Executive Summary of SE Research Study
commissioned by the
Social Enterprise Advisory Committee

Background

1. The Social Enterprise Advisory Committee (SEAC), which advises the Government on the formulation of policies and strategies for supporting the sustainable development of social enterprises in Hong Kong, commissioned this consultancy study. The aims are to study the current landscape of the social enterprises (SEs) in Hong Kong and to make innovative and long-term recommendations for the Government, the SE sector, and other stakeholders to support further development of the sector.

2. The study is grounded on theory and empirical evidence, comprising public opinion poll, survey on SEs, focus group discussions and desk-top research (see Chapter 1 of the full report for its methods), that were carried out in the second half of 2013 to the first quarter of 2014. Compared to previous studies, it has put emphasis on the social value and innovativeness of the SEs in addition to their operational efficiency and financial return.

Key Findings

The Current SE Sector

3. SEs are characterised by their double bottom lines to achieve social missions and commercial sustainability as a business enterprise. SEs have been developing in Hong Kong for over a decade, and have gained better public awareness in recent years. Over this period, both from a policy perspective and in practice, they have taken up many responsibilities and fulfilled a lot of expectations of the community.

4. The development of the work integration social enterprise (WISE) (i.e. social enterprises that aim to facilitate the gainful employment of the socially disadvantaged groups for better integration into the society) first took off in 2001 to address the unemployment problem of people with disabilities. The WISE has become a popular model for both Government and non-governmental organisations to support initiatives for alleviation of poverty since then.

5. In our survey, 83.3% of SEs (145 out of 174 respondents) stated that work integration is their social objective. Hong Kong has many strong WISEs, and now other types of SEs have gradually developed as well.

More SE practitioners seek to apply social innovations through the work of the increasingly diversified SEs to address previously intractable social problems. These SEs differ in social objectives, ownership, governance structure, business models, and tend to address broader social issues beyond job creation and work integration. These issues include environmental protection, heritage revitalisation, promotion of social cohesion and caring for the elderly, etc.

6. We found that some characteristics of the SEs are related to business entrepreneurial orientation (proactiveness, riskiness, and innovativeness). SEs that have no sponsoring organisation and are receiving initial funding in the form of private investment tend to show a greater tendency for business entrepreneurial orientation. However, these findings should not be interpreted readily as bearing any causal relationship.

7. At the same time, we note successful examples of some pioneering SEs which have demonstrated key elements of innovativeness:

a. social entrepreneurs play a pivotal role in driving social value creation in these SEs; for WISEs it is particularly their implementation ability to make simple ideas to work;

b. social entrepreneurs can find and transform creatively “hidden” community assets. Creating social values from unrecognised resources is a strength of these SEs, and is an important element of their social entrepreneurship;

c. innovative social entrepreneurs exhibit greater flexibility in operating SEs and apply the trial-and-error approach in creating social innovation; and
d. with their strong networks they can form strategic partnerships to start up and scale up their SE businesses.

8. In terms of development stage, 18% of SEs are starting up and 69% of them are either operating stably or scaling up.

9. 60% of SEs are registered charitable organisations or part of such organisations and 37% are registered as companies.

10. 62% of SEs achieved a breakeven or gained profit in 2012.

Public awareness

11. Our poll showed a significant improvement in public awareness of SEs. 78.5% of the 789 respondents were familiar with SEs, as compared with about 60% from previous studies from few years ago. About 70% of respondents replied that SEs serves the double bottom lines stated above.

12. About 70% of the respondents expressed that they would certainly or likely procure services or products from SEs in the six months following the poll. The major reason was to contribute to the society through one’s own consumption. Making information on sales channels more available would stimulate consumption of SE's services and products.

13. On the other hand, public understanding of social missions of SEs was mainly about poverty alleviation and job creation for the disadvantaged. In our poll, 84.9% of the respondents agreed that SEs aim at creating jobs for the underprivileged. About 60% of the respondents agreed that SEs make use of innovative business model to provide social services. It would be useful to further enhance public awareness of the innovation and entrepreneurial values of SEs.

Recommendations and way forward

Institutional support

14. Development of SEs requires cross-sector collaboration. The Government has been the major source of funding, supporting individual SEs and SE support organisations through various funding schemes and promotional programmes. The active participation of other stakeholders including the SE support organisations, the welfare sector, the business sector, and the academia are most crucial. SE support organisations, including those from the welfare sector, the business sector and universities, have been playing an important part in supporting the development of SEs. The Government should continue to emphasise and promote cross-sector collaboration.

