種形式的社企：基本性和結合性的。基本性的模式可劃分為：（一）由企業家支持的模型；（二）作以市場中介的模型；（三）就業模式；（四）收費服務模式；（五）服務補貼模型（六）市場連桿和（七）組織支持的模型。相結合的模式則包括：（一）複雜的模型；（二）混合模式；（三）特許經營模式；（四）營利與非營利性合作的模式。
- 一般來說，美國政府並沒有做多少直接促進社企的發展。唯一的做的包括提供稅收減免和信貸限額，以及修訂公共採購的慣例。

海外-西班牙

- 西班牙的合作社、志願團體、基金會、其他非營利組織有著悠久的歷史。直到 80 年代中期，這些事業才被視為一些社會問題（失業、貧困和社會排斥）的新的解決辦法。
- 「社會企業」或「社會經濟」沒有官方定義。然而，社會經濟的這個概念已經根植於 1978 年的西班牙憲法。
- 在 2004 年，有大約 95 個社會置入公司 (social-insertion companies) 和 94 個庇護就業輔導中心，分別為 1649 及 4455 殘疾人士創造就業機會。在 2006 年，一共有超過 51,500 社會經濟企業在西班牙聘用員工超過 240 萬人。這佔了全國總勞動人口的約 25 %。
- 為促進社企的發展，西班牙政府已進行了多項措施，打破行政和立法方面的障礙。
- 在財務方面，「一筆過的撥款」計劃，為失業人士提供一筆款項，建設或投資於社會經濟企業。
- 西班牙社會經濟企業聯會成立於 1992 年，代表了西班牙約 51,000 社會經濟企業和 24 個成員機構。它提供了一個社會經濟的企業和公共機構之間的對話平台。
- 西班牙社企模式可有多種：工人合作社、勞工社團/公司、互助社；庇護職業中心（或特別就業中心）和社會置入公司。
- 一些可以識別的有利因素包括：客戶的支持和在西班牙社會中的社會團結和志願服務精神。而阻礙的因素則包括：社會經濟企業於經濟規模和經驗記錄的不足，業務技能的缺乏，以及市民對社會的經濟體系了解的不足。

海外-重投工作社會企業

- 「重投工作社會企業」是於國家削減社會福利下、加劇的失業率和被邊緣化人士受社會排斥的背景所產生的。它們可分為社會合作社、相聯組織、社區屬有組織、過渡性就業的企業、以及庇護工場等。
- 一些可以識別的重投工作社會企業阻礙因素包括：務求在不同的資金來源的要求取得平衡所產生的問題；維持有自主性的管理；起伏不定的市場條件；以及規章限制。

分析框架和主要結果

- 我們借用各學者所提出在商業模式突顯的概念，建議一個包括基礎設施、客戶和融資方案的分析框架。其他四個包括在框架變量為：人力資源、網絡、融資、法律和監管制度。

觀念

- 現時社企面臨要符合社會使命和經濟目標的困境。
- 許多社企乃因為社會使命已形成，故經理往往把幫助社會弱勢群體而非滿足市場的需求視為他們的優先項目。
- 壓倒性大多數的受訪者認為，社會企業家精神是社企成功的關鍵。一些社會企業家的重要素質包括：有社會良知、有識別和把握機遇的能力、願意承擔風險、有創新能力、有資本來源、以及願意與商界的合作。
- 在社企的發展中，非政府組織應邀請商人加入執行委員會。
- 非政府組織有著在社區工作的悠久歷史，是最了解社區的需要的機構。
- 訪談中有共識認為，社會工作者不應是社企的唯一工作人員。社企需要非政府組織與私營部門預計的衷誠合作。

市場

- 至於市場定位方面，有意見認為，地區有基礎服務的需求，不論是傳統的基本或高檔產品。
- 社企可尋找新的市場，針對中層甚至上層階級，以提高這些人們的生活質量為目的。它也可以尋找開放的「被迴避」的市場，即那些一般商界沒有興趣涉足的市場。
- 社企持續性的關鍵是要在很短的一段時間達到一定的臨界質量。

營銷策略

- 社會營銷戰略是以有社會意識的購買者為目標。然而，在是次研究，受訪者對使用「社企」的標籤與否並沒有共識。

企業策略

- 有受訪者認為，社企可以是非政府組織的附屬單位，以享有財務和業務的獨立性。亦受訪者認為，社企可以是大型私人公司的附屬單位。

發展社企的有利因素

- 多數非政府組織是結構已確立的組織，因此他們可為新成立的社會企業提供例如行政、場地、甚至客戶方面的即時支援。
- 對成本控制方面，受訪者並沒有共識。有的傾向讓大部分運作社企的間接成本由有關的非政府組織承擔，而有的則不同意，認為此舉會掩蓋社企的真實的財務狀況。
- 我們的受訪者觀察到，有為數不少的人士，特別是具有良好的業務技能的退休人士，都願意為社會提供技能和知識作出貢獻。
- 現時公共融資有種子資金，但缺乏為社企增長的支持。
- 香港有一個良好和有效的框架，為社企辦理登記手續，也有健全的、有利於社企發展的法律制度和銀行體系。

發展社企的阻礙因素

- 有相當數量的非政府組織社企的工人，當被要求幫助建立和管理本身時，感到無助。
- 一些社企經理指出非政府組織的優柔寡斷---非政府組織的社會工作者，尤其是涉及到工人的紀律時，不是常常依決定而行。
- 對於過度關注社會使命的非政府組織，要改變其心態有一定難度。
- 社企的社工工作者缺乏商業知識和相關的心態和於耗用種子基金後的兩年，他們未必能夠在開放式的市場競爭中生存。
- 這些非政府組織缺乏的具體能力包括：經營一盤生意的專業知識以及制定市場策略的管理技能和知識。
- 兩個關鍵的衝突為——多數社會工作者表示兼顧雙重角色有困難——一方面為牟利，另一方面為社會使命。非政府組織面對著同樣的困境。
- 非政府組織也可以官僚化，這些組織可能因此失去商機。
- 由於大部分社企參與者屬社會弱勢群體，不斷招聘這些人士而又沒有適當的培訓以增加其適應市場的需求的能力，會增加社企的營運成本。
- 私營部門面臨業務支援的不足，而聯繫商人與非政府組織可以是一個漫長的進程。
- 非政府組織社企面臨與其他社會企業和中小型企業激烈的競爭。由此它們要聘用那些低學歷、低技能和身體上或精神上的有殘疾的人士，成本控制對這些社企是很困難。
- 有人亦批評政府對社企的支援不足。一個常見關於政府的政策的投訴，指是政府外判服務招標採購的門檻實在太高。

- 由於沒有官方的渠道讓社企的信息作協調及散播，公眾對社企缺乏理解和接受。

四個概念模式

本顧問研究提出的四個概念模式

(1) 「充強社會脆弱性」的模式

- 這種模式的前提是「從福利到工作福利」的概念，而這概念本身並不是一個減輕貧困策略的新概念。世界銀行已提出的三個策略以促進工作福利：即保障、機會和充強。
- 在此模式下，社企在減輕貧困中有自強的功能，因為：一）有助於克服如排斥和歧視等社會障礙，以及二）他們可以通過創業的投入和政策上的支持來充強弱勢群體。
- 弱勢群體基本上分為兩大類型，而這分類是重要的。第一種有高度的不可逆轉的脆弱性，而第二類的關鍵是其脆弱性是可逆轉的。

(2) 過程/就業模式

- 過程/就業模式著重於勞動過程，以及讓否則在開放的市場難以找到工作的人士創造就業機會。
- 社企有一個明確的社會目的，就是那些受僱於企業的人，將能得到社會上（更生）及經濟（收入和就業機會）的益處。

(3) 社會投資模式

- 理想的情況下，此模式視社會企業作為第三部門組織，通過明智地利用國家、市場、公民社會與公民社區的資源，以及在一個單一的組織結合經濟和社會目標與公共目標，一種有助於社會資本的形成的特定形式。
- 在本質上，社企的發展可以歸納於社會投資的標題下。這種投資方法促進社會發展，與經濟持續發展的需要吻合。

(4) 社會創業模式

- 社會企業家是此模式的癥結所在，可設想他們為一個自由推動者。他們被形容為「打破傳統有驚人的新主意」、「完全為他們的視野所佔據」。他們是改革的推動者和開拓者，注重市場力量又不忽略自己的社會使命。

- 社企以創業精神、創新和有創意的辦法，解決社會問題。

社企的發展正處在一個起步階段。在目前的經濟發展階段（存在了大規模貧困中及低就業率），若論尋找政策方向的話，研究小組建議政府考慮採用社會投資模式，原因是這種模式與政府的增長理念吻合。這個模式能連接社會和經濟的發展，能為香港特區政府及整個北京政府普遍認同為理想模式。

建議（推進政府、私營部門和第三部門三方之間的合作）

- 政府、私人部門和第三部門在社企的發展中均扮演著一個角色。
- 政府可以培育新的價值體系，讓廣大市民了解和認同的社會責任的理念。
- 關於社企的教育可作為在小學和中學強制課程的部分。
- 創造有利社企的環境，政府可能需要考慮使用稅收優惠或免稅措施，以鼓勵企業或個人給予社企財政支援。
- 由於大部分非政府組織工作人員和受益人對市場環境並不熟悉，政府應繼續採取措施，於企業之間鼓勵企業社會責任。
- 人們普遍一致認為，政府應給予協助孵化中心的發展，這些中心往往是由私人部門和第三部門發起和維持的。
- 股票投資者的做法可以鼓勵參與社企。
- 政府可以考慮頒發高級獎項和表彰予「模範」社企或精心設計的商業計劃。這能營造一個於大學、第三部門和私營部門創新的氛圍。
- 私營部門、第三部門和大學可以攜手合作，舉辦商業計劃競賽。
- 在大學，不同的學科如商學院和社會工作系可以進行學術及研究的合作。
- 研究隊伍相信，社企應給予法律上的定義。
- 政府應檢討中小型企業、社會福利和社企之間的關係。如果沒有清楚的界定，這些類似的概念只會令市民更糊塗。
- 政府應繼續為社企的設立提供種子資金。無息或低息貸款和免費或低租金的場所也應加以考慮。
- 在我們的研究中，有受訪者對社企的增長資金表示關心。有人建議政府給一次過的財政支持予參與的銀行，提供如低息貸款的優惠財政安排。
- 政府可考慮為社企設立貸款。
- 政府可以考慮為社企的表現設立監管體系和監管機制，。
- 原因是為改進社會弱勢群體的表現，提高他們的技能和知識，以滿足市場的需求，培訓是需要。
- 與前文提到加強三方合作的措施相似，租金優惠及其他稅收優惠甚至可繳稅豁免都應該加以考慮。
- 政府可在外判合同中加入新的量度準則：在招標規定包含的社會條款，給予社企多些生意機會，有限制的投標和其他特惠的政策。
- 由於大多數的合作社規定已不合時宜，政府應檢討現行的註冊規定。

Chapter 1: Introduction

Background

1.1 In mid-October 2007, the Central Policy Unit of the Hong Kong Special Administrative Region (HKSAR) Government commissioned a research team, headed by the Department of Social Work of The Chinese University of Hong Kong, to conduct a study entitled ‘Social Enterprises in Hong Kong’.

Objectives of Study

1.2 The objectives of this study were:

- a) to find out the viable or ideal models for developing social enterprises (SEs) that target different groups of people; and
- b) to develop ways to encourage effective and appropriate tripartite cooperation in SEs that target different groups of people.

Scope of Study

1.3 This study examined a) the development of SEs in Hong Kong and b) the existing SE models and related concepts the United Kingdom, the United States and Spain. Based upon these experiences, the study proposes some feasible models for SEs in Hong Kong.

Methodology of Study

- 1.4 To achieve the above-mentioned objectives, the research team conducted:
- a) a thorough literature review of overseas and local studies, policies, and related documents on SEs to
 - i) summarise the existing SE models and related concepts found overseas and in Hong Kong; and
 - ii) examine the contextual conditions under which the models have been derived, and the facilitating and hindering factors that have affected the development of each model.
 - b) 8 focus groups between 17 December 2007 and 18 February 2008 of 45 people (33% being managers or organizers of SEs founded by NGOs, 16% SE managers with commercial backgrounds, 11% cooperative members, 24% SE employees, and 16% political-party representatives), with in assisting and/or operating SEs (Appendix I) to
 - i) evaluate their own performance in SE experiences;
 - ii) identify the learning issues from the above-mentioned SE models;
 - iii) examine the possible facilitating and hindering factors in applying the SE models;
 - iv) estimate the feasibility of the identified SE models; and
 - v) suggest ways to encourage effective and appropriate tripartite cooperation when applying the SE models.
 - c) 31 in-depth interviews between 29 November 2007 and 25 February 2008 of key informants including politicians (23%), academics (33%), NGO

representatives (17%), private enterprises (13%), think tanks (7%), and other experts (7%) (Appendix II) to solicit their views on:

- i) the feasibility of the identified SE models;
- ii) the ways to encourage effective and appropriate tripartite cooperation when applying the SE models; and
- iii) the policy suggestions for facilitating SE models.

1.5 During the focus groups and in-depth interviews, the following themes were discussed:

- i) definitions and objectives of SEs;
- ii) ideal structure, operational modes, and related advantages and limitations of SEs;
- iii) necessary resources for SEs;
- iv) roles of government, private enterprises, and NGOs in the development of SEs;
- v) roles of other stakeholders in SEs;
- vi) marketing strategies for SEs; and
- vii) criteria for a successful SE.

Outline of Chapters

1.6 Chapter Two briefly reviews the development of SEs in Hong Kong. Chapter Three is an overview of the existing SE models and related concepts in the United Kingdom, the United States and Spain. Chapter Four gives the framework with which the case of Hong Kong was analysed. Chapter Five summarizes some key

findings of the study. Chapter Six discusses conceptual models for SE in Hong Kong. Chapter Seven makes several recommendations for the way forward.

Chapter 2: An Overview of Social Enterprises in Hong Kong

Background

- 2.1 Social businesses that serve similar functions to those of SEs have a long history in Hong Kong. They are usually small in scale and render job opportunities for the disabled in the form of sheltered workshops or co-operatives (Hong Kong Council of Social Service, 2006).
- 2.2 It was not until recently that the SE concept was formally discussed in the government as a solution to poverty (Commission of Poverty, 2005). Poverty has been a long-standing problem for the HKSAR government, and it has remained unmitigated even in the recent booming economy. For instance, the per-capita gross domestic product (GDP) (at constant 2000 market price) has increased by 40.8% in the past decade, from HK\$179,772 in 1996 to HK\$253,151 in 2006 (Census & Statistics Department, n.d.). Yet such economic prosperity has not been shared evenly. The escalating Gini coefficients of the past 10 years (from 0.518 in 1996 to 0.525 in 2001 and 0.533 in 2006) clearly show that the economic growth has benefited only a handful of the richest Hong Kong residents (Census & Statistics Department, n.d.). The most worrying situation is the increasing number of able-bodied people living in poverty. For example, the number of those receiving Comprehensive Social Security Assistance (CSSA) due to unemployment increased by an annual rate of 10.3% between 1996 and 2006. Similar annual

growth in those receiving CSSA due to single parenthood and low earnings were 12% and 20.3% respectively (Social Welfare Department, 2008).

Definitions, Features and Objectives

- 2.3 There is no official definition of SEs in Hong Kong. Instead, this report will identify key features.
- 2.4 SEs were firstly described as an entity conducting ‘activities, in whole or in part, with both a commercial and a social purpose’ (Commission of Poverty, 2005:1). These features were reiterated in the recent Summit on Social Enterprise, but with more specific descriptions. Firstly, SEs should meet commercial objectives, that is, generation of revenue from provision of goods or services. Secondly, SEs should meet specific social objectives. These objectives range from job creation and training of vulnerable groups, to providing goods or services needed by the community, and even environmental protection. Thirdly, profit generated from SEs should principally be reinvested into the business or the community to serve the social objectives (Home Affairs Bureau, 2007).
- 2.5 In other words, the objectives of SEs have broadened. They are no longer seen as new initiatives to combat poverty, with an emphasis on helping the able-bodied re-enter the labour market (Commission on Poverty, 2005). They are now widely accepted as entities serving a wide spectrum of social goals (Chan, 2006b).

Development

Government

2.6 The HKSAR government has been quite proactive since the concept of SE was broached in a meeting of the then-Commission on Poverty (CoP) in 2005 (CoP, 2005). The CoP continuously discussed the topic over the next two years, a leading role that was taken up by the Home Affairs Bureau (HAB) when the CoP concluded its work in 2007. SEs were also mentioned twice in government policy addresses. In 2005, the Chief Executive stated that the government would work with the relevant stakeholders to further develop SEs that enhanced the employability of the able-bodied unemployed (Tsang, 2005). Such collaboration was brought to a new level in 2007 when the Chief Executive highlighted the development of SEs in a separate section of his 2007-2008 Policy Address. He urged tri-partite collaboration – government, business and society – in the development of SEs (Tsang, 2007). Moreover, the then-Financial Secretary also delivered a speech during debate on a motion ‘vigorously promoting the development of social enterprises’ at a Legislative Council (LegCo) meeting in 2006 (LegCo, 2006).

