

RESEARCH STUDY ON THE SOCIAL ENTERPRISE SECTOR IN HONG KONG

TO CAPTURE THE EXISTING LANDSCAPE
OF THE SOCIAL ENTERPRISES
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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 a few years ago. About 70% of respondents replied that SEs serve 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, is 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 to 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, 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 their 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 centres, 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.

List of Abbreviations

| | |
|-------------------------------|---|
| AVPN | Asian Venture Philanthropy Network |
| BOP | The bottom of the pyramid |
| CfE-SEBC Research Team | CUHK Center for Entrepreneurship and the HKCSS-HSBC Social Enterprise Business Centre |
| CIC | Community interest company |
| CIIF | Community Investment and Inclusion Fund |
| CoP | Commission on Poverty |
| CSR | Corporate social responsibility |
| CSSA | Comprehensive Social Security Assistance |
| DBS | DBS Bank |
| DiD | Dialogue in the Dark |
| EFG | Education For Good Community Interest Company Limited |
| 3E's Project | Enhancing Employment of People with Disabilities through Small Enterprise (3E) Project |
| ESR | Enhancing Self-Reliance through District Partnership Programme |
| F&B industry | Food and Beverage industry |
| HAB | The Home Affairs Bureau |
| HKGCSE | Hong Kong General Chamber of Social Enterprises Limited |
| HKSEF | Hong Kong Social Entrepreneurship Forum |
| HKSEIC | Hong Kong Social Enterprise Incubation Centre |
| HKU | The University of Hong Kong |
| HKU ExCEL3 | Excellence in Capacity-building on Entrepreneurship and Leadership for the Third-sector |
| HR | Human resources |
| ICT | Information and communications technology |
| Inno. | Innovation |
| JCDISI | Jockey Club Design Institute for Social Innovation |
| LETS | Local Exchange Trading System |

| | |
|-----------------------------------|--|
| L Plus H | L Plus H Community Interest Company |
| LWB | Labour and Welfare Bureau |
| MaD | Make a Difference |
| MCC | MentalCare Connect |
| NAAC | Neighbourhood Advice-Action Council |
| NAAC Alternative HR Market | Neighbourhood Advice-Action Council Alternative Human Resources Market |
| NGOs | Non-governmental organisations |
| PE Link | Personal Emergency Link Service |
| PR | Public relations |
| R&D | Research and development |
| RSA | Royal Society for the encouragement of Arts, Manufactures and Commerce |
| SCHSA | Senior Citizens Home Safety Association |
| SE | Social enterprise |
| SEAC | The Social Enterprise Advisory Committee |
| SEBC | HKCSS - HSBC Social Enterprise Business Centre |
| SEPD | Support the Employment of People with Disabilities Limited |
| SES Study | Research Study on the Social Enterprise Sector in Hong Kong |
| SESU | The Social Enterprises Support Unit |
| SIE Fund | Social Innovation and Entrepreneurship Development Fund |
| SME | Small and medium enterprise |
| SROI | Social Return on Investment |
| SVhk | Social Ventures Hong Kong |
| SWD | The Social Welfare Department |
| The 3B's Model | The Buy-Build-Borrow Model |
| TID | The Trade and Industry Department |
| WISE | Work Integration Social Enterprise |

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Chapter 1

Social Enterprise Development in Hong Kong: An Introduction

Overview of the Chapter

- I. Background and Overview of the Study
 - II. Development of the SE Sector and Contending Issues
 - III. Notes on the Definitions of Social Enterprise and Social Value Creation
 - IV. SE Sector Overview: Findings of SE Questionnaire Survey
 - V. Key Arguments of the Research
 - VI. Intended Audience and Other Recent SE Studies
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I. Background and Overview of the Study