15. The Home Affairs Bureau (HAB), supported by the Home Affairs Department, is responsible for the policy of SE development and support. Different funding schemes run by Government bureaux and departments are serving a variety of social objectives (e.g. heritage conservation, environmental protection, etc.), and not all are dedicated for the development of SEs. We believe that a plurality of funding sources from different departments has its advantages and we do not see a need for consolidating all funding into one. While maintaining a level-playing field for all potential applicants, the relevant bureaux and departments are encouraged to consider, in setting the eligibility criteria, the additional social value that could be created by SE participants of these schemes.

16. In the longer run, the Government could consider providing a focal point for promotion of SEs, including more stocktaking of Government initiatives relevant to SEs and disseminating such information to them. Then, working together with business associations, academics, NGOs and other stakeholders, the Government can promote the support network for SEs and best practices, identify service gaps and create synergies and facilitate cross-sector partnerships.

17. It is important to have a clear understanding of the nature and values of SEs in the community and continued promotion of opportunities for SEs to provide services and create social values in both the public and private sectors. While emphasising that these efforts should continue to be made, we do not favour a legislative approach to define SEs or introduce specific legislation governing the social value component of the public procurement process. Such a top-down approach by the Government may interfere with the innovative potential of SE ventures. The Government should continue its existing approach to encourage self-regulation by the sector, while at the same time maintain the prevailing flexible approach in defining SEs. In particular, it is advisable to:

a. encourage market-led efforts in developing credible registration and/or certification systems that address the needs of different types of SEs; and

b. promote, through service providers, a ready-to-use legal template together with training to SEs, which increasingly have more sophisticated ownership structures, to make use of existing company law provisions for governance.

Training and capacity building

18. While the Government and the SE sector (including the SE support organisations) should leverage on its success and
continue to promote development of WISEs, they should also make efforts in harnessing the creative energies of the newly emerged or new categories of SEs through:

a. encouraging innovation of SEs in operations or ownership forms;
b. supporting more SE start-ups that are diverse in orientations and backgrounds (non-conventional, privately-funded); and
c. supporting SEs in their attempts of innovative problem-solving and of addressing a wide range of social problems.

19. The Government should continue working with the community to provide the incentives for SEs to innovate, and lower the entry barrier for various community groups to join the work of SEs. Particularly, the Government may:

a. review SE funding schemes to promote innovativeness and community engagement;
b. collaborate with support service providers to offer advisory and support services to potential SE investors and operators; and
c. involve broader spectrum of supportive groups, including academics and NGOs, to develop a one-stop shop and enable the development of ecology for SEs.

20. Training and capacity building needs: a large number of SE-support organisations and other service providers have emerged since 2008 (e.g. SE Summit, Hong Kong General Chamber of Social Enterprises, Make a Difference). They provide a wide range of support services: information and advisory services, promotion opportunities to co-work space, training, etc. Universities have also been playing an important role in providing support for capacity building, cross-disciplinary exposure, and experience sharing for the SE sectors. These stakeholders should continue to play their parts and be given support for such purposes, in particular:

a. these service providers offer a large variety of support and the majority of them focus on skills-based training for individual SE practitioners and frontline staff. At the organisational level, just a few of them provide services to SEs, and more often the support service providers would only assist SEs with affiliation with the sponsoring organisations.
b. while formal and structured training courses/workshops can enhance business skills and industry knowledge of practitioners, SE operators are also looking for networking opportunities at the sector and sub-sector levels to exchange information and acquire practical knowledge. The SE sector should continue its efforts in fostering exchanges and collaboration.
c. current mentorship schemes have room for improvement. Mentors might not know operational issues with which WISEs are usually concerned, and mentors and mentees may not share the same social missions and values or have different business background that make it difficult to facilitate useful knowledge and experience transfer.