2.7 Apart from its various levels of discussion on SEs, the government has initiated conferences, seminars and studies. For example, the CoP organised a brainstorming session with members of the Small and Medium Enterprises in 2005. In collaboration with the Central Policy Unit (CPU), the CoP also organised a conference in 2006, and the HAB coordinated a summit the following year. In

addition, the LegCo, the CPU and the HAB have either conducted studies by themselves (such as Li & Wong, 2007) or commissioned external independent bodies (such as the one doing this research) to study SEs. All these concerted efforts work for only one prime objective: exploring possible directions for the development of SEs in Hong Kong.

2.8 The HKSAR government has also taken a further step, providing manpower training for SEs. For training and consultation on entrepreneurship, the Small and Medium Enterprise Mentorship Association Limited has extended to SEs the business support of the Small and Medium Enterprises (SME) Mentorship Programme and the ‘Meet-the-Advisors’ Business Advisory Service under the Trade and Industry Department. The SME Mentorship Progress is organised by the Support and Consultation Centre for SMEs (SUCCESS) of the Trade and Industry Department and more than 50 professional organisations. Moreover, an Ad Hoc Committee on Social Entrepreneurship Training was set up in the CoP in 2006. The Employees Retraining Scheme of the Employees Retraining Board, which provides various retraining programmes for people who need to equip themselves with new skills in the job market, provides SEs with retrained manpower. The scheme eligibility has recently been relaxed to cover those ages 15-29 and non-degree holders.

2.9 SEs have found public financial support for four programs:

- a) *Enhancing Employment of People with Disabilities through Small Enterprise Project* – This project (or ‘Seed Money Project’) was introduced and administered

by the Social Welfare Department (SWD) in 2001, with a purpose of helping NGOs start up small enterprises for the disabled over a period of two years.

- b) *Enhancing Self-Reliance through District Partnership Programme* – This programme was launched by the Home Affairs Department in 2006, with the primary aim of using non-profit organisations to enhance the employability and self-reliance of the socially disadvantaged. This programme is largely district-based and, like the ‘Seed Money Project’, has a two-year time frame.
- c) *Community Investment and Inclusion Fund* – This fund, launched in 2001, aims at promoting community participation through tripartite collaboration of community groups, corporate bodies or professional groups, and the government. It encourages bottom-up solutions that seek to promote the development of social capital. Both NGOs and private enterprises are eligible to apply for this fund, and the supporting period for each successful project is three years.
- d) *Partnership Fund for the Disadvantaged* – Similar to the Community Investment and Inclusion Fund, this fund also promotes a tripartite partnership among the government, the business community, and NGOs in helping the socially disadvantaged. However, unlike the investment fund, this partnership fund provides matching funds to donations made by business enterprises in support of social welfare projects organised by NGOs. This fund was administered by the SWD in 2005, and the supporting period for each successful project is two years.

Non-government organisations and universities

- 2.10 The Hong Kong Council of Social Service (HKCSS), an umbrella organisation of over 320 NGOs, founded the Social Enterprise Resource Centre with the

partnership of SME Mentorship Association Limited in 2006. To further enhance the development of SEs, this centre runs the Social Enterprise Resources Web and provides consultancy services, training and learning workshops and visits, marketing and promotion, publicity, research and advocacy for those interested in SEs. With the help of some tertiary institutions, the centre in 2007 received its first two batches of students for the certificate course on social entrepreneurship.

- 2.11 Local universities have also been directly involved in promoting SEs. For example, in 2007, with the sponsorship of the CoP, the Chinese University of Hong Kong organised the first open business plan competition on SEs, the Hong Kong Social Enterprise Challenge. This competition aimed at encouraging university students to design some creative but viable plans for the existing SEs. Furthermore, the Centre for Civil Society and Governance of the University of Hong Kong has conducted studies on social auditing practices and the general trends of SEs in Hong Kong (Centre for Civil Society and Governance of the University of Hong Kong & Hong Kong Council of Social Service, 2005; Yuen & Lee, 2004).

Business community

- 2.12 At the urging of the HKSAR's Chief Executive, private companies such as Cheung Kong (Holdings), Sun Hung Kai Properties, and the New World group have agreed to set up programs to help the disadvantaged. A mail survey on corporate social responsibility (CSR) showed that around half of the local companies had stipulated organizational strategies in this area. For instance, 45% of companies had a

policy on employee volunteering, 52% on cash donations and 43% on in-kind contributions. Yet only about two-thirds of the companies had actively implemented the strategies (Shalini, & Kym, 2007).

Benefits

2.13 There are still no official statistics on SEs in Hong Kong, and the only available data are from HKCSS. As of early June 2006, 187 SE projects were participating in various types of businesses and were assisted or operated by 48 NGOs (HKCSS, 2006). The businesses varied – product manufacturing and sales, domestic services, general cleaning services, catering services, personal care services, to name a few. The participants in these SE projects included the disabled (mainly the physically disabled, the mentally disabled or psychiatric patients) and the able-bodied (such as unemployed, non-engaged youth, women, and the middle-aged semi-skilled) (Chan, 2006b)

2.14 According to the HKCSS (n.d.), there are three major types of SEs:

- a) *Social Firms* are usually initiated and operated by NGOs and usually employ the socially disadvantaged as staff.
- b) *Social Co-operatives* are sometimes initiated by NGOs. When the participatory members of these SEs have become more familiar with the management and operation of the businesses, they will democratically manage the SEs by themselves.
- c) *Community Economic Development Projects* emphasize community involvement and inclusion through community-based projects.

2.15 Though the topic of SEs has been widely covered in the media as well as in government policy, the public remains uninformed about and unreceptive towards SEs. For example, three-quarters of the respondents (local citizens) in a telephone survey last year did not understand what an SE was (Hong Kong Research Association, 2007). After being told about the key objective of SEs, around half (55%) of the respondents claimed to support SEs. When the respondents were asked for further reasons they would buy the products or services of SEs, 29% mentioned quality and 16% said price. Only 18% claimed that a social mission would drive them to buy the products or services. These findings were quite consistent with SEs own observations. As noted in the Social Enterprise Resource Centre's 2006 pilot survey on SE projects, 70% of the respondents (that is, SEs) said the public had a poor understanding of SEs (HLCSS, 2006).

Chapter 3: An Overview of Overseas Social Enterprises

Introduction

- 3.1 The emergence of SEs is basically an institutional response in almost all advanced societies to reforms of welfare regimes (Chiu, 2006). Understanding welfare regimes is thus an indispensable component of learning from overseas SEs. The research team has adopted Esping-Andersen's (1990) three types of welfare capitalism in this chapter to describe the experiences of SEs overseas. According to Esping-Andersen (1990), in a liberal state, individual liberty and market economy are the prime concerns. It is believed that all individuals are capable of participating and enjoying liberty in a free market. A liberal government would, thus, make as little intervention as possible to maximize and maintain the free market and preserve individual liberty. In a conservative state, it is assumed that the status quo is good for society. If reform is inevitable, it should be undertaken only at a gradual pace. As such, a conservative government would also make minimal intervention to uphold the basic social structure of the society. In a democratic state, however, it is argued that civil rights, human rights, and fair trade are the primary considerations. A democratic government would levy moderate to high levels of taxation to support an extensive system of social security.
- 3.2 Hong Kong's welfare regime falls somewhere between the liberal and conservative models. The research team, therefore, selected for further examination the experiences of three regimes similar to that of Hong Kong, including the United

Kingdom (UK), the United States (US) and Spain. The UK and the US were selected because they are both typical examples of liberal regimes. Yet, the UK is different from the US in that it is the commercial sector that assumes the leading role in developing SEs in the latter case.

- 3.3 Europe's most common form of SE, 'Work Integration, Social Enterprise' (WISE), will also be discussed in this chapter.

United Kingdom

Background

- 3.4 The occurrence of workers' co-operatives and other forms of community enterprises in the UK could be traced back to 1980s. But it was not until the 1990s that discourses of these businesses were brought up again and considered as a solution to social problems such as unemployment and discrimination against the socially disadvantaged (Li & Wong, 2007).

Definitions

- 3.5 SEs are 'businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximise profit for shareholders and owners.' (Office of the Third Sector, n.d.). In other words, an SE is any organisation that trades goods and/or

services under social objectives, and that uses most of the profits generated for reinvestment into the business or other social objectives.

Development

Government

3.6 In 2001, a Social Enterprise Unit was first established within the Department of Trade and Industry. The following year, this unit launched a three-year programme on SE strategy, which was reviewed in 2006. Upon completion of the review, and recognizing the significance of SEs, the Cabinet Office set up the Office of the Third Sector in 2006, with the purpose of consolidating all the efforts (related to SEs) of various departments under a larger concept – the ‘third sector’, which encompasses voluntary and community organisations, charities, SEs, cooperatives and mutuals (Office of the Third Sector, n.d.). Since then, this office has been responsible for setting the government’s policies on SEs, whereas the Social Enterprise Unit has been responsible for acting as a co-ordinator and ambassador for SEs.

3.7 To better regulate SEs, the Companies (Audit, Investigations and Community Enterprise) Act was passed in 2004. On one hand, this Act proposed a new form for SEs – a Community Interest Company (CIC), and its related regulatory system. CICs are limited by shares or by guarantee, and have a statutory ‘Asset Lock’ to prevent the assets and profits being completely distributed to the shareholders or guarantors. On the other hand, this Act suggested a regulator. The Regulator of

Community Interest Company (RCIC) is supposed to act as an independent public officer who monitors and enforces the related laws on registered CICs. All SEs have been registered as CICs since the act came into force in July 2005 (CIC, n.d.).

3.8 In order to set an example for others, the UK government instituted a series of measures that work as guidelines for central and local governments to work more effectively with SEs (The Chancellor of the Exchequer, 2002). Also, a social clause has been included in procurement requirements for some local governments. Local governments and national departments have also organised training programmes for procurement officers to understand and engage with SEs. The National Health Service is a good example (Li and Wong, 2007).

3.9 Financially, the UK government renders support to SEs through Community Development Finance Institutions (CDFIs). These are sustainable independent organisations that provide loans and business support to those establishing an SE. To facilitate the work of CDFIs, the Small Business Service and Community Development Finance Association supports the accreditation and regulation of SEs as well as the growth of CDFIs. In addition, the Phoenix Fund supports enterprises in engaging CICs for socially disadvantaged groups, and Community Investment Tax Relief encourages investment in SEs by offering tax relief. The Department of Trade and Industry has also organised specific trainings, visits, and consortium for SEs (Li and Wong, 2007).

3.10 To strengthen the SE strategies, the UK government in 2006 suggested various measures. They include fostering the culture of SEs, improving SEs' access to

support measures and appropriate finance, and working with the government (Cabinet Office, Office of the Third Sector, 2006).

Non-profit organisations and universities

3.11 The Social Enterprise Coalition is a national organisation representing more than 240 national umbrella bodies of SEs, 46 regional and national networks of SEs, and 10,000 SEs that have more than one branch in the country. It represents most SEs in the UK. It therefore serves as a platform through which views of SEs can be heard and discussions between the SEs and the government can be held. The Coalition also organises seminars and conferences; publishes policy documents, training materials and best-practice guides; and provides information about the sector for its members (Social Enterprise Coalition, n.d.).

3.12 SE has also become a discipline in university programmes. For instance, the Liverpool Business School at Liverpool John Moores University, the School of Management and Languages at Heriot-Watt University, and the Institute of Continuing Education and the Judge Business School at the University of Cambridge offer various study programmes, research and/or consultation services on SEs. The Annual UK Social Enterprise Research Conference held last year was the fourth annual conference of its type.

Benefits

3.13 According to the Office of the Third Sector (n.d.), there are at least 55,000 SEs in the UK. In 2006, they generated a combined turnover of £27 billion (HK\$400 billion) (Cole, 2007), and contributed more than £8 billion (HK\$120 billion) to the national economy, almost 1% of the annual GDP (Li and Wong, 2007). The SEs also accounted for about 5% of businesses with employees (Office of the Third Sector, n.d.), employing in all more than half a million people (Chan, 2006a). Over the past decade, SEs have turned into a bottom-up movement (Chan, 2006a).

Common models

3.14 Since the enactment of the Companies (Audit, Investigations and Community Enterprise) Act 2004, the legal form of SEs was set as CIC. All the other forms – including companies limited by shares, companies limited by guarantee, and industrial and provident societies – have therefore been transformed into CICs. According to Social Enterprise Edinburgh (cited by Li and Wong, 2007), SEs in the UK could be categorised as the followings:

- a) Charity arms – businesses established by charities, the incomes of which are for the pursuit of the charities' social missions;
- b) Community businesses – businesses owned and operated by people in local communities, with purposes of enhancing community development as well as providing local people with employment opportunities;
- c) Cooperatives – businesses organized for and by their members;
- d) Community-development finance institutions – independent institutions providing

financial support to the socially disadvantaged or to organizations that conduct business; and

- e) Social firms – businesses providing jobs for the socially disadvantaged.

Facilitating factors

- 3.15 *Existing support structures* – The UK government has already provided small and medium enterprises with much financial and business support. These existing mechanisms have been widely used to provide immediate support for the third-sector enterprises (Passey and Lyons, 2004). Nonetheless, such use of existing support structures has also drawn much criticism.
- 3.16 *Regulatory framework* – With the enactment of the Companies (Audit, Investigations and Community Enterprise) Act and the legal authorities prescribed to the RCIC, the regulatory system of the third-sector enterprises is more or less comprehensive. The public, therefore, may have a better understanding of as well as confidence in these enterprises.
- 3.17 *Market niches* – As there are market niches in the current delivery of public service and in unmet community needs, third-sector enterprises thus find room for survival and growth. In addition, a booming ethics-conscious market aiming at fair trade and friendly environment provides these enterprises with a fertile ground for business (Spear, 2007).

Hindering factors

- 3.18 *Poor public receptivity and knowledge* – The public receptivity towards and knowledge of third-sector enterprises are still problematic. Pearce (2003) argues that the values of third-sector enterprises are not sufficiently explicit to let the public fully understand the enterprises' significance. There is also a lack of the 'culture of giving' (Passey and Lyons, 2004) and insufficient knowledge of and confidence in these enterprises (Spear, 2007). This situation also prevails among other parties, including the business sector, finance providers, mainstream business, and voluntary organisations (Li and Wong, 2007).
- 3.19 *Poor understanding of government officials* – On one hand, some government officials, including policy makers, do not have sufficient knowledge of the possible impact and value of these third-sector enterprises. On the other hand, some do not know how the impact(s) should be assessed and measured (Li and Wong, 2007). In other words, social accounting (the mechanism with which third-sector enterprises could be monitored) has not been widely adopted (Pearce, 2003).
- 3.20 *Insufficient financial support* – It is due to the lack of public knowledge of third-sector enterprises and their lack of a proven track record that these enterprises face many difficulties in raising capital from sources other than the government (Li and Wong, 2007). Besides, there is no mutual-financing institution that could base its allocation decisions on social-economy values rather than using the common yardstick adopted by the mainstream banking system (Pearce, 2003).

3.21 *Insufficient manpower trainings* – Social entrepreneurship has always been an overlooked topic in the development of third-sector enterprises. As highlighted by Pearce (2003), social enterprises need plans, but not business plans. Therefore, manpower training on expertise in social economy is essential. The most immediately available business-support services come from those for the SMEs, and the UK government has expanded these services to include third-sector enterprises. Yet, these support services do not really meet the specific needs of the third-sector enterprises (Pearce, 2003; Li and Wong, 2007). Coupled with these problems is the difficulty of social entrepreneurs' striking a balance between fulfilling social objectives and making a profit (Li and Wong, 2007).

United States

Background

3.22 As summarised by Mendell (2007), the expansion of SEs in the US coincided with massive cutbacks of government funding for social programs. In fact, the US federal government has put billions of dollars into a variety of social programs through the Great Society initiative of the 1960s. Most of these funds were invested through non-profit organisations, enabling the expansion of these organisations at the same time (Hodgkinson, Weitzman, Toppe, & Noga, 1992; Salamon, 1995; Young, 2003). However, the declining economy in the late 1970s spurred large cutbacks in federal funding, and as a result, the nonprofits had to rectify their strategies. SEs began to be seized upon by these nonprofits as a measure to fill the gap left by government cutbacks (Crimmins & Keil, 1983;

Eikenberry & Kluver, 2004; Young, 2003). As noted by Mendell (2007), commercial income accounted for 48.1% of the overall revenue of nonprofits in 1982, climbing to 57.6% in 2002.

Definitions

3.23 There is no official definition of SE in the US. It is generally understood as ‘an organization or venture that advances its social mission through entrepreneurial earned income strategies.’ (Social Enterprise Alliance, 2007). In other words, use of entrepreneurship in income generation is the key in defining SEs, with an emphasis on income generation rather than the *process* of income generation (Kerlin, 2006).

Development

Government

3.24 In the US, there is limited and indirect government support for SEs. For example, other than the loosely defined Unrelated Business Income Tax stipulated in the 1950s (Cordes & Weisbrod, 1998), there is almost no recent legislation on nonprofits involved in SEs (Kerlin, 2006). The only exception is the New Markets Tax Credit Program, launched in 2003. Under this program, taxpayers are given a credit against federal income taxes for any equity investment in designated Community Development Entities (Community Development Financial Institution Fund, United States Department of Treasury, 2008).

- 3.25 The US government also revised the Community Reinvestment Act (CRA) regulations in 1995 and 2005. The initial CRA ensured credit for the socially disadvantaged in home ownership and for small businesses in commercial loans. The first revision substantially increased the loan amounts for these two groups, while the second revision simplified the administrative procedures for granting these loans (Federal Financial Institutions Examination Council, 2008).
- 3.26 In addition, the state and federal governments have reserved a percentage of contracts for businesses owned by ethnic minorities (Chan, 2006a) and for SEs. As recorded by Pomerantz (cited by Kerlin, 2006:255), the mandatory federal purchasing program ‘provides employment opportunities for over 36,000 Americans who are blind or have other severe disabilities by orchestrating government purchases of products and services provided by non-profit agencies employing such individuals throughout the country’.

Non-profit organisations and universities

- 3.27 Social Enterprise Alliance (2008) is a membership-based alliance of non-profit-making executives mainly from the US and Canada, and it aims to promote the development of SEs through an SE movement. It networks social entrepreneurs to provide technical support and learning opportunities. Other networks serve similar functions. They include the National Association of Community Capital, the National Congress on Community Economic Development, and the Business Alliance for Local Living Economies (Mendell, 2007).

3.28 Universities in the US, like their counterparts in the UK, are also involved in SEs – examples are the Fuqua School of Business (Duke University), Harvard Business School, Stern School of Business (New York University), The Stanford Graduate School of Business, Columbia School of Business, and Yale School of Management. Social Enterprise Knowledge Network, a collaboration of leading business schools in Latin America with Harvard Business School, was also set up in 2001 (Harvard Business School, n.d.). Apart from offering programs, these business schools focus on practical research of SEs, whereas social science schools emphasise more heavily on theoretical approaches (Kerlin, 2006).

Business community

3.29 As mentioned, most support for SE development comes from the private sector (Paton, 2003). As summarized by Kerlin (2006), there are: foundations which provide information on SEs and create networks (such as Kellogg Foundation, Kauffman Foundation, Surdna Foundation, Rockefeller Foundation); funds which provide start-up supports for SEs (such as Roberts Enterprise Development Fund); trusts that promote business competition (such as Goldman Sachs Foundation, Pew Charitable Trusts); and foundations that provide intensive training programs (such as Draper Richards Foundation, Skoll Foundation, Echoing Green, Ashoka, Schwab Foundation).

3.30 The social-enterprise accelerator is another form of support rendered by the private sector, and Pittsburgh Social Enterprise Accelerator in Pennsylvania is a good

example. Such a program ‘provides one-on-one consulting, seed funding, business tools, and connections with key stakeholders in the community such as service providers, funding sources, corporations, public agencies, and university programs’ (Kerlin, 2006:255). In fact, these accelerators provide SEs with staff and advisory board members who have diverse backgrounds. These help facilitate connections in the community (Pittsburgh Social Enterprise Accelerator, 2006). Because of the availability of private support, there is an increasing number of consulting firms that assist SEs (Kerlin, 2006).

Benefits

3.31 Till now, apart from 175,000 non-profit organisations that behave as SEs, over 5,000 companies identify themselves as SEs (Chiu, cited by Thomas, 2006).

Common models

3.32 Since there is neither an official definition of nor specific policy on SEs, the US has a variety of SEs. According to Kerlin (2006: 248), ‘In U.S. academic circles, social enterprise is understood to include those organizations that fall along a continuum from profit-oriented businesses engaged in socially beneficial activities (corporate philanthropies or corporate social responsibility) to dual-purpose businesses that mediate profit goals with social objectives (hybrids) to non-profit organizations engaged in mission-supporting commercial activity (social purpose organizations). For social purpose organizations, mission-supporting commercial activity may include only revenue generation that supports other programming in

the non-profit or activities that simultaneously generate revenue and provide programming that meets mission goals such as sheltered workshops for the disabled.... Social enterprise engaged in by nonprofits may take on a number of different organizational forms including internal commercial ventures, for-profit and non-profit subsidiaries, and partnerships with business including cause-related marketing.’ In other words, an SE can be anything from a profit-oriented business engaged in socially beneficial activities to a non-profit engaged in mission-supporting commercial activity.

3.33 For specific models, the complicated typology developed by Alter (2007) is a good reference. This typology was derived from an empirical study on SEs in Latin America, and it has already considered both a) the mix of social values and goals of the SEs and b) how SEs have come up with various kinds of ownership models, income and capitalisation strategies, management, and service systems. There are two major kinds of models for SEs, fundamental models and combining models.

a) Fundamental models

- a) Entrepreneur-support model – SEs mainly sell business support and financial services their its target population, or ‘clients’, in order to enable these ‘clients’ to sell their products and services in the open market.
- b) Market-intermediary model – SEs either buy the client-made products or take them on consignment, and then sell the products in upper-end markets.
- c) Employment model – SEs directly provide employment opportunities and job training to their ‘clients’.

- d) Fee-for-service model – SEs commercialise their services and sell them directly to the ‘clients’ or a third party.
 - e) Service-subsidization model – SEs sell products or services to an external market and use the income generated to support their social programs.
 - f) Market-linkage model – SEs facilitate trade relationships between clients and external markets. In other words, the SEs serve as brokers connecting buyers and producers.
 - g) Organisational-support model – SEs sell products and services to an external market; in some cases, the ‘clients’ are the customers themselves.
- b) Combining models
- a) Complex model – SEs combine two or more of the fundamental models.
 - b) Mixed model – SEs combine social and business entities. They are evolved from the maturity of an organisation as well as from social-enterprise experience. They are usually large multi-sector organisations that establish separate departments or subsidiaries for each technical area, such as education, health, and economic development.
 - c) Franchise model – The SEs franchise their ‘proven social enterprise models’ and then sell them to other nonprofits to operate as their own businesses.
 - d) Private-non-profit partnership model – The SEs are mutually beneficial business partnerships or joint ventures between a for-profit company and a non-profit organisation.

Facilitating factors

- 3.34 *Non-interventionist government* – As mentioned, the US government has not done much direct promotion of SEs. The only things it has done include the provision of taxation exemptions and credit limits, and the revision of public procurement exercises. In other words, the government provides the private organisations with a supportive context in which to provide different types of support for SEs.
- 3.35 *Availability of foundations* – Compared with government expenditures, foundations and trusts are more reliable sources of investment for SEs. This is because government social-program funding relies heavily on tax revenues and necessary expenditures other than social programs. Investment from foundations and trusts should be more stable since the objectives of these bodies tend to be simple and specific. Besides, social entrepreneurs in foundations and trusts are usually ambitious and creative in meeting social objectives, and they are much more resourceful. In the US, the availability of foundations and trusts enriches the contextual background for the development of SEs (Mendell, 2007).
- 3.36 *Network platforms for SEs* – Social capital is an indispensable element in the development of SEs. On one hand, the networks created by universities and alliances in the US form well-covered platforms through which entrepreneurs could easily earn their social capital. On the other hand, these platforms serve as merging points at which views and experiences of SEs, whether theoretical or practical, can be exchanged.

3.37 *Manpower training on social entrepreneurship* – Manpower has been always regarded as one of the key elements for a successful business. Similarly, manpower is significant to an SE. As the key of SE in the US is the use of entrepreneurship in income generation, quality of the enterprise is far more important than the others in an SE. Therefore, business schools have played an important role in the development of SEs – they have been providing manpower training on social entrepreneurship through their courses and programs (Mendell, 2007).

Hindering factors

3.38 *Lack of government involvement* – When there is no clear legal definition of SEs, there is no way to check those SEs engaging in revenue-generating activities (Kerlin, 2006).

3.39 *Potential weakening of civil society* – Over-reliance on market orientation may pose risks to civil society (Alexander, Nank, & Stivers, 1999; Eikenberry & Kluver, 2003). First, the focus on revenue generation may make the enterprises abandon less-efficient practices, such as volunteer programs, to maximise profit margin. Also, traditional stakeholders and networks may be abandoned for large foundations, trusts and funds. In other words, opportunities to promote traditional social capital are lost (Aspen Institute, 2001; Eikenberry & Kluver, 2003). Furthermore, because of the interest in market strategies, there may be a shift in board membership from those connected to the community to those connected to

business (Backman & Smith, 2000). All this may affect the further development of SEs in meeting social objectives.

- 3.40 *Possible exclusion of some groups of socially disadvantaged* – Under the fee-for-service model, those unable to pay may be excluded (Salamon, 1993). Some vulnerable groups may also be excluded if revenue-generating activities are preferred to mission-related programs (Weisbrod, 1998; 2004). Furthermore, market activities may be focused on meeting specific individual clients' needs (rather those of the community), especially if serving these specific clients' could generate revenue (Alexander, Nank, & Stivers, 1999). This will directly affect the direction of SEs' future development in meeting various kinds of social objectives.

Spain

Background

- 3.41 Being part of Europe, Spain shares a long history of co-operatives, voluntary bodies, foundations and other not-for-profit organizations. However, it was not until the mid-1980s that these businesses were seen as new solutions for some social problems. When the Secretariat-General for Employment was established in 1985 to take charge of employment issues, specific divisions were set up in this office to coordinate the government departments in promoting these businesses, formalize accords and agreements, and facilitate the funding of enterprises (Li and Wong, 2007).

3.42 Spain's unemployment rate rose from around 2% in the early 1970s to more than 10% in the late 1970s, reaching the peak of 24.2% in 1994 during an economic recession (CIRIEC-España, 2002; Li and Wong, 2007). Upon witnessing the benefits brought since the mid-1980s by the above-mentioned businesses, the Spanish government has assumed that these broadly categorized social-economy enterprises could help control unemployment, poverty and social exclusion (Li and Wong, 2007).

Definitions

3.43 Though there is no official definition for 'social enterprises' or 'social economy', the concept of social economy was embedded in the 1978 Spanish Constitution (Austrian Institute for SME Research and TSE Entre, and Turku School of Economics, Finland, 2007). The 'constitution requires public authorities to facilitate co-operative enterprises through legislation and promote workers' access to ownership of the means of production' (Li and Wong, 2007: 42).

Development

Government

3.44 To facilitate the development of the social economy, the Spanish government has carried out measures to break down administrative and legislative barriers. For example, consultancy services to SMEs have been extended to those who have set up new businesses for the socially disadvantaged. Similarly, for 'work integration

social enterprises' there are reductions for employers' social-security contributions if they hire workers at risk of social exclusion (Vidal & Claver, 2004). The bureaucratic costs of setting up a new company and the minimum number of partners required for a cooperative (with the enactment of the Cooperatives Act in 1999) have also been reduced. Moreover, the Spanish government has provided social-economy enterprises one-stop integrated services through the 'Single Window for Businesses' project (Li and Wong, 2007).

3.45 Financially, the 'One-off Payment' scheme provides the unemployed with a lump-sum payment to establish or invest in a social economy enterprise. Government subsidies are also given to support operational costs (travel expenses, rents, maintenance, insurance premiums, advertising and public relations, stationery and membership fees) of social-economy enterprises. In addition, as the Spanish government has extended its support to SMEs, the benefits also cover the social economy. The government's internal rules, for example, have been made more flexible to strengthen the equity of social-economy enterprises. A micro-credit limit has also been formed to provide loans to small businesses set up by the socially disadvantaged. The Official Credit Institute is allowed to finance SMEs' small- and medium sized projects (including those formed by social economy enterprises). There are also financial subsidies for activities and campaigns with an aim of promoting the social economy, self-employment or CSR (Li and Wong, 2007).

3.46 In 2005, a policy was implemented to promote CSR in both large enterprises and SMEs. Apart from disseminating good practices in social-economy enterprises,

the CSR Expert Forum serves as a platform for social entrepreneurs to exchange views and share experiences. ‘Entrepreneurs’ Day’ is a significant event to arouse public awareness of entrepreneurship. To further enhance awareness, the compulsory ‘Mini-company Creation Program’ has been implemented in secondary education. Furthermore, the Spanish government has strengthened teachers’ training on entrepreneurship, improved training materials on entrepreneurship in occupational-training schools, and encouraged universities to design more programs on entrepreneurship (Li and Wong, 2007).

- 3.47 To promote of social economy, the Spanish government has also included a social clause in government tender documents. Potential service providers are required to employ a certain percentage of unemployed workers or workers with a socially disadvantaged background in order to be eligible for bidding (Li and Wong, 2007).

Non-profit organisations and universities

- 3.48 The Confederation of Spanish Social Economy Businesses, founded in 1992, represents about 51,000 social-economy enterprises and 24 member organisations in Spain. It provides a platform for dialogues between social-economy enterprises and public authorities. It has also been working with the National Public Employment Service on the design and execution of employment and vocational-training plans (Li and Wong, 2007).

- 3.49 Founded in 1956 in Spain, Mondragón Corporacion Cooperativa (MCC) is the largest cooperative in the world. It engages in various businesses, conducts

research, provides vocational training, and operates teaching centres. In 2006, MCC employed 83,601 employees and generated assets of €22.6 billion (HK\$240 billion) (Li and Wong, 2007).

Benefits

3.50 As shown by the Spanish Enterprise Confederation of the Social Economy (CEPES) (2005), there were around 95 social-insertion companies and 94 sheltered employment centres in 2004, which generated employment opportunities for 1,649 persons and 4,455 disabled persons, respectively (CEPES, 2005). In 2006, a total of more than 51,500 social economy enterprises employed more than 2.4 million people in Spain. This accounted for some 25% of the overall working population throughout the country. Social-economy enterprises generated a turnover of more than €87 billion (HK\$922 billion) in 2004, accounting for more than 7% of that year's GDP (Li and Wong, 2007).

Common models

3.51 There are various SE models found in Spain:

- a) Workers' co-operatives are businesses organized for and by their members, with a democratic working and operating structure;
- b) Labour societies/companies (or employee-owned companies) share capital companies, usually in the form of limited-liability companies, in which shareholders are also the workers who participate in the companies as paid

- workers with contracts of unlimited duration;
- c) Mutual-provident societies are not-for-profit organizations with a democratic structure and management to carry out voluntary insurance activities;
 - d) Sheltered employment centres (or special employment centres) are not-for-profit organizations which provide the disabled with employment opportunities; and
 - e) Social insertion companies are non-for-profit organizations serving as transitional platforms for the socially disadvantaged in seeking permanent jobs in the market (Li and Wong, 2007).

Facilitating factor

- 3.52 *Support from the public sector* – As noted by (Vidal & Claver, 2004/05: 16), ‘(g)enerally, the more dependent a WISE is on individuals as customers, the lower its income. In the majority of cases, the economic growth of a WISE is due to the winning of an important private enterprise or governmental customer.’ This is, in fact, a true description of WISE in Spain. More than one-third (38%) of the income earned by Spanish WISEs comes from the public sector (Vidal & Claver, 2004/05).
- 3.53 *Social solidarity and volunteerism* – High social solidarity and volunteerism in Spanish society provide the social economy with a favourable environment for growth (Austrian Institute for SME Research and TSE Entre, and Turku School of Economics, Finland, 2007).

Hindering factors

- 3.54 *Financing difficulties* – These come mainly from the lack of economic scale and track records of social-economy enterprises. On one hand, these enterprises are usually at a disadvantage in any open competition because big companies usually provide goods or services at a lower cost but with standard quality. This is a common limitation of social-economy enterprises (Vidal & Claver, 2004/05). On the other hand, social-economy enterprises encounter difficulties in obtaining long-term financing at a cheaper interest rate if they are not able to provide valued assets or a good credit record (Li and Wong, 2007).
- 3.55 *Insufficient business support* – Although the development of social-economy enterprises (and cooperatives in particular) has a long history in Spain, quite a number of these enterprises' managers still have no previous managerial training. Therefore, they lack business skills (Vernis/Domènech, 2005). Though the Spanish government has already rendered business support to the SMEs, they still do not meet the specific needs of social-economy enterprises. The greatest problem is how to strike a balance between meeting social objectives and generating revenue (Li and Wong, 2007; Vernis/Domènech, 2005).
- 3.56 *Inadequate public understanding of social economy* – Despite the long history of social-economy enterprises in Spain, the general public is still not clear about the specific nature of these enterprises (Li and Wong, 2007).

Work Integration Social Enterprise

Background

- 3.57 *Unemployment due to changing job nature* – Initially, the average employment rates of many European countries were quite low, since early retirement and extensive social-security nets (especially the pensions and benefits for the unemployed) were very common in these welfare states. However, the job markets in these countries have changed due to gradual globalisation (Spear and Bidet, 2005). New skills, such as professional knowledge and skills of communication and problem-solving, are required in most jobs, and these changes directly led to structural unemployment. Those with low skills have been further marginalised in the job market, and the average official unemployment rate in Europe has escalated from 1.6% in the 1960s to 4.2% in the 1970s, 9.2% in the late 1980s, and 11% in the early 1990s (Taylor, 2003).
- 3.58 *Changing welfare regimes* – Coupled with these increased unemployment rates and social exclusion of the marginalised were the changing welfare regimes. Most states have gradually withdrawn from their role as the main service providers in social services. Instead, they have begun to create welfare markets, paving the way for welfare pluralism in which the private, public and third sector providers could participate (Laville 2003, Powell and Barrientos, 2004). In other words, the European countries in general have shifted from the universalistic coverage of ‘security’ to a participatory model (Steinert, 2003).