21. For SEs, implementation is as important as innovativeness. It is imperative for the Government and the SE sector (including the SE support organisations) to strengthen the executing and innovating capacities of the SE sector in the following areas:

a. complementing current training programmes with hand-holding and ushering services to get implementation on the ground;
b. in view of the high demand for knowledge and experience sharing, supporting training providers to conduct sharing workshops for different levels of employees;
c. providing resources to facilitate better understanding of SEs about their needs and capacity building, like undertaking periodic surveys on SE training needs, and disseminating the information to all training providers for their course planning purposes;
d. supporting SE support service providers to offer matching and follow-up services to SE mentorship programmes; and
e. allowing successful SE applicants, to apply, as part of their funding budget, for funding to undertake the necessary consultancy services. Professional consultants should also develop their services for SEs, given the demand.

22. In view of the difficulties in recruitment of frontline staff (especially the socially disadvantaged groups) and of the insufficient training and related human resource services in some of the WISE service fields, we recommend that the Government should provide seed money to address the service gap, e.g. funding one or more support platforms for facilitating the recruitment, qualification assessment and training of SE staff.

Enhancing awareness of SEs

23. With an increasing diversity of SEs in their social missions, forms, and ownership structures, it would require much more efforts to promote a common and clear identity or
image of SEs that would facilitate the public understanding. Promotion across sectors will yield better results if there are clear and common themes. Based on the findings, the research team suggests encouraging social innovation in public problem-solving (鼓勵社企以創新方法解決社會難題) and facilitating multi-stakeholder participation in SE development (協助眾多持份者參與社企發展) as potential themes. Both the social and entrepreneurial/innovation values of SEs should be emphasised, e.g. that SEs, while achieving social missions, can be successful entrepreneurial ventures.

24. SEs are going to increase in their number and scale. It is necessary to cultivate the demand for SE services/products to support further development of the sector by:
   a. Using a sector-wide brand-building exercise to elevate brand value of SEs and continue sector-wide marketing and media campaigns;
   b. Adopting a “sub-branding” strategy for highlighting the increasing specialisation in certain sectors or service types of SEs; and
   c. Funding and assisting market communication and public relations of SEs.

25. To be more consumer-friendly, SEs need more conveniently located sales channels. The Government should take the lead, with the participation and support of the SE sector (including the SE support organisations), to:
   a. encourage the use of Government premises or partnership with other organisations to make space available for SEs;
   b. explore with other stakeholders (NGOs and businesses) the feasibility of providing SEs sales channels at the district level; and
   c. continue and reinforce the promotion of ethical procurement and consumption.

Cross-sector partnership

26. For the next stage of development, it is important for SEs to enhance cross-sector partnership. It entails getting all the stakeholders, particularly the end service users in different local communities, to have regular and close interactions and to build a sense of shared ownership when they try to start SE ventures to address common social issues/problems. The Government and other stakeholders should consider:
   a. supporting the development of a focal point and specific participation schemes that facilitate cross-sector exchanges and collaboration for SE development. SEs should also actively seek opportunities to have exchanges and form partnership with other SEs/sectors; and
   b. supporting an ecology for SE startups to thrive.

27. Developing SE initiatives at the community level can contribute to community building and revitalisation, and foster a new caring culture in the society. Proposed initiatives for this purpose include:
   a. The Government could review the use of SE funding schemes to focus more on community participation;
   b. The SE sector, the Government and other stakeholders should link up SE promotion with both the conventional district-based economic development initiatives and the emerging Internet-based communities engaging in the sharing economy;
   c. The Government, the SE sector and other stakeholders such as the business sector could establish a network of innovation hubs, future centers, and co-work spaces in different districts according to local community needs; and
   d. The Government and other stakeholders should provide seed funding for the creation of an online map showing SEs in different districts.

28. Fostering cooperation among stakeholders in local communities to launch new SEs/SE projects can address unmet social needs. To achieve this, the SE sector, the Government and other stakeholders should:
   a. encourage SEs to enter into industries (e.g. child care) that need new or innovative operations;
   b. find ways to provide training to community groups to turn underutilised human resources into flexible workforce in the local communities; and
   c. change the focus from maximising each organisation’s impact to the “collective impact” of the community.

Overall

29. The SE community and other stakeholders should prepare for broader changes to Hong Kong in the future:
   a. SEs set up in Hong Kong should strive for innovation and a broader target group in the local community, or even in communities outside Hong Kong; and
   b. The SE sector and the Government should work with other stakeholders to develop Hong Kong into a hub of social enterprises and impact investment as a new competitive advantage in the longer run.