Definition

3.59 It was under these circumstances that ‘Work Integration Social Enterprise’ (WISE) emerged. According to studies of 12 European countries conducted by Defourny (cited by Borgaza & Defourny, 2001) in the European Research Network (EMES) and Spear and Bidet (2005), there are nine criteria to distinguish an SE:

- a) A continuous activity producing goods and/ or selling services;
- b) A high degree of autonomy;
- c) A significant level of economic risk;
- d) A minimum amount of paid work;
- e) An initiative launched by a group of citizens;
- f) A decision-making power not based on capital ownership;
- g) A participatory nature, which involves the persons affected by the activity;
- h) Limited profit distribution; and
- i) An explicit aim to benefit the community.

Typology

3.60 According to the study of Spear and Bidet (2005), most of the SEs observed in WISEs could be broadly categorised as:

- a) Social cooperatives – usually more commercial in nature and which offers permanent jobs to the workers;
- b) Associative structures – provide either temporary or permanent employment opportunities for specific target groups;

- c) Community owned structures – provide job training or employment opportunities;
- d) Transitional employment enterprises – take various forms, such as association intermediaries (i.e., enterprises connecting the producers or service providers with the open market) or insertion companies (i.e., companies serving as transitional platforms for the socially disadvantaged in seeking permanent job in the market); and
- e) Sheltered workshops – usually for disabled people.

Hindering factors

3.61 *Predicaments caused by diversity of funding sources* – WISEs frequently draw funding from diverse sources. Therefore, in most cases, these WISEs may encounter problems in striking a balance between the varied requirements prescribed by different funding sources. A subsequent problem is how to maintain autonomous management (Spear and Bidet, 2005). Yet autonomy has been widely accepted as a key element in WISE.

3.62 *Risk management* – Although diversity of funding sources enables WISEs to eliminate the risk of over-reliance on either the state or any single funding source, there is always a risk for a sustainable enterprise. Any possible adverse market condition or contingency related to the funding sources may lead to downsizing or abandoning of the enterprise. Unlike the traditional reliance on the state, diverse funding sources for WISEs require the enterprises to manage their own uncertainty (Spear and Bidet, 2005).

3.63 *Regulatory constraints* – To support the development of SEs, quite a number of European states have carried out measures to ensure the social objectives of these enterprises. However, this may add inflexibilities and constraints to the enterprises, including WISEs. For instance, as Spear and Bidet (2005) note, the requirements of minimum number of types of workers allows no room for an enterprise to employ someone in need. Likewise, restrictions on the use of a specific percentage of surplus may result in lack of incentive among the workers. Moreover, the ambivalence in the use of social clause and basis of lowest price in public-tendering exercises may induce competition from the enterprises of WISEs or enterprises of the private sector.

Chapter 4: Analytical Framework

Introduction

- 4.1 In order to analyse the case of Hong Kong, this chapter first discusses some major components of various SE models. Borrowing the concepts highlighted in a business model proposed by Osterwalder (cited by Andersson, Bergholtz, Edirisuriya, Ilayperuma, Johannesson, Grégoire, Schmitt, Dubois, Abels, Hahn, Gordijn, Weigand, & Wangler, n.d.), we address issues encountered by SEs such as infrastructure, customers, and financing. Details can be supplemented by the references (such as Chan, 2006b; Chiu, 2006; Thomas, 2006; or others specified). Following this is a discussion of the other key elements in the development of SEs.

Major Components of Social Enterprise Models

Infrastructure

- 4.2 *Primary agents* – These are the agents that operate SEs. Should they be newly established agencies or existing organisations, such as the NGOs in Hong Kong or any other private enterprises? If the existing NGOs venture into business, their existing infrastructure (staff, ‘clients’, and networks) may provide immediately available resources for SEs. However, the same infrastructure may simultaneously pose constraints (administrative procedures and social mission) on the development. If newly established agencies are preferred, the advantages and

limitations of existing NGOs will be irrelevant. What form(s) these new agents should take is a topic worth discussing.

4.3 *Participants/ workers* – Who should be the participants (workers) in SEs, socially vulnerable groups (the disabled and the unemployed but able-bodied) or workers openly recruited from the job market? Given the same job nature, the cost of running a business operated by socially vulnerable groups is usually higher than that of a business operated by workers recruited from the market. This is because socially vulnerable groups are basically those who are unable to find job opportunities by themselves; recruiting these groups for the same jobs available in the existing job markets and for the same customer market naturally brings relatively lower work efficiency. This is directly related to higher operational costs, which may be an unfavourable condition for a business. Nonetheless, this is not to say that these vulnerable groups possess no efficient or useful skills. Instead, they can be utilized for non-conventional jobs and for unexplored customer markets.

4.4 *Social entrepreneurs* – Under normal circumstances, social entrepreneurs are the key to an SE's success. Unlike entrepreneurs found in general business settings, a social entrepreneur emphasises the use of social entrepreneurship to meet an SE's social and economic objectives. Types of governance are also a major concern for them.

a) *Social entrepreneurship* – As described by Boschee and McClurg (2003: 5), the central idea of entrepreneurship is the 'pursuit of an opportunity without

regard to the resources in hand'. However, social entrepreneurs have more in mind. According to Boschee and McClurg (2003) and Dees (2001), social entrepreneurship includes:

- i) Clear objectives in using income-earning strategies to pursue social objectives;
 - ii) A mission to create and sustain social values;
 - iii) The ability to recognise and grasp new opportunities to meet the missions;
 - iv) Courage to take risks and challenges in meeting the missions;
 - v) Practical strategies of actualising stated objectives;
 - vi) Mentality of 'sustainability' and 'self-sufficiency' rather than 'dependency'.
 - vii) Ability to act without being limited by resources at hand;
 - viii) Heightened accountability to the served and for the outcomes generated;
- b) Value configurations – If the social entrepreneurs are clear about the value configurations of the SEs in which they are involved, these rationales will be internalised, and both the enterprises and their customers will benefit. In general, there are two major types of values in any SE:
- i) Social values – These include social inclusion for the unemployed disabled (with the aims of increasing their self-confidence and lowering their unemployment rate) and the unemployed able-bodied

(with similar aims), social fairness, environment protection, and other goodwill measures.

- ii) Economic values – These are about income-earning. In fact, financial substitutability is prior to the pursuit of social values in an SE. Therefore, a fundamental question for a social entrepreneur is how to balance welfare and business enterprises within an entity such as an SE.

- c) Governance – Governance, the relationships among participants in a corporation, determines the direction and performance of the corporation by management and leadership processes (Monks & Minow, 1995). All these are subject to whether there is separation between the ownership and control of the corporations (Berele & Means, 1932). SEs are no exception. The scope of service and the authority of social entrepreneurs are confined by all these configurations of governance. As proved by Low (2006), if an SE can attract investment, it usually adopts the stewardship model of governance (Low, 2006). However, whether this argument stands in the local community needs further verification.

Customers

- 4.5 *Target customers* – These are the target clients for an enterprise. To set better sustainable strategies, an enterprise will usually identify and locate its target customers before producing the commodities or preparing the services. For an SE,

the same strategy may need to be designed. For instance, an SE may need to define whether its target customers are also themselves participating in the SE, since serving the vulnerable groups is part of social values. Target customers of an SE could also be those having bought the products produced or having been served by the SE.

4.6 *Customer relationships* – Under normal circumstances, a business enterprise tries every means to establish links between the company and its different customer segments – the purpose is to stay in touch with these customers for the future. For SEs, however, there is still a question of whether their identity, as an SE, should be made known to the public in order to maintain customer relationships. Whether the ‘SE’ label will yield a positive or negative response from the public is still a question to be answered – it depends on cultural values and public receptivity to the SE concept (Chiu, 2006).

4.7 *Distribution channels* – Distribution channels are the means through which a company delivers its products and services to its clients. Decisions about these distribution channels may also involve market positioning and marketing and distribution strategies (Chan, 2006b; Yuen, 2007). Concerning the marketing strategies, some suggestions for SEs are:

- a) Use the existing market;
- b) Create new markets;
- c) Use district-based market or community-based market;
- d) Open ‘shunned’ market/ community needs unmet by government; and

- e) Promote change in the mainstream market.

Financing

- 4.8 *Financial resources* – There are two major dimensions for studies of SEs’ financial resources . The first is temporal. An SE needs funding for various purposes throughout its different developmental stages. For instance, an SE needs start-up money in the beginning and then short-term revenue for its growth. The second dimension is relational, the sources from which an SE can find support – individuals, practitioners in the SE, private enterprises, NGOs, charities, banks or even the government.
- 4.9 *Revenue generation* – There are two main concerns on revenue generation for SEs: from where and from whom can the revenues be drawn (Thomas, 2006)? For the former concern, there are sources like fees for services or products rendered by the SEs, membership fees, investment dividends, or even revenues from businesses unrelated to the core mission of the SEs. For the latter concern, possible sources include the target customers of the SE, third-party payers, other business partners or NGOs, the government, and the general public. All these need to be examined in detail before an SE goes into operation.
- 4.10 *Revenue distribution* – Among the various concerns of revenue distribution, one major unsettled question is whether a specific percentage of revenue generated from SEs should be locked up either for investment into the business or for investment in other social objectives.

Other Key Elements for a Social Enterprise

Legal and regulatory system

4.11 Whether SEs require a legal or official definition is, in fact, a debatable question. On one hand, a legal definition makes SEs visible to the public, and regulatory systems may thus be easily carried out. Where comprehensive regulatory systems have been set up, legally defined SEs may find it easier to raise funds (Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, 2007). On the other hand, those against a legal definition believe that it may work against creative forms of SEs. In addition, they say, a self-regulatory model would be better than an official one for regulatory purposes and would more accurately represent the interests of the sector (Spear, 2007). There is also a concern about whether the labelling effect will have a positive impact on SEs.

Financing

4.12 It is commonly agreed that, regardless of the type of welfare regime, the government should support the development of SEs through taxation policies (such as granting exemptions), and financial subsidies (Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, 2007).

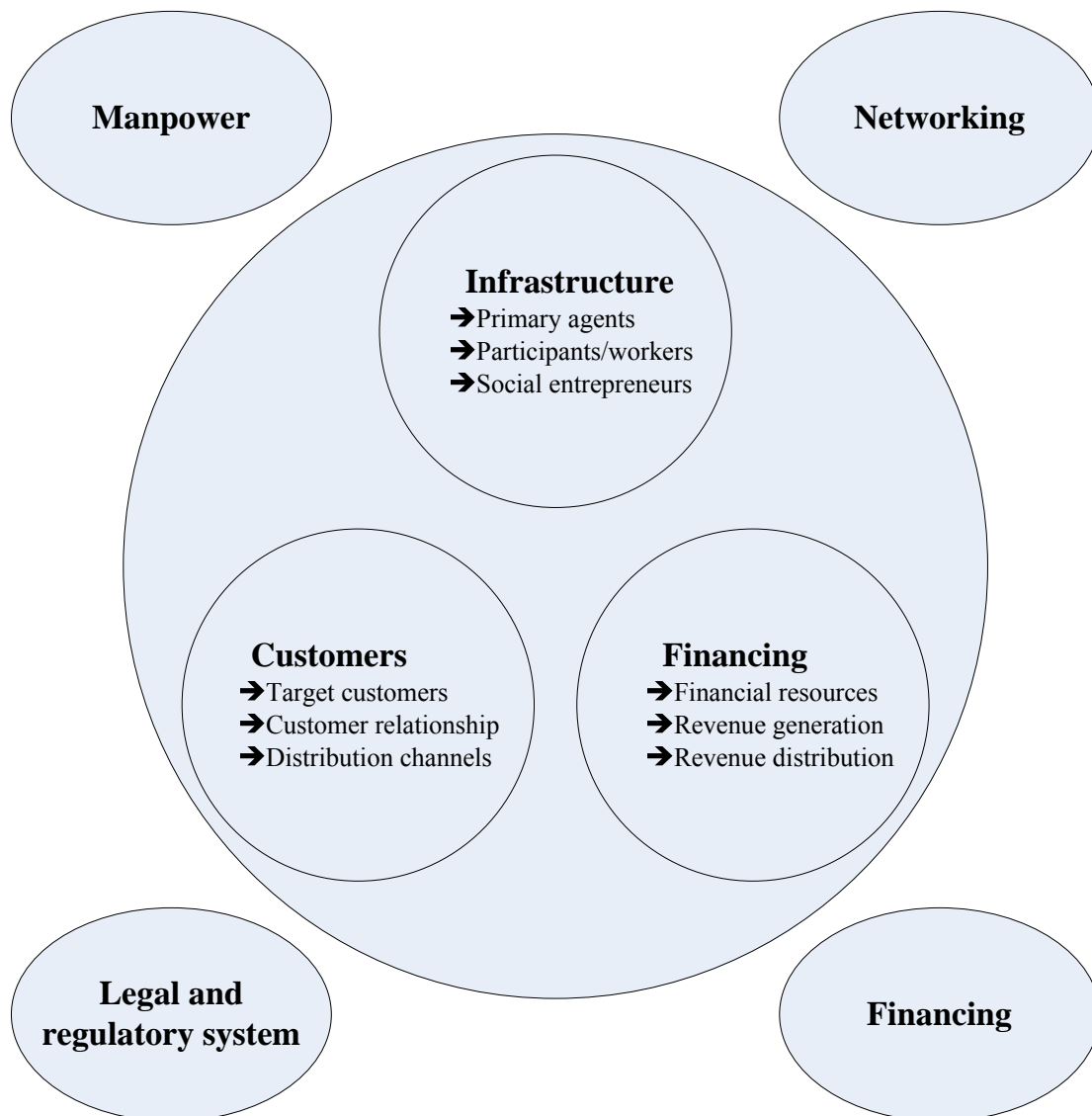
Manpower

- 4.13 Besides financial support, consultancy agencies (for start-up, development, fund-raising, etc.), business and management training are significant topics for SEs (Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, 2007). In a nutshell, financial and business support structures are the crucial elements for increasing the capacity and effectiveness of SEs (Spear, 2007)

Networking

- 4.14 Partnership networking is another concern to quite a number of SEs. Could there be alliance or competition between the SE and other SEs, between the SE and other private enterprises (such as SMEs) (Austrian Institute for SME Research and TSE Entre, Turku School of Economics, Finland, 2007)? All these directly impact the positioning of an SE and, indirectly, the tripartite partnership – government, private sector and third sector (Chan, 2006b).

Figure 4.1 1 Figure 4.1 Analytical Framework of Social Enterprise – Major Components



Chapter 5: Key Findings of the Study

Introduction

5.1 To facilitate the understanding of the SE models suggested in Chapter 6, this chapter will first examine the major issues leading to a successful SE. We will then discuss the facilitating and hindering factors for the development of SEs in Hong Kong.

Learning Issues Arising from the Study

Social Entrepreneurship and Mindset

Mindset of people running social enterprises

a) Economic goals

5.2 Getting trapped between social missions and economic goals is the most common dilemma for existing SEs. On one hand, social missions – helping the most vulnerable groups in society – were all well understood by our interviewees. But on the other hand, there was no consensus on whether an SE should achieve economic goals. Some SE operators thought it a great achievement for an SE to break even. However, many interviewees thought that such a viewpoint was due only to the confusion of service provision with business operation. The managing strategy for an SE should be double-bottom line, that is, social goals and economic goals. In other words, an SE is basically an enterprise. Some interviewees even wished that an SE providing only

services would not be named an SE. For these people, under normal circumstances, an SE should aim not at reaching the break-even point but at achieving a profit. To achieve these ends, an SE should first set a time frame for covering its previous losses. It should then think about the long-term development in earning a profit. As profit usually comes from open competition, an SE could be described as successful only when it can make a profit in open competition rather than remain a subsidised enterprise. One interviewee highlighted the significance of meeting the economic goals of an SE:

‘If you think it’ll be great to just break even, you will lose for sure in the future. That’s because the closer you gets to your goal, the lower your motivation will be for reaching a higher goal.’

b) Demand-driven enterprises

5.3 An enterprise, by definition, should be demand-driven rather than supply-driven. That is, an enterprise is formed simply because a person identifies a business opportunity for profit-making (that is, unmet demand or new demand), and he or she grasps this opportunity to meet the demand. However, most existing SEs initially violate this rule because they are supply-led. They have been formed because of a social mission, a mission of creating jobs for those who are unable to secure jobs in the open market. Once employed, these people may have their self-confidence enhanced, and leading to increased social integration. Managers in such a supply-led SE may, somehow, focus on weaknesses of these socially vulnerable groups. Therefore, the SE remains a long way from reaching its economic goals. To achieve a successful SE, managers have to know what the demand is and think about how the enterprise should be run to meet this

demand. In other words, managers have to identify the market demand and then tailor the strengths of their workers to meet the demand. Managers of an SE can do these tasks in parallel, searching for a market niche on one hand and uncovering the strengths of their workers on the other hand. They could then match workers' strengths with the unmet market demand.

5.4 Social missions have always been the background objectives of an SE. But they should not be the drive for the SE's business. This does not mean that none of the social missions can be achieved by running an enterprise. In fact, some social goals, such as enhanced self-confidence and social integration, can be achieved in a business. Job training could also be provided to workers with the purpose of transforming a supply-driven business into a demand-driven one. In addition, one of the prime objectives of an SE is to achieve social goals with the money earned through the business.

Social entrepreneurship

5.5 As agreed by the overwhelming majority of our interviewees, social entrepreneurship is the key to SEs' success. Apart from social conscience, the following qualities of a genuine entrepreneur are important for social entrepreneurs:

- a) Ability to identify and grasp opportunities – As society changes constantly, opportunities emerge at the same time. Entrepreneurs are able to identify these changes and look for changing needs.

- b) Willingness to take risks – Whenever there are risks, there are opportunities. Entrepreneurs are able and willing to take risks because they also find opportunities from the risks.
- c) Innovation – Innovation in entrepreneurship not only means innovation in product but also along the supply chain and in cost management. Innovation is especially significant for a sustainable SE.
- d) Ability to source capital – Capital is important for both set-up and growth of a business. Entrepreneurs have the ability to source various kinds of capital – social (such as finding partners for sourcing purposes), human (such as knowledge, skills and experience) and financial.
- e) Willingness to cooperate with the business sector – Genuine entrepreneurs are willing to lead the management team to cooperate with the business sector.

5.6 In the development of SEs, NGOs should invite businessmen to join the executive board. It is because entrepreneurs are driven by fund, whereas businessmen are driven by profit motives. With the help of businessmen and entrepreneurs, NGOs should be able to run a business without marginalising their social goals. NGOs should also take the lead in operating SEs to avoid the misunderstanding of collusion between businessmen and government officials. With their long history in community work, NGOs are the agency most aware of community needs.

Balance between welfare and business enterprises

5.7 To meet the double-bottom line, striking a balance between welfare and business enterprise is a big challenge for most SEs. On one hand, an SE is most likely to succeed if it meets the community's demands – this is the mentality of a businessman.

On the other hand, the development of an SE requires the fulfilment of some social goals, such as forming private-public partnerships and generating community support. These are usually the achievements of social workers. Who should operate an SE, according to some of our interviewees, is not a great issue – the key is that social workers should not be the only personnel in an SE. Social workers have to cooperate sincerely with the business sector. Therefore, meeting social goals should include social workers, as they understand the participants very well. Yet, the managers have to understand the perspective of social workers, not just focus on the business part. SEs should consider market need first, and then organize their participants to meet the need.

Marketability

Market niches

a) District based SEs

5.8 For market niches, some interviewees pointed out that there are demands for basic services in a) old and dilapidated districts, b) districts which are too far away from urban areas, or c) districts with more poor people. These services may include elderly care, nursery, and vendors. Such district-based SEs may have a greater chance of success if they can meet such community needs. There is also less competition, as the profit margin is too low for other business enterprises, let alone the competition between SEs and SMEs.

b) Markets for traditional services or high-end products

5.9 Apart from district-based SEs, the market for traditional services is another suggestion made by our interviewees. As consumption today has become more diversified and individualised, it was suggested that SEs could give added value to some existing traditional services to meet the market niches of some groups of people. Mother-care services (i.e., after delivery) are one example. Besides, some informants proposed markets for high-end products that aim at increasing their clients' quality of life. Running pet salons or hotels is a typical example.

c) Existing market

5.10 There were also good examples of SEs engaging in the existing market. For instance, some SEs have joined a franchise to run convenience stores in hospitals. Some also advocated the use of positive market forces to change the consumption and production modes of the mainstream market on one hand, and achieve economic and social impacts on the other hand. Fair trade and environmental protection were the most frequently mentioned.

d) Newly emerged market

5.11 An SE could create an alternate market. Similar to the market for high-end product, newly emerged market should target the middle or even upper class, with the purpose of increasing these people's quality of life.

e) Underserved market

5.12 Other informants suggested that SEs open ‘shunned’ markets. These are usually community needs unmet by the government. An SE thus provides commercial services to the poor and earns a reasonable profit. These services are, however, not of interest to big-business enterprises simply because of the limited profit. Examples are home-care services, elderly care, nursery, maintenance for home appliances, and housing management for old and dilapidated buildings. Likewise, there are markets among the middle class for personal-care services. These are labour-intensive services that are quite expensive in the private market, such as physiotherapy, occupational therapy, and body-care services. No matter whether these SEs target the lower or upper class, the key to sustainability is to build up a critical mass within a short period of time.

Marketing strategies

5.13 Social marketing strategies target socially conscious buyers, yet the quality of the services should come first. There was no consensus among our interviewees on the use of the ‘SE’ label. People against labelling argued that clients usually have other reasons, such as elevated quality and lower prices, to want the services or commodities produced by the SE. Those for labelling claimed that clients buy the services or products from SE because they want to do some social good. Therefore, whether or not the SE label is effective depends on the market as well as the client base.

Enterprise strategies

a) SE as a subsidiary of NGO

5.14 It was suggested that an SE could be formed as a subsidiary of an NGO, in which the SE enjoys financial and operational independence. The link between the NGO and SE is an executive committee whose members are selected from another committee chosen by the internal members of the related NGOs. Therefore, a clear line of accountability is formed. In addition, there will be cross-subsidies from both public funds and foundation funds (given by the NGO). The key advantage of such an arrangement is that there will be shared resources for existing services. The major criticism, if the SE operates in an existing competitive market, will be unfair competition.

b) SE as a subsidiary of large private enterprise

5.15 An SE could also be formed as a subsidiary of a large private company. If this were the case, the company itself would provide the SE with a big internal market. For instance, an SE operating cleaning services would serve all the sub-offices of the larger company. Besides, a big private enterprise could provide a wide spectrum of job opportunities. Still, there is a risk – the SE may be ‘absorbed’ by the private enterprise.

Facilitating Factors for Development of Social Enterprises

Involvement of NGOs

An existing structured organisation

5.16 Though NGOs have been criticised for being too stringent in meeting market demands and too committed to achieving social missions at the expense of economic goals, there are merits that NGOs bring to SEs. For example, as most NGOs are well-structured organisations, they may provide newly established SEs with immediate support, such as administration, venue and even clients. Besides, NGOs could take the lead in organising, worker recruitment, and operation. Furthermore, with the backup label of an NGO, SEs may be regarded as more ‘formal’ enterprises rather than enterprises formed by a few unknown unemployed people, and clients may trust more deeply the quality of services.

Cost containment

5.17 There are conflicting views on cost containment. Some of our informants said they prefer to have most of the indirect costs of running an SE, such as administrative expenses and rent, absorbed by a related NGO. As only the direct costs, such as participants’ salary, will be recorded in the SE’s ledger, the balance sheet will look good to any accountant. However, other informants emphasised that having NGOs absorb all the indirect costs only obscures the real situation of an SE. Therefore, they said, in order to evaluate the performance of an SE, all the direct and indirect costs should be clearly stated in the related ledger.

Market

5.18 As mentioned, NGOs are the best organisations to identify market niches, given their knowledge of the communities that they have been serving. This is what the business

sector may not be able to do. If the NGO has many sub-organisations, sister organisations and centres, it could provide a potential internal market by setting up an SE as a separate organization but still under the NGO's auspices.

Entrepreneurs

5.19 As observed by some of our interviewees, there are quite a number of people, in particular retirees with good business skills, who are willing to contribute to society by providing SEs with skills and knowledge.

Funding

5.20 Currently, there is public financing which serves as seed money for SEs – Enhancing Employment of People with Disabilities through Small Enterprise Project; Enhancing Self-Reliance through District Partnership Programme; Community Investment and Inclusion Fund; Partnership Fund for the Disadvantaged. No adverse comments were made about this seed money; the only criticism was the lack of financial support for growth of SEs.

Social infrastructure

5.21 Hong Kong has a good and efficient framework for an enterprise to be registered. There are also sound legal and banking systems that are conducive to development of SEs.

Other factors

5.22 Other favourable conditions for development of SEs include increasing trends of outsourcing of public services, as well as growing income disparity and unemployment, which enables provision of manpower.

Hindering Factors for Development of Social Enterprises

Involvement of NGOs

Mindset

5.23 Humanity as the core value of NGOs – Quite a number of workers of NGOs felt helpless when asked to help set up and manage an SE. As the core value of the existing NGOs is humanity, the initial mentality of NGOs is serving their clients (usually the vulnerable groups). The mentality of running a business (cost containment, profit making, and cost-effectiveness) is, somehow, not their concern.

5.24 Indecisiveness of NGOs – This is another problem for SEs. Some SE managers (who had worked in business settings before joining the SEs) told us that social workers from NGOs do not always follow decisions. This is especially the case when the related decision is about having workers (the initial serving clients of the NGOs) disciplined.

5.25 Difficulty in changing the mentality of NGOs – This has always been a problem, since these NGOs have been established for so long.

Abilities of workers

5.26 Too many NGOs are now funding-driven. Therefore, in case of SEs, these NGOs just act in response to funds available rather than look at their own competence. Therefore, the majority of SEs close down within the first three years. This is because social workers of NGOs working for the SEs lack the business knowledge and related mindset, so they may not be able to survive in open-market competition after the first two years of using all the seed money. The specific abilities these NGOs lack include:

5.27 Entrepreneurship or expertise in running a business – Though social entrepreneurship is an important element of SEs, it is commonly agreed that it is not an expertise of workers in NGOs. That is, NGOs lack innovation, courage, the ability to find new resources, and business sense.

5.28 Managing skills in business setting – NGOs over-emphasise humanistic aspects and are reluctant to sack or discipline workers who have committed mistakes or are not suitable for the job assigned. In other words, practices not allowed in the business setting all happen in SEs run by NGOs.

5.29 Knowledge in formulating market strategies – Some NGOs even do not know how to market themselves and how to make use of media to improve the business of SEs.

Role conflicts

5.30 Conflicting roles found in individual workers – Most social workers voiced difficulties with taking care of dual roles – profit-making on one hand and social mission on the other hand.

5.31 Conflicting roles found in NGOs – NGOs are often confused as they are trapped in two entities:

- a) Social entity – NGOs is a social entity in which social services are provided to help disadvantaged groups find jobs in SEs; and
- b) Economic entity – One of the prime objectives of SEs is to earn money. Therefore, an NGO has to try its best to make a profit from an SE.

Bureaucratic structure

5.32 In case an SE is operated by an NGO with a strongly bureaucratic structure, the SE may lose business opportunities. Decision-making in common business settings has to be quick

Participants

5.33 Under normal circumstances, most SE participants are those from socially vulnerable groups, such as the unemployed, unskilled, and homemakers. Therefore, continued recruitment of these people without appropriate training to increase their abilities to fit the market needs will increase the cost of running the SEs, and thence lower their

Involvement of private sector

5.34 There is still insufficient business support for the sector, such as lack of tailor-made training for social entrepreneurs. As mentioned, there are retired businessmen who may want to contribute to SEs, but they do not know how to chip in. Besides, the process of linking these businessmen and NGOs needs trust-building. It may take a long time for a businessman to obtain trust from NGOs. The only exceptions may be prominent figures in society.

Market

Market competitions

5.35 As mentioned by most interviewees, existing SEs face keen competition from NGOs currently operating an SE. It is because most SEs provide low-end products or services. However, the related demand will be increase simply due to an increase in supply.

5.36 Another possible competition comes from SMS. With social objectives as a key concern, SEs may not be able to consider too much cost containment when they have to take care of those with lower education, lower skills, physical or mental disabilities. Besides, these SEs may need to protect all participants (workers) with a minimum wage

and maximum working hours. Therefore, it is not easy for SEs to compete in the commercial field, where businesses aim at high returns without any social objectives.

Market entry

5.37 Government is usually the biggest buyer in various kinds of products and services. Yet, there is insufficient policy support for SEs to secure government contracts. One common complaint about government policies is that the threshold of tender for procurement of government out-sourcing services is too high. For example, there are requirements on cash flow, deposit, and track record if SEs want to submit tender proposals. All these requirements are, however, unrealistic for most SEs.

Market identification

5.38 Market identification is a problem not only for general entrepreneurs but also for SEs. In brief, it is too difficult to locate or create a market which does not involve any existing private enterprise and which has room for development.

Financing

5.39 Though there may be sufficient funding sources for SEs to set up their businesses, there is no financing for SEs to grow. There is also a lack of floating capital that SEs can use for contingencies. The most commonly mentioned issue was the lack of formal assessments, monitoring mechanisms and related penalties. Without such regulatory

mechanisms, there may be abuse. In addition, no quality control of SEs may lead to detrimental issues in the near future.

Other issues

Public receptivity

5.40 There is a lack of public understanding and receptivity to SEs since there is no official outlet through which information of SEs are coordinated and dispatched. The public receptivity toward SEs' recruiting able-bodied people, such as unemployed and homemakers, is even lower.

Chapter 6: Models for Social Enterprise in Hong Kong

Contextualising Social Enterprise in Hong Kong

- 6.1 The existence of SE bridges the gap between social values and profit-making economic activities. However, this general description of the nature of SEs is too broad and lacks focus. Social objectives include a wide spectrum of activities, ranging from client-centred activities like care for vulnerable groups and anti-racial discrimination to general developmental activities such as environmental improvement, health promotion and cultural-heritage preservation.
- 6.2 The Hong Kong-specific definition of SE is similarly broad and inclusive: “(an entity) with conduct of activities, in whole or in part, with both a commercial and a social purpose” (Commission of Poverty, 2005:1). We understand that, at this early stage, it is not wise to propose a narrow definition to restrain the potential growth of the sector, but we should understand clearly the direction we are heading.
- 6.3 The contextual background in promoting SE in Hong Kong is poverty alleviation, stated clearly in the Policy Address of the CE and the Commission of Poverty, as mentioned in Chapter Two. It is against this background that we understand the function of SEs – policy tools to realize the concept of “from welfare to workfare”. Four conceptual models are discussed below.

“Empowering social vulnerability” Model

Theoretical bases

6.4 The concept of “from welfare to workfare” is not a new concept in poverty alleviation. For instance, as proposed by the World Bank (2000), there are three strategies for using the concept of workfare to eliminate poverty: security, opportunity and empowerment. “Security” is basic living standards and risk reduction, and its main concern is with policy provisions and economic protection; “Opportunity” is the existence of, and access to, favourable employment and business-starting conditions, with its focus on external conditions for market entry; and “Empowerment” is the building of capacity and confidence in meeting challenges, focusing on the strength of the participants. If these three strategies are put together, a “poor people-friendly market” will be created with high potential for change. The World Bank has advocated just such a “poor people-friendly market” in its poverty alleviation strategies (World Bank, 2000). It is believed that the SEs can serve the empowerment function in poverty alleviation because:

- a) they help to overcome social barriers like exclusion and discrimination; and
- b) they can strengthen vulnerable groups through entrepreneurial input and background policy support.

6.5 Under the policy orientation of empowering vulnerable groups to move from welfare to workfare, it is necessary, at the onset, to classify vulnerable groups into two major types. The first type consists of people with high degrees of irreversible vulnerability

like the mentally ill, people with moderate grades of mentally retardation, and people with 50-percent disabilities or above. It is quite unrealistic to expect these people to face market competition in an open business market, and hence they are less able to enter the labor market *even after* training in the SEs. As the causes of poverty for these groups of people are physical attributes and misfortune, many people assess them as less qualified to enter into employment, thus heightening their sense of social exclusion. Their employment in the SEs can build up their sense of social inclusion, though the financial input may be confronted with less profit-making outcomes.

6.6 The second type consists of people who have better coping behavior and reverse their vulnerability more easily. This group consists of people like housewives, single-parents, unemployed youths, and middle- to older-age workers with stronger general ability. This group of people is only temporarily relying on welfare. It is believed that, given the chance to move out of poverty, these people will have strong motivations to take up workfare programs. As people of these groups are left behind, unable to keep pace with the modern business world, what is required is to build up hopes, perspectives and new skills to help them catch up with all these new changes. In other words, the vulnerability of these groups is reversible.

6.7 Under the aforementioned analysis, the “Empowering Social Vulnerability” model consists of 2 sub-models.

6.8 The first sub-model is called “Welfare Plus”, which targets SEs that help those with greater irreversible vulnerability. It says that SEs should serve stronger welfare and social-inclusion functions, rather than aiming at financial self-sufficiency or high

profit return. The major objective of SEs of this type is to help welfare dependents move from welfare dependency to social participation, and the term “Welfare Plus” serves such a purpose. As these SEs are less competitive, they are less capable of maintaining self-sufficiency but require stronger and continuous support from the government, volunteers and NGOs. Financial input for these SEs may have little impact on enhancing labor productivity. However, social principles of self-help and inclusion are fostered and strengthened. The government should have stronger financial commitments for this group, or at least help them attain financial sustainability. A SE project (running a restaurant) operated by a group of mildly retarded people, under the supervision of the Hong Chee Association, is a good illustration. Although the venture does not earn a large profit and most of the management operations rely on volunteers, it has become one of the best-practice models for this sub-model.

Relevance for Hong Kong

6.9 There has been a long history of establishing this type of SE in Hong Kong since the early 70s. The earliest form was “workshop for the blind”. The profit motive of these workshops was not strong, and SEs worked mainly on the principle of “welfare plus”, striving to empower such vulnerable groups for social inclusion and participation. At that time, entrepreneurship was not emphasized because the ideology of welfare was focused on “aided self-help”, (the ideology has now changed to “self-sufficiency”). The new ideology of welfare has, somehow, diverted attention from self-help SEs to those with greater economic independence and financial viability. Nonetheless, there are very few social mechanisms or policy measures with which this new ideology can

be realized. The CIIF (Community Investment and Inclusion Fund) is one that suits this sub-model, as it provides support to a wide range of activities with stronger social objectives than profit-generating purposes for Community-Based Organizations (CBOs) and Non-Government Organizations (NGOs). Another Fund, the Employment of People with Disabilities through Small Enterprise Project (managed by Social Welfare Department) is also one that suits this sub-model.

- 6.10 The second sub-model is called “Opportunity Plus”. In this sub-model, SEs work for a wide range of social groups with reversible vulnerability, and their poverty conditions are characterized by transitional economic conditions and lagging capabilities. The major direction of the SEs is to help such vulnerable groups move off welfare while keeping the SEs financially viable and sustainable. In this sub-model, the government is more active in providing logistic support, while entrepreneurs can also help to train them to seize hold of business opportunities and move out of poverty. For this group, seed money from the government can provide start-off initiatives, yet the major question is financial sustainability, i.e., whether the SE can stay afloat in the turbulent market economy. More logistical help for these groups is needed, in the form of tax support, legal recognition, loans from the government, and also information, social networks and experiences from NGOs and entrepreneurs. However, the government should determine support cut-off points because the overall goal is to strengthen the self-reliance concept.

Relevance for Hong Kong

- 6.11 All along, the HK government has provided support to SMEs (small-and-medium size enterprises), especially in the form of loans. However, such passive provision is inadequate for social groups that are marginalized; more action is needed to activate social and economic opportunities. In the “Opportunity Plus” sub-model, SEs need strong support from the tripartite relationship of the government, NGOs and the business sector. The government’s major role is to strengthen start-up logistical support, followed by entrepreneurial input and NGO assistance. As such, these SEs may achieve rapid start-up and higher degrees of sustainability. Start-up support involves the three parties concerned: the government provides loans or one-off subsidies, legislative regulations and social recognition; NGOs provide volunteers and social networks; and the commercial sector provides professional and management skills. All these efforts are necessary to create a “poor people-friendly market”.
- 6.12 In Hong Kong, we already have the Enhancing Self-reliance through District Partnership Programme from the Home Affairs Department, and the Partnership Fund for the disadvantaged. These two programmes are working under the “Opportunity Plus” sub-model assumptions and objectives.

Process/Employment Model

Theoretical bases

6.13 Process/employment model emphasizes the labour process and the creation of employment opportunities for those who would otherwise have difficulty finding jobs in the open market. It has a clear social purpose. Those who are employed by the enterprise would stand to gain both socially (rehabilitation) and economically (income and employment). Although making a profit could be one of the objectives of such SEs, it is the primacy of their social purposes that come to dominate organizational decision-making. A business organization devoting a major part of its profits to social ends could be regarded as a firm with high or outstanding CSR. However, such a business is not apt to be classified as SE – it is at best a caring business enterprise. Many commercial businesses would consider themselves as having social objectives, but process-oriented SEs are distinctive because their social or environmental purposes are central to what they do. The SE process/employment model provides employment opportunities and job training to target populations with high barriers to employment – the disabled, homeless, at-risk youth, and ex-offenders. The organization operates an enterprise employing its clients and sells its products or services in the open market. The type of business is predicated on the appropriateness of jobs it creates for its clients, regarding skills development and consistency with clients' capabilities and limitations, as well as commercial viability. The process/employment model is widely used by disability and youth organizations, as well as social-service organizations serving low-income women, recovering addicts, the formerly homeless, and welfare-to-work recipients. Popular types of employment businesses are janitorial and landscape companies, cafes, bookstores, thrift shops, messenger services, bakeries, woodworking, and mechanical repair.

6.14 The process/employment model fundamentally stems from social theories concerning the meaning of work and the practice of social rehabilitation. To the extent that the work organization allows, work can serve as a tonic for personal identity, helping an adult to develop self-worth and self-esteem. When an individual does meaningful work, he/she actually develops a sense of identity and dignity. Work becomes problematic when an individual fails to relate to it properly. When one thinks of work, one often thinks of a job – but work is far more than a job. Work is, above all, an activity through which an individual fits into the world, creates relationships, uses one's talents and inculcates a sense of belonging to society (Landy 1980). For individuals who are deprived of a proper opportunity to work, a feeling of alienation will gradually develop, and in a worst-case scenario, he/she might develop forms of mental dysfunction and therefore need treatment. Hence, the modern practice of social rehabilitation has come to emphasise the role of work and employment (Brown & Hughson 1993). The other theoretical justification for this process/employment model is, of course, the rationality theory championed by economists. The creation of employment positively creates opportunities for growth, since all labour costs count in the gross domestic product. The positive results of additional employment created by SEs will certainly enhance productivity and also proportionately reduce social costs on welfare programs related to workers who are now more independent socially and economically.

Relevance for Hong Kong

6.15 In the West, the SE movement is often inclusive and extremely diverse, encompassing organizations such as community enterprises, co-operatives, housing associations,

social firms and leisure trusts (Borzaga & Defourny 2001). These businesses are operating across a wide range of industries and sectors – health and social care, renewable energy, recycling and fair trade. For some parts of the business sector, SEs are a new business model which combines economic efficiency with social equity and thus is regarded as economically and socially sustainable over the long run (Paton 2003). Although it is still early to suggest the best SE model for Hong Kong, there are indications that the process/employment model would have great potential. Job creation is an important objective that both government and NGOs see as a priority for social development. Indirectly, this might have some positive effects on poverty alleviation when jobs are created under this model. People who have experienced numerous failures in the labour market need special assistance and support to re-integrate into the work environment – here, SEs can facilitate them in the process. It is only these social firms that have the conscience and expertise to create and assist such a work force. From a macro-economic perspective, SEs are by nature inclusive, since they contribute to productivity and social-capital formation. The promotion of SEs will also counteract criticisms of over-emphasis on productivity, as such programs are fundamentally developmental (Pestoff 1999). A typical process-driven SE is a wheelchair-manufacturing SE run by victims of land-mine accidents who face discrimination and marginalisation in the open market. Workstations are specially fitted to accommodate the handicaps of clients, who learn marketable skills such as welding, casting, and assembly. The SE sells wheelchairs to hospitals and medical supply companies. Income is used to reinvest in the business, fund public education campaigns on landmines, and cover the costs of physical therapy and counselling for clients.

Social Investment Model

Theoretical bases

6.16 Looking at the past and current development of SEs in Germany, two researchers argue that studies of SEs per se represent a search for ‘the hidden potential for local employment and social inclusion in the specific institutional, political and economic content of Germany.’ (Evers & Schulze-Boing, 2001: 122). Ideally, they see SEs as a specific form of third-sector organizations that contribute to social-capital formation through the judicious use of resources in the state, market, civil society and civic communities and the blending of economic and social goals with a public goal in one single organization. Importantly, they argue that the development of SEs ought to follow the logic of social investment. In other words, the development of SEs goes beyond occupational integration through employment strategies. Rather, its path should be linked with developmental strategies at all levels of development: local, national and international. Evers and Schulze-Boing (2001:133) emphatically argue that ‘insofar as public policy is solely concerned with occupational integration and job creation, without challenging the type of (local) socio-economic development which has created social exclusion in the first place and destroyed local social capital, it cannot make full use of the potentials of SEs’.

6.17 Since the 1980s, fiscal difficulties, economic uncertainty, and disillusionment with conventional social programs have fuelled the spread of a market approach that is predicated upon a ‘large market, small government’ belief. Abolitionists, the name attached to the believers in this approach in the United States, want to eliminate all

social-welfare programs, including social security and food stamps. Not surprisingly, they are countered by liberals who hold the contrary belief – that it is the public’s duty to take care of the needy with money collected and redistributed through taxes.

6.18 At a time when social welfare is undergoing structural economic change, there is an increasing consensus among scholars and analysts that there is a need for change and innovation. In this context, the social investment approach, linked to social policy academics such as James Midgley (1995) and Michael Sherraden (1991), has been getting attention in the past decade. This approach will promote social development consonant with the need for continued economic development. Proponents of this approach believe that it provides an appropriate normative basis for social welfare in all parts of the world. The approach originated in the developing nations in the mid-decades of the 20th century, when many newly independent states sought to adopt economic policies that would promote rapid industrialization, employment and living-standard improvement but, at the same time, address pressing social problems. In 1995, the United Nations endorsed this approach at the World Social Summit in Copenhagen.

6.19 The heart of the social-investment thesis is integrating economic development with social policies so that welfare programs rely not on cash benefits but on investments that make people independent. The government would be spending money not to maintain people in poverty, but rather to get them out of it. In short, the social-welfare system is redesigned to pump resources back into the economy. There is a need to invest in people through education, micro-enterprise, credit plans, cooperatives, community development, SEs, and other approaches with measurable

payoffs. As argued by Midgley (1995), ‘Economics is about markets, profit and business. Welfare is about caring, altruism and concern.’ There is also a need to bring economics and welfare together. This approach is sceptical of the dominant welfare-to-work measures that, according to some scholars, have been a great success.

6.20 The social-investment approach emphasizes the social aspects of the development agenda by harmonizing social intervention and economic-development efforts within a wider commitment to social change and progress. It calls on governments to emphasize social programmes that are compatible with development. There are several guiding principles. First, social investment cannot take place without economic development, and economic development is meaningless if it fails to bring about significant improvements in the well-being of the population as a whole. Second, economic development should be integrated and sustainable, bringing benefits to all citizens. Thirdly, social welfare should be investment-oriented, seeking to enhance human capacity to participate in the economy. The productivist welfare approach in social investment emphasizes the adoption of social policies that strive to enhance human functioning and capabilities.

6.21 Midgley (1995, 1997) has advanced a seven-point plan for social investment:

- a) Cost-effective welfare programs;
- b) Investment in human capital, such as education, health and nutrition;
- c) Investment in social capital, such as refocusing community development toward economic growth;
- d) Creation of assets among low-income people;

- e) Expansion of job training and placement to include not only welfare recipients but also the disabled, the mentally ill and drug abusers;
- f) Encouragement of self-employment through micro-enterprise loans and the creation of cooperatives and SEs; and
- g) Removal of barriers to economic participation by dealing with such problems as discrimination and inadequate public transportation and childcare.

In the same vein, scholars and thinkers have advanced ideas to support SEs. A case in point comes from the UK's Social Enterprise Think Pieces (2007). Four areas of activity are suggested: encouraging a wider giving culture and sense of social responsibility that would feed into the consumer behaviour in ethical markets; support social entrepreneurs to operate at greater scale through organizational growth; commissioning public services to promote social innovation and stipulating a more urgent sense of social responsibility from business (Leadbeater, 2007).

Relevance for Hong Kong

6.22 There are a number of empirical realities that give support to this approach. First, proponents of this approach point out that there has been an enormous improvement in standards of living for many people around the world in the last fifty years, due to an emphasis on social development. Importantly, social investment is able to offer an opportunity to challenge the common claim that social expenditures harm the economy and that economic development requires social retrenchment. In a normative sense, social development promotes a pluralistic and consensual approach to social

welfare that transcends the historic welfare statism of the European nations, advocating the integration of state, market and community. It proposes that governments direct the process of social investment in ways that maximize the participation of communities, markets, and individuals in both economic and social development.

6.23 Secondly, the developmental experience of Asian states is illustrative of the importance of social investment. Singapore, Taiwan and South Korea are all authoritarian developmental states and pro-growth in orientation. Still, these developmental states tend to have extensive social services in such areas as housing, education, and health. These social services are considered a social investment. In other words, social welfare was developed to further national economic-development goals.

6.24 Finally, total welfare spending in Hong Kong has been on the rise, as have Comprehensive Social Security Assistance (CSSA) cases (SWD, 2007). Close to one-third of the CSSA cases are able-bodied welfare recipients capable of work. The only way to reduce CSSA spending appears to be the promotion of these capable recipients' work involvement and thereby self-reliance, as well as increased understanding of those factors that facilitate or impede their return to work. This concern is a basis for the shift from a social-provision approach to a social-investment approach to social welfare, as advocated by E. K. Yeoh (2004), the former secretary for welfare and labour.

Social Entrepreneurship Model

Social entrepreneurs as free agents

- 6.25 An SE uses entrepreneurship, innovation, and creative solutions to address social problems. Several interviewees (especially those with entrepreneurial backgrounds) lamented the lack of entrepreneurial spirit in most local SEs. Social entrepreneurs have been described as ‘path breakers with powerful new ideas’ who are ‘totally possessed’ by their vision. They are change agents and pioneers who pay attention to market forces without losing sight of their social mission. Their motivation may take some form of altruism – achieving personal satisfaction from one’s own act of charity, the ‘warm glow’, or gaining satisfaction from the gratitude and affection of beneficiaries (DTI, 2005; Haugh, 2005).
- 6.26 To establish an SE, a social entrepreneur must mobilize personal resources as well as those in the community (Haugh, 2005). While both government and community organizations are keen to help, the role of entrepreneur entails identifying and acquiring the necessary resources and establishing the business (Austin, Stevenson, & Wei-Skillern, 2006). In the process, social entrepreneurs must overcome uncertainty and a lack of resources by utilizing, designing, building, and maintaining transactional networks, sometimes through deliberate planning and at other times accidentally or as an opportunity arises (Alder & Kwon, 2002; Pollock et al., 2004). This dynamic process requires the social entrepreneur to interact with a range of stakeholders and interested parties in society. A case study of an SE in Hong Kong, City Greeny, reveals that this venture would not have been possible if not for the benevolent

support of organizations in the community (Au & Mao, 2008). It is an important string of events, some planned and some unplanned, that led to the SE's creation and development. Therefore, we would suggest that NGOs identify those who are inspired to become entrepreneurs versus those who merely wish to become skilled workers, and provide special attention to nurture social entrepreneurs.

6.27 To bring out more social entrepreneurs:

- a) Educational institutions, businesses and NGOs must identify those who are inspired to become social entrepreneurs versus those who merely wish to become skilled workers, and provide special attention to nurture the drive, knowledge, and skills of potential social entrepreneurs (Timmons, 1999).
- b) Institutions must improve their quality and transparency of information, as well as the sharing of that information, which is fragmented and disconnected. The key is to maintaining the autonomy of these institutions while building ties among them to facilitate collaboration (Adler & Kwon, 2002). This way, the unique culture and character of each institution can collectively serve social entrepreneurs in different aspects.

Relevance to Hong Kong

6.28 Hong Kong has thrived, moving from a barren island to an international metropolis, and this transition has been largely attributable to its deep-seated, continual entrepreneurship. Such history has nurtured a general belief in independence and pursuit of opportunity among the people. Although the level of entrepreneurship may be dropping as Hong Kong becomes a developed economy, recent research suggests

that the revived economy and changed beliefs may have brought out a new generation of entrepreneurs (CUHK Centre for Entrepreneurship, 2008). Entrepreneurship continues to be a central value of Hong Kong, one that can legitimize government policies and rally support from different groups. It is particularly relevant to Hong Kong now, when existing SEs are criticized as imitating existing businesses, lacking innovativeness, and unfairly competing with SMEs by using government subsidies. In the early development of these SEs, social workers were asked haphazardly to become social entrepreneurs to set up and run social enterprises. Since they had limited exposure to business, technology, and markets, they were not skillful in opportunity identification. There was clearly a lack of social entrepreneurs. Fortunately, Hong Kong has a entrepreneurial history and a large pool of business talent. The question is how to transform them to fill the gap with adequate promotion, redirection, and training.

Table 6.1 A Comparison of Four Conceptual Models: “Empowering Social Vulnerability”, “Process Employment”, “Social Investment” & “Social Entrepreneur”

	Empowering Social Vulnerability		Process Employment	Social Investment	Social Entrepreneur
	Welfare Plus	Opportunity Plus			
Key Concepts	Vulnerability - irreversible	Vulnerability - reversible	Work as a key process for social rehabilitation	Social Investment and Welfare Planning	A free agent pursuing an opportunity while taking calculated risk
Focus	Empowering for social inclusion and participation	Empowering for economic productivity and financial sustainability	Work identity formation, education/training and rehabilitation	Imbalance between economic development and social development	A “heart” to do good, independence, risk-taking, “making a better world” mentality
Clientele	Welfare to work	Welfare to work	Physically and socially disabled who fell outside the social welfare network	Disabled, unemployed and general populace	All walks of life
Role of SE	Empowering to reduce barriers against social participation	Empowering for entrepreneurship to seize hold of social opportunities	Facilitation of rehabilitation through work and the creation of employment	A tool toward social development	A corporate platform for social entrepreneurs
Stages of Development	Start-up and sustainability	Start-up and sustainability	Gradation of the work processes to suit different stages of work needs	SE embedded in Social Development Process	Three stage: seed (idea), startup (proof of concept), growth (expansion)
Financing	Government helps start-up and maintain some extent of help to sustain meaningful projects of NGOs	Government may draw the line of cut-off	A combination of state subsidy, NGO and private investment	A combination of state subsidy, NGO and private investment	Required seed money from private and government in early stages and institutional support (angel, venture capital, banks) in later stages
Tripartite Relationship (Government, NGO and Commercial)	All parties have contribution	All parties make contributions	Emphasis on the introduction of entrepreneurial and commercial input in the tripartite relationship	All three parties involved; government takes the lead	Social entrepreneurs take the lead to collect and rally resources gradually from all sides as the venture develops
Theoretical underpinning	World Bank’s anti-poverty strategy	World Bank’s anti-poverty strategy	Social rehabilitation theory	Social Development Theory/Third Way Approach	Entrepreneurship and social entrepreneurship research (Austin, Stevenson, & Wei-Skillern)

Table 6.2 The Four SE Models' Empirical Support from Key Informant Interviews and Focus Group Data

Models	Empirical Support from key informant interviews and focus group data
<p>Empowering Social Vulnerability</p>	<p>Mr Fung Kim Kee distinguishes between philanthropic enterprises and social enterprises</p> <p>Mr Sze Tai Jo's SE highlights the social goal of social inclusion for mentally retarded people; the emphasis is on reducing social biases and prejudices rather than provision of jobs</p> <p>Focus Group 2 (cooperative members) emphasizes the importance of the concept of empowerment to the disadvantaged group</p>
<p>Process Employment</p>	<p>Mr Lee Cheuk Yan stresses that the objective of SEs is not to do business, but to train and conscientize workers.</p> <p>Professor Nelson Chow thinks that SEs have local characteristics and that no model is universally viable. In HK, SEs should create jobs and training to increase the skills and employability of the workers, with the final goal of self-reliance.</p> <p>Dr. Fernando Cheung thinks that SEs use the mode of enterprise (with the aim of making a profit) and include those who need subsidies. SEs are also for employing disadvantaged groups. If an enterprise simply gives money to disadvantaged groups, it is not an SE.</p> <p>In Focus Group 4, some participants thought that SEs should be transitional for the disadvantaged group, a stepping stone back to the market.</p> <p>In Focus Group 5, some participants pointed out that that the social goal of helping those who get wiped out in social transformation is important.</p> <p>In Focus Group 8, we learnt that the reason for ADPL to establish SEs is to solve the problem of unemployment. At that time, ADPL received a lot of cases of people needing to find work. They believed that rather than depending on job-matching for the workers, establishing a company to hire the unemployable was a more active and realistic move, as private companies would not be able to hire all the workers needing a job.</p>
<p>Social Investment</p>	<p>Mr. C. F. Kwan sees SE as a business for social purpose – primarily creating job opportunities for disadvantaged groups (a more concrete social effect that will benefit some people directly and is easy to measure). These people can find their own value, have close connection with organizations, and establish their confidence again through participation in the SEs. This is an abstract effect when compared to employment, but it is the social-capital creation that is even more important. These people being helped will be willing to help others too. This will form a community network of mutual help and create community capital, and society will become more harmonious.</p> <p>Fong King Seng believes that SEs have to have social objectives, which are very broad and include building social capital to help society to accumulate</p>

	<p>wealth and thus enhance overall development.</p> <p>In Focus Group 7, some participants pointed out that disadvantaged groups need to enhance their confidence through challenges.</p>
Social Entrepreneur	<p>Ms. Marie So states that social entrepreneurs must be a visionary leader and have passion, skill set, motivation, knowledge of market changes and continuity/commitment.</p> <p>Mr. Francis Ngai believes that the focus should be social entrepreneurship rather than ‘social enterprise’, as the institutes should not be the focus. The issue is also not about employment alone since employment should be the side effect and no enterprise should be established for employment.</p> <p>Dr. Terence Yuen thinks that what we lack most now are entrepreneurs and that social entrepreneurship includes three elements: 1) capitalize on opportunities; 2) combine resources; and 3) scale up the effects. Whenever there is social transformation, opportunities appear, and social entrepreneurs can think of ways to capitalize on these opportunities; then, they have a creative combination of resources; and finally, scale up. Social entrepreneurship itself doesn’t necessarily involve doing business; however, in our age, the best way to scale up is to use the market.</p> <p>Mr. C.H. Kee believes that SE is about having someone with a vision and passion. Social entrepreneurs are the most important part, and thus the key issue is how to cultivate them. One does not have to be a businessman to be an entrepreneur – the key is to have execution discipline because ideas and advice (i.e. business sense) are what others can provide. Businessmen are more likely to have such discipline, since business is a process of wiping out those who do not have this discipline. On the contrary, the NGOs’ weakness is to not follow the decisions after making them. Also, the NGO is a planned economy and does whatever the government thinks it should do. It is funding-driven, and they do not look at their core competency. If one needs to succeed, one needs to look at one’s core competency.</p>

Towards an Ideal Model

6.29 Based on literature review, empirical findings and our familiarity with SE, four models of social enterprises are proposed here. It cannot be overemphasized that there is no one ideal model for Hong Kong, or for the rest of the world. Context really matters. This, in turn, relates to what a particular society needs at a particular point in time.

In functional terms, each of the four conceptual models proposed by the consultancy team has its own strengths. First of all, the “Empowering Social Vulnerability” model is strong on identifying the key targets of SE based on the criteria of reversible and irreversible vulnerability. The “Social Entrepreneur” model works particularly well when and if the government wishes to accelerate the process of entrepreneurship in a particular society. The “Process/employment” model touches on the social objectives of employment. The “Social Investment” model gives normative statements of a good society and lays out important principles for policy directions.

Choosing one model over the others hinges mainly upon what we are looking for from the ideal model in the first place. In other words, it depends on policy needs. Without precluding the future debate, the research team has outlined four important policy considerations: policy direction, acceleration of creativity and social entrepreneurship, definition of social objectives or assessment of clientele.

There are other considerations. The development of SE in Hong Kong is in its infancy. Considering the present stage of economic development (the presence of enduring poverty amidst low employment), the research team suggests that the government consider adopting the “Social Investment” model, as it is congruent with the growth philosophy of the government in the past decades, if it is to look for a model that would yield policy directions. It is a model that aspires to bridge and harmonize social and economic development, an ideal that is generally accepted by the HKSAR and Beijing governments. In fact, the idea of balancing economic growth with social

development becomes an ideal that is accepted by many governments in the world, left or right, conservative or progressive.

- 6.30 However, if the government believes that other policy needs, such as increasing the momentum of social entrepreneurship, are of higher priority, the “Social Entrepreneur” model should receive the utmost consideration. The same consideration applies to the remaining two models, “Empowering Social Vulnerability” and “Process/employment”.

Role of Social Investment

- 6.31 A key issue that came up in our empirical study was the tension between business and social mission. People involved with SEs, in particular leaders and social workers with altruistic motives, find themselves torn between two forces: upholding the social mission while pursuing business goals such as survival and profit. To be sure, there are certainly cases of people engaging in SEs solely for business purposes. But there are also people who play down business imperatives and simply maintain their social mission. Ideally, there should be a balance between the two.

As observed by the European Commission (2007), the same dilemma can be seen in the context of corporate social responsibility (CSR), somewhat related to SEs. How, then, to strike an ideal balance? In the case of CSR, the EU proposes a “skill and will” matrix, encouraging people to think in dichotomous and complementary terms of both social and business goals.

In our focus-group discussions, the need to balance these two goals was constantly presented as one of the biggest challenges. Box 6.1 describes the arduous journey of one social worker in an established SE. Ultimately, this dilemma was overcome, resolved as a personal transformation. However, solutions to this kind of dilemma should not be done at an individual level.

The proposed model of social investment would respond to this dilemma. It seeks to transcend the remedial and maintenance functions of social welfare by promoting a strengths-based alternative that invests in what Nobel Prize winner Professor Amartya Sen calls 'human capabilities'. Social investment places greater emphasis on strategies that restore those in need to effective functioning and that help them lead productive and fulfilling lives. Hence, it can give SE personnel a common vision, uniting social and economic objectives at the grass-roots level.

Box 6.1 Pursuing Social and Entrepreneurial Goals

One focus-group member whom the research team met is working in an established SE in Hong Kong and is responsible for marketing and publicity. By training, she is a social worker.

Working in a well-known SE, she constantly has to explain the difference between a business and a social enterprise. She observes:

The main difference between a business and SE is that the former will not serve a client if he/she does not bring returns to the enterprise. But SEs give priority to social mission... If poor people whom we serve lack money to pay for our services, we will try all means to serve them, including fund-raising... When we don't receive funding from the government, we have to run our SE as a business.

She acknowledged that she has undergone a transition from 'social worker' to 'social entrepreneur'. Yet her transition was quite smooth, which involves a change of perspective and position. A quote from her is illustrative of her conviction for SE:

... If social enterprises do not make a profit, they will fail. Hence, there is a business component. But even when we do make a large profit, we don't call it that. Rather we call it "services", and all the monies earned are spent on free services for our clients. In fact, this is part of the social mission.

While she sees herself as entrepreneurial, deep inside she is surely a social worker. She found no conflict during the transition process because she is selling "good stuff" when she does SE.

6.32 Whatever model for SE is chosen, the research team observes that societal conditions are changing rapidly and that flexibility must be built into the model which is finally adopted.

We believe that the “Social Enterprise Think Pieces” approach (where new ideas are solicited to back up the current system of SE) used by the UK government can be considered to refine and update the conceptual model (Leadbeater, 2007; Nicholls, 2007; Nicholls, 2007; Westall, 2007; Aiken, 2007)

These think pieces need not be based on empirical research but can represent experts’ views of SEs as they develop.

- 6.33 Assuming we are not choosing one model over the others, there is another line of reflection worthy of consideration by the government.

Instead of identifying one particular ideal model, the key question to ask is: What are the core elements of an ideal model? Seen in this line, this report and its empirical findings have something to offer. Distilling all our conceptual models, one can possibly zero in on the following three core elements which we think provide a common thread throughout our study:

Key Concept (1) Social Inclusion –

An ideal SE must be able to demonstrate its capacity to include/reengage vulnerable individuals in the work process. This involvement is being regarded as intrinsically good both for the individual as well as for the community and society. It is seen as part and parcel of a wider effort to develop Hong Kong into both a caring and a sustainable city. The assumption of social vulnerability is important for SEs because it is only through this

framework that the government can be legitimately involved in the ‘SE process’ – a process which ideally institutionalizes SE into the socio-economic structure.

Key Concept (2) Capacity Enhancing –

Throughout our different proposed models, one common theme stands out prominently – increasing capacity of the target group of SEs. The “Social Vulnerability” model of empowering vulnerable groups talks about enhancing opportunity and empowerment, that is, capacity enhancing. Process Employment and Social Investment models definitely increase an individual’s capacity. The process culminates in some form of social entrepreneurship. This gradation reveals a subtle progression from different levels of capacity enhancing. We can build a more sophisticated model on the basis of this distinction.

Key Concept (3) Social Investment –

Whilst traditional social policy sees the SE process as more or less concerned with the creation of economic opportunity through job creation, the research team thinks this amounts to a rather narrow view. We think the SE process itself should be seen as a social-investment process, where social policy is integrated with the larger economic process of the society. When we say ‘large economic process’, we do not mean the stock market, the state budget or the housing market. What we mean is a larger economic process which comes to define every society’s social matrix. Hence, the government should take a similar set of values and attitudes behind investment, say in education or in health care, when compared to investing in SE. In fact we would go as far as to propose SE as part of an overall labor policy.

Chapter 7: Conclusion and Recommendations

Conclusion

7.1 Drawing upon a multitude of methodologies (literature review, focus groups, and key informant interviews), this report presents Hong Kong's experience with social-enterprise development, followed by a review of international experiences from Britain, the United States of America and Spain. In the process, an analytical framework is established, the variables of which were posed to the focus-group members and key informant. This framework is comprised of several elements: infrastructure, customers, and financing are proposed. Four other variables are included in the framework: manpower, networking, financing and legal and regulatory system. Empirically, a total of 8 focus groups (45 people) were conducted by the research team, and some 31 in-depth interviews of key informants were completed.

7.2 Our empirical study has identified the following seven key characteristics of ideal SEs in Hong Kong, which are predicated upon focus-group discussions and key-informant interviews. These seven characteristics may be conceived as a so-called ideal practice model (as distinguished from the conceptual models in Chapter Six), from the stakeholders' perspective:

Observations based on the views of various constituencies and stakeholders seem to point out several key characteristics of successful SEs. They should

- operate with a “heart”.
- be entrepreneurial/ innovative and taking calculable risk to pursue opportunity.
- be demand-driven, tapping unmet demand.
- make profits and have room to grow, thus yielding more benefits.
- be run by well-rounded personnel with different backgrounds (social workers, businessmen).
- be operating transparently that allows evaluation.
- be placing under competent and autonomous governance.

7.3 In the course of our study, four conceptual models have been drawn. They include:

(1) “Empowering Social Vulnerability” Model

(2) Process/Employment Model

(3) Social Investment Model

(4) Social Entrepreneurship Model

The research team has an open mind toward these models. We take note of the following conditions in our society: the development of SE at an infancy stage; the presence of continuing poverty; the introduction of social welfare planning; and the commitment of the government to the principle of “welfare to work.” In light of these considerations, we suggest that the government consider adopting the social investment model if it wishes to pick a particular social policy direction for Hong Kong that could embed the development of social enterprises.

Fostering Tripartite Cooperation between Government, Private Sector and Third Sector

7.4 As various parties have different strengths and weaknesses, tripartite cooperation among government, private sector and third sector may be a good measure to gain synergy for SEs. Therefore, this section will discuss ways of enhancing this tripartite cooperation. Following will be some policy recommendations.

Role of government

Public education

7.5 To promote tripartite collaboration, mere financial support or policies are not enough. The most important thing is to cultivate a new value system to let the general public know and identify with the concepts of social responsibility. This is, in fact, part of civic education.

Taxation

7.6 To make an environment conducive to SEs, the government may need to think about the use of concessionary taxation or tax exemptions to encourage enterprises or individuals to support to SEs. Other privileged policies in taxation may also be useful in encouraging private enterprises to outsource part of their business to SEs. With the accumulation of Mandatory Provident Funds to over HK\$260 billion, the time may be ripe to allow the funds to invest in venture capital and other high-risk asset classes. Although there is only a handful of venture capital or similar funds

devoted to social enterprise (e.g., Pacific Community Ventures and Good Capital), opening up this market would stimulate the growth of such funds and provide a new source of capital to SEs. The late 1970s change in the regulation was attributable as stimulating the US venture capital industry and consequently increasing the number of new ventures (Gompers & Lerner, 2004: 8).

Advocacy of Corporate Social Responsibility

7.7 As most NGO staff and beneficiaries are not familiar with the market setting, it is difficult or even impossible for them to explore new opportunities. Therefore, the government should continue to encourage CSR among the enterprises rather than developing SEs. More support in the form of tax exemptions, recognition and the like will help.

Recognizing and Facilitating Incubation Centres

7.8 This kind of centre also serves as a link between those with an interest in SE. Such an incubation centre should perform the following roles:

- a) Providing incubation services for those who are interested in setting up an SE;
- b) Serving as a resource centre where various kinds of information about SEs are available;
- c) Compiling a list of operating SEs and updating the list on a regular basis in order to better inform the public about which enterprises are SEs and which are not;
- d) Strengthening studies on and exchange between SEs to facilitate development;

- e) Providing one-stop consultancy services (from set-up to operation), such as writing business plans, seeking financial support, explaining legal issues, and products etc.;
- f) Providing a platform where SEs and private enterprises could meet, share concerns and find partnerships;
- g) Matching SEs and private enterprises or NGOs/SEs for further collaboration;
- h) Providing SE managers with training and information in sourcing, financial management, and marketing promotion;
- i) Organising seminars and sessions for SEs on a regular basis;
- j) Soliciting financial, professional and mentorship support from the private sector;
and
- k) Cultivating social entrepreneurship.

It is worth noting that the HKCSS has operated services which can be seen as incubator centres. Likewise, similar activities were undertaken in the private sector by concerned individuals such as the Social Enterprise Forum. Recognition and facilitation on the part of the government could help in the furtherance of such a centre in the third sector or the private sector.

Stock-investor approach

7.9 By adopting the concept of social venture capital, an SE can be set up as a limited company. It could be set up first as a subsidiary of NGO and then a limited stock company. Like the stocks in the open market, the stocks of an SE can be bought and

sold on the open market. Other advantages of introducing this stock-investor approach include:

a) Identity

7.10 Though SEs aim at meeting social goals by means of an enterprise, this is not clearly stated at the moment. Therefore, whenever the SEs would like to source or sell their services or products, it is uncertain whether there will be any benefit from the label of SE. Moreover, SEs or related NGOs may encounter problems of ‘identity’. As above-mentioned, they have been trapped between two entities – they are not sure if they should regard themselves as enterprises or social workers. Nonetheless, with such stock-investor approach, the public will know what SEs are and what the double-bottom line is. There should no longer be a problem of confused identities. Such practice may also attract people who identify themselves with the objectives of an SE.

b) Sourcing

7.11 Sourcing financial support – Equipped with a clear identity, SEs would more easily find capital. For example, private investors would buy these stocks because they want to do social good, though the chance for these stocks to become valued assets is small and dividends may be quite low.

7.12 Sourcing manpower – Shareholders might give pressure to directors or broad members of the SEs, making them more accountable and leading to better

performance. If this is the case, such SEs would attract more talented personnel, and this could change the closed system of NGOs (the mother organisations of SEs nowadays).

c) Accountability

7.13 Just as shareholders have the freedom to sell and buy stocks, they have the right to access the audit report and the annual meeting report. In addition, shareholders have the authority to select board members as well as be selected themselves. In other words, shareholders have more control, and higher accountability can be ensured. In this regard, government facilitation for the establishment of such an approach can be the creation of a legislative framework.

Awards and competitions

7.14 Awards for leaders/personnel of SEs and encouragement of business-plan competitions will spur the development of SEs. Writing a business plan helps NGOs and interested organizations increase the chance of success. With a well-designed business plan, the SE can gain a better understanding of the business and economic realities of the venture, become aware of the possible conflicts between the core values and social values of the organizations, and attract funds more effectively.

7.15 A business-plan competition may motivate university students (undergraduates and postgraduates) and channel their creativity and energy to work with social organizations, including NGOs, the government, and business organizations, to

develop new SEs. These competitions can be organized by universities and/or other social organisations. Students would be trained in entrepreneurship and other business knowledge and then coached to write business plans. Interested members of the social organizations could also receive some training. During the training, students would be introduced to interested organizations and, after meeting each other, form teams for the competition. Such mixing of students and working adults would make the best use of these groups, as students have more spare time and energy, whereas working participants have experience, access to resources, and networks. Their ideas come not just from the research or insights of the students but also from opportunities recognized by social workers, managers, and government officials. The winning teams could receive seed money to implement the plan, possibly with the support of the participating social organizations (detailed concepts at www.sechallenge.hk).

- 7.16 Organizing a competition is just a start. Help soliciting seed money and, after the competition, providing consultation and networks for participants to share experiences are also crucial.

Policy Suggestions

Legislation

Legal definition or legal status

- 7.17 According to our study, there was no consensus on whether SEs should be given a legal definition of status. However, the Research Team believes that the pros of giving

a legal definition of SEs outweigh the cons. If SEs are given a legal status, there should also be clear specifications about the related registration and regulatory systems. Like the CIC in the UK, a certain percentage of asset lock and distributing interest should be clearly defined. There should also be a database of SEs.

7.18 Views supporting a legal definition/status of SEs include:

- a) A registration system deters mixing the fictitious with the genuine;
- b) It may be able to deter competition from SMEs, which sometimes claim themselves as SEs;
- c) With the regulatory system, all the rules and regulations of SEs will be observed; in other words, this could protect the healthy operation of SEs;
- d) The regulatory mechanisms ensure that professionals oversee the whole process of SEs and hence strengthen the normalisation of SEs; and
- e) Like branding, the legal definition will help people understand the product, which can be used to attract investment.

7.19 Views opposing a legal definition/status of SEs include:

- a) A legal definition and status of SEs will be against the spirit of entrepreneurship. No genuine entrepreneur likes to be constrained. As innovation is highly emphasised in social entrepreneurship, there is no need to give SEs a definition in order to allow room for innovative ideals.
- b) There should not be any clear definition of SEs in the beginning stage. We need time for SEs to use trial and error and find their own way. Therefore, we should be open-minded to allow as many opportunities as possible.

7.20 The government should review the relationship among SMEs, social welfare and SEs. Without clear delineation, these similar concepts only make the public more confused.

Worker representation

7.21 Worker-representation mechanisms were found to be a controversial topic. Though there were concerns about labour protection (minimum wage, maximum working hours, third-party insurance, labour insurance, and mandatory provident fund) in SEs, increasing costs due to the implementations of these labour-protection mechanisms is their common worry. A way to solve this is to include worker representation in the governing board of SEs where some form of workplace democracy is fostered.

Financing

Set-up capital

7.22 Government should continue to provide seed money for SEs' set-up. Interest-free or low interest loans and free/low-rent premises should also be considered. Some informants even hoped the government would lower the threshold for non-NGO private organisations to apply for seed money.

Growth capital

7.23 There was also a concern about growth capital for SEs, which is currently lacking. As business cycles are inevitable, the government should be aware that a sustainable SE has various stages of development. Financial support is thus substantial not only for the set-up stage but also the growth or developmental stage. It was suggested that government give one-off financial support to participating banks with concessionary financial arrangements, such as low-interest loans. Apart from public seed money, the government may consider setting up ‘charity banks’, similar to those found in the UK, to provide SEs with appropriate financing arrangement.

Loans

7.24 Some informants highlighted the problems with grants. They observed that grants, such as seed money, have changed the attitudes of SEs. As grants do not have to be paid back, some SEs are not serious about using the money, and some may even not put it into their ledger. In other words, when these SEs evaluate their performance, they seldom regard these grants as debits. However, in a true enterprise, all these costs, including seed money, should be included. The enterprise has to aim high in profit-making to earn back these foundation costs to reach the break-even, let alone actually earn money. In view of this, some informants suggested loans instead of grants. With loans, SEs would conceivably be more prudent.

Evaluative mechanisms

7.25 There is s need for a high level body that oversees the running of SEs in Hong Kong (perhaps in the form of a SE Unit). It should have the additional function of

monitoring the performance of SEs and could devise different criteria of assessment. The operation of such a body should be transparent, and longitudinal studies on social and business entrepreneurial activities would have relevance for policymakers if one wishes to get the relative economic contributions of social and business entrepreneurs. Establishing such a Unit would also have implications for programmes of support (Levie et al., 2006).

Manpower training

7.26 In order to further develop SEs, government should broaden the age coverage in the existing training programmes. Retraining is needed to improve the performance of the socially vulnerable groups, increasing their skills and knowledge to meet the market needs.

Public procurement exercise

7.27 Government should not see itself as merely a facilitator in promoting commercial support for the development of SEs. Instead, it could be an actual participant in the process. For example, the government could adopt new measures in outsourcing contracts: inclusion of social clauses in tender requirement, giving SEs more business, restricted tenders, and other privileged policies. However, some informants expressed their hesitation at this suggestion. As Hong Kong has been highly emphasised as a laissez-faire economy, principles of an open market should be enforced.

Public education

7.28 Public education on SEs was frequently mentioned in our discussions. To increase public understanding of the values of SEs, the government could first promote CSR among private enterprises. Moreover, as educational opportunities can be found at all levels, education on SEs could be part of the compulsory curriculum in primary and secondary schools. In universities, business schools and social-work departments could also collaborate in studies as well as research.

Others

Umbrella organisation

7.29 From our interviewees, there was a suggestion for an umbrella organisation of SEs. Such an organisation could be a coalition formed under the HKCSS. With this organisation, better coordination and cooperation among NGOs may be possible, and it could also represent all SEs in negotiations with government on policy issues.

Cooperative

7.30 A few informants expected the government to review the existing registration requirements for cooperatives, since most of the requirements are outdated.

Appendix I: List of Participants in Focus Groups

組別

參與者

非政府機構社企經理及組織者

孫淑嫻 (基督教家庭服務中心)
歐國忠 (香港職業發展服務處)
區偉祥 (仁愛堂社會服務經理(社區及家庭服務))
陳志謙 (工福陽光專門店有限公司)
黃姑娘 (香港專業進修學校)
陸耀東 (香港專業進修學校)
陳達源 (屯門區婦女會)

合作社成員

亞蔥 (香港婦女勞工協會女工同心合作社)
Winnie (香港神託會婦女就業服務(美容))
Annie (香港神託會婦女就業服務(美容))
陳瑞歡 (香港婦女中心協會)
丹華 (香港婦女中心協會)

有商界背景的社企經理

梁健祖 (明途聯繫有限公司業務發展經理)
曾展國 (基督教勵行會署理總監(培訓服務科))
梁雪儀 (香港復康會職業復康及再培訓中心經理)
鄧潔美 (香港復康會職業復康及再培訓中心經理)
陳碧珊 (康融服務有限公司經理)

非政府機構社企經理及組織者

招家章 (鄰舍輔導會沙田服務中心)
列學雯 (救世軍)
孔姑娘 (救世軍)
黃偉賢 (曙光裝修工程有限公司業務發展經理)

政黨

鄧燕梨 (香港職工會聯盟培訓中心行政總監)
孫南濱 (香港職工會聯盟培訓中心中心經理)
周轉香 (離島區議會副主席)
雷奕思 (馮檢基立法會議員辦事處政策研究主任)
李永成 (前線秘書長)
陳智傑 (新力量網絡執行幹事)

社企僱員

Anna (香港復康會職業復康及再培訓中心)
亞偉 (香港復康會職業復康及再培訓中心)
譚潔琮 (香港職業發展服務處)
周女士 (香港職業發展服務處)
馮先生 (明途聯繫有限公司)

混合組

梁劉柔芬 (立法會議員)
梁嫻嫻 (仁愛堂民間智慧團秘書)
黃素娟 (新生精神康復會輔助就業服務市場拓展經理)
彭家敬 (基督教家庭服務中心鯉賞空間項目統籌)
亞龍 (基督教家庭服務中心鯉賞空間兼職導賞員)
王彩琦 (東華三院賽馬會復康中心計劃主任)
吳家雯 (長者安居服務協會副總幹事)

民協三行工人就業支援中心

袁沛強 (民協三行工人就業支援中心業務經理)
戴遠名 (民協三行工人就業支援中心項目經理)
四位工人

Appendix II: List of Key Informants

界別	受訪者
政界	史泰祖先生 (新力量網絡理事會主席) 馮檢基先生 (民協中央委員會主席) 李卓人先生 (職工盟培秘書長) 陳婉嫻女士 (工聯會副會長) 周梁淑怡女士 (自由黨副主席) 李健勤先生 (民協成員) 鄭經翰先生 (立法會議員)
學界	梁祖彬教授 (香港大學社會工作及社會行政學系教授) 馬錦華先生 (長者安居服務協會總幹事) 張超雄博士 (香港理工大學應用社會科學學系講師) 周永新教授 (香港大學社會工作及社會行政學系教授) 羅致光博士 (香港大學社會工作及社會行政學系副教授) 阮耀啓博士 (香港城市大學社會科學學部講師) 王卓祺教授 (香港中文大學社會工作學系教授) 陳錦棠博士 (香港理工大學應用社會科學系副教授及第三部門教 研室召集人) 趙永佳教授 (香港中文大學社會學系教授) 張仁良教授 (香港城市大學經濟及金融系教授)
非政府機構	何喜華先生 (香港社區組織協會主任) 楊建霞女士 (香港心理衛生會明途聯繫有限公司總經理) 蔡海偉先生 (香港社會服務聯會業務總監(政策研究及倡議)) 譚穎茜女士 (香港社會服務聯會主任(政策研究及倡議)) 劉惠儀女士 (香港青年創業計劃秘書長)
私人機構或企業	方競生先生 (電訊盈科有限公司社區關係助理副總裁) 孔令成先生 (盤谷銀行香港分行資深副總裁) 伍致豐先生 (長者家行政總監) 關則輝先生 (新世界發展企業傳訊總監)
智囊組織	陸恭蕙女士 (思匯政策研究所行政總監) 黃健明先生 (獅子山學會)
其他	蘇芷君女士 (Ventures in Development 創辦人) 魏華星先生 (香港社會創投基金行政總裁)

Appendix III: Interview and Focus Group Question Guide

A) Definition of Social Enterprise

- 1) What do you think social enterprise is?
 - ➔ A business for social purposes?

- 2) What are SE's goals or conditions?
 - ➔ Need to make profit
 - ➔ Need to create job opportunities for the disadvantaged group?
 - ➔ Other affairs to benefit society?
 - ➔ How to balance? How to be self-sustainable? If the SE keeps losing money, is it acceptable?
 - ➔ How to deal with the profit made?

- 3) Is it necessary for SEs to be run by a certain sector?
 - ➔ Must be done by NGOs? What about government and business sector's participation?
 - ➔ Who should establish and run SEs?
 - Should it be => Disadvantaged groups?
 - => NGOs?
 - => Business sector?

B) Structure & Management

- 1) What is/are the internal operational mode(s) of the SE you belong to or of the SEs you learn about? What is the ideal mode?
 - ➔ As cooperatives? Or boss employing workers?
 - ➔ Under NGOs? Completely independent or not? As a subsidiary? Are there several SEs under a NGO?
 - ➔ Financial resources- From the government? From the NGOs? Or from the income of products or services?
 - ➔ Human resources- Volunteers or staff employed from the market?
 - ➔ Decision making power --- lies in the hands of employees? Or in the hands of SE runners? Or in the hands of the Management Board? If there is consultation, how is the process? One person, one vote? If the third sector and the business sector cooperate, how to solve the problem of power conflicts?
- 2) Which mode do you think is the best (optional)?
- 3) Will there be any difference in these aspects for SEs set up for different social purposes? For example, is there any difference in terms of structure and management for SEs for the work integration of the unemployed, SEs for the work integration of the disabled, and SEs for other social purposes?

C) Resources [important]

- 1) What do you think is/are the most needed resource(s) for SEs?
 - ➔ Money --- in stage (start-up phase and after) ? where to get?
 - ➔ Non-monetary
 - Manpower
 - a) Social entrepreneurs- are we now lacking the entrepreneurial spirit of social entrepreneurs? What kind of knowledge, skills, attitude do we need ---

risk-taking, innovative, willing to compete, opportunities-seeking? (potential problems due to SEs run by social workers who lack commercial operational knowledge; volunteers; is that enough to have runners who have the heart and the ability?)

b) Disadvantaged groups – are their abilities being fully discovered?

---Space

---Network? (how to access this?)

---Others?

- 2) What kind of resources do we lack most?
- 3) How are the resources accessed at present? Who and which organizations can provide these resources?
- 4) Do you think the government and the business sector should help SEs in terms of resources? If so, how should it be done? E.g. seed money? Other kinds of subsidies? Such as commercial sector providing the capital (Venture fund, Angel fund), consultation, network, training to enhance the ability and efficiency of SEs?
- 5) Will there be any difference for SEs set up for different social purposes? For example, is there any difference in terms of resources for SEs for the work integration of the unemployed, SEs for the work integration of the disabled, and SEs for other social purposes?

D) **Market [important]**

- 1) Should Hong Kong's SEs have certain markets as target? Why?
 - ➔ Should SEs produce the services and products which already exist in the market?
 - ➔ Should they target at the middle-class alternative market, e.g. high-end organic products?
 - ➔ or Should they develop market with marginal profit and thus not yet developed by

the commercial sector (e.g. 'Safety bell, Grameen bank?')

→ or should they try markets with positive meanings to society (e.g. Fair Trade)?

- 2) Are SEs' niche market and market value the same as SMEs'?
- 3) How important is innovation for SEs to develop market?
- 4) Branding: How should SE build their brand and image?
- 5) The attitude of consumers in HK --- How do you think Hong Kong consumers respond to SEs' products and services? Positively or negatively?
 - Do they have biases, thinking less of the quality of the products due to the lower competitiveness of SE employees?
 - Or do they have good feelings, as if they do it for charity?
- 6) Will there be any difference for SEs set up for different social purposes? For example, is there any difference in terms of market for SEs for the work integration of the unemployed, SEs for the work integration of the disabled, and SEs for other social purposes?

E) **What stakeholders should do [very important]**

- 1) Should the government intervene?
 - Should it help SEs in terms of legal matters? E.g. making it compulsory for SEs to register? Should there be a legal definition of SEs? If so, what should it be? The aim is for enhancing people's understanding towards SEs?
 - Should it help SEs in terms of taxation? E.g. providing tax benefits? E.g. exemption for income tax? Can tax benefits give people individuals to donate money?
 - Should it give SEs priority in attaining government contracts? Or add some terms of social contributions in the tender? Or is the current bidding situation favourable to big corporates and unfavourable to small SEs? Any suggestion for

improvement?

- ➔ Other than resources, legislation and taxation, is there anything else the government should do?
- ➔ If the government helps SEs, will the public or SMEs see this move against fair competition? How can it be settled?
- ➔ How can the government use the concept or belief of CSR to promote SEs?
- ➔ What's your opinion towards setting up some kind of SE alliance organisation? What kinds of functions should it have? (e.g. establishing the cooperation between SEs and the commercial sectors and among SEs themselves?) How's the cooperation at present? E.g. to facilitate the information flow, to support technical and training matters, to enhance the influence of SEs in terms of policy and legislation?
- ➔ What about international cooperation of SEs?

- 2) What should the commercial sector and the public do?
- 3) If the third sector cooperate with the commercial sector, what are the possible difficulties? E.g. conflict concerning power struggle, difference in mindset?
- 4) What should stakeholders do differently for SEs set up for different social purposes such as SEs for the work integration of the unemployed, SEs for the work integration of the disabled, and SEs for other social purposes?

F) **Successful SEs** [important]

- 1) What are the criteria for a successful SE? What conditions does it have to meet?
Any example?
- 2) How can a SE meet these conditions?
- 3) How can the public sector, the commercial sector, the society cooperate to achieve this result?
- 4) Will there be any difference for SEs set up for different social purposes?

Appendix IV: List of Focus Group Personnel in Charge

Focus Group	Organized by
Group 1 - NGO managers	Professor Kevin Y.F. AU Grace Chau
Group 2 - Cooperative members	Professor Kevin Y.F. AU Grace Chau
Group 3 - SE managers with commercial background	Dr Lisanne S.F. KO Grace Chau
Group 4 - NGO managers	Dr Lisanne S.F. KO Grace Chau
Group 5 - SE employees	Professor Ho Lup FUNG Grace Chau
Group 6 - Political party representatives	Professor Kwong Leung TANG Grace Chau
Group 7 - Mix	Professor James LEE Grace Chau
Group 8 - ADPL	Professor Kwong Leung TANG Grace Chau

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