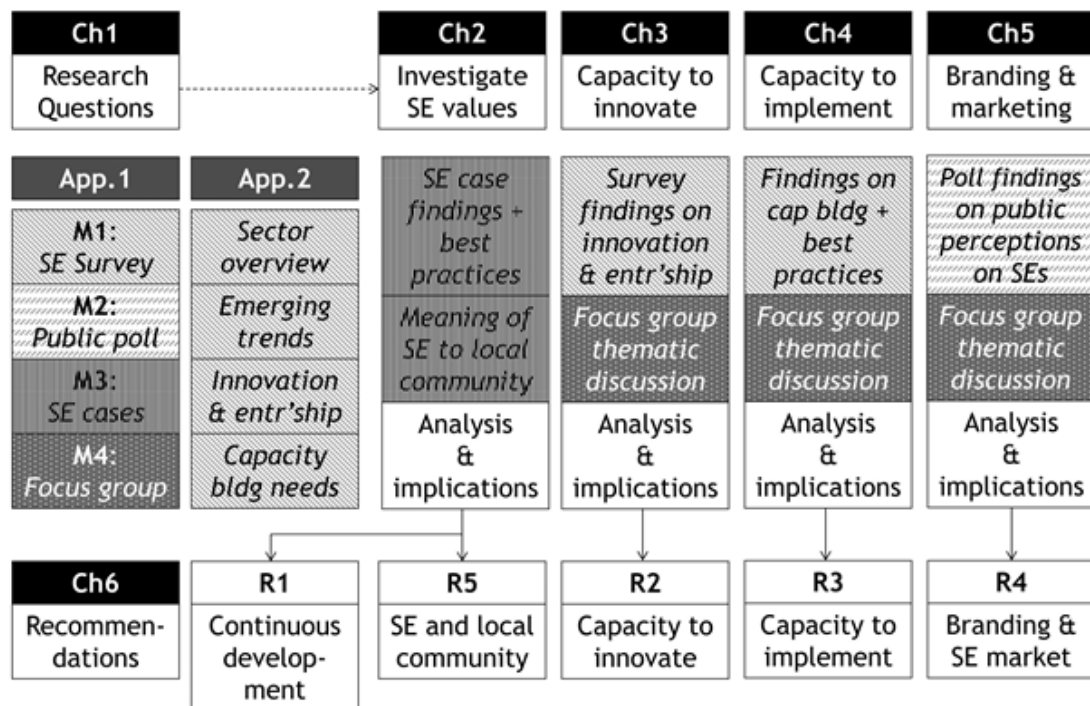
- 1.1 The Social Enterprise Advisory Committee (SEAC), established under the purview of the Home Affairs Bureau (HAB), commissioned the CfE-SEBC Research Team to undertake the SES Study to attend to a number of research objectives including: a) to capture the current situation of the social enterprise (SE) sector in Hong Kong; b) to identify the best practices and innovative approaches in running an SE; c) to identify the training gap for SEs; and d) to ascertain public receptiveness and expectation of SEs in Hong Kong.
- 1.2 The consultancy brief further stipulates that the research team should aspire to offer recommendations on the long-

term development strategies for the SE sector, with a key emphasis on the social values of SEs to the local community. More specifically, the findings of the study should assist the SEAC and the Government to map out the best measures in supporting operation and future development of SEs, facilitate the brand-building of SEs both on an individual level and on a territory-wide basis, and to devise promotional activities and training at a strategic level.

- 1.3 The findings and recommendations are organised in the research report using the following report structure which aims to assist the readers to navigate the key research themes as depicted in paragraphs 1.1 and 1.2 above.

- a. Social values of SEs to the local community: By way of analysing the case findings on our investigation of the *value creation process* of a selected group of exemplary SEs, four possible development trajectories of local SEs are depicted and their relationships with local community building are explored (Chapter 2).
- b. Current capability of the SE sector to innovate: With reference to research findings gathered from the SE questionnaire survey and the focus group discussions, the local SE sector's *existing capability in capturing and realising social innovations* is critically evaluated (Chapter 3).
- c. Current capability of the SE sector to implement innovations: Based on findings of the SE questionnaire survey and focus group discussions, the SE sector's *existing capability in implementing and replicating social innovations* and the *overall capacity building needs of the sector* are examined (Chapter 4).
- d. The quest of market development and sector-wide SE brand identity: Drawing attention to a key hurdle impeding the SE sector to reach scale, the poll findings on *public perception on SEs* and the *related questions of market development and sector-wide brand-building* are examined (Chapter 5).
- e. Recommendations on strategic development of the SE sector: Recommendations grouped under five headings that affect long-term strategic development of the SE sector are provided in the concluding chapter, with a key emphasis on the social values of SEs to local community building and revitalisation (Chapter 6).

Overall Research Map (Qs/Methods/Findings/Recommendations)



Box 1.1 Overall research map of the SES study

- 1.4 The research employs multiple methods so as to address the full scope of the SES Study. It comprises four major components: (i) a questionnaire survey for existing SEs (with prior review of existing SE databases available to the research team); (ii) a public opinion poll on SE development (plus a limited-scope marketing survey of SE customers); (iii) in-depth SE case studies; and (iv) focus groups with SE practitioners. The research timeline and further information about the research methodologies are given at Appendix I.
- 1.5 The overall research map is given at Box 1.1 which shows the linkages between the research questions, the methods employed (M1 to M4), the organisation of empirical research findings in the four middle chapters and Appendix II, and how the analysis of the research findings led the research team to derive the policy recommendations (which are grouped under five categories – R1 to R5 – in Chapter 6).

II. Development of the SE Sector and Contending Issues

1.6 In Hong Kong, the term social enterprise (SE) has entered the scene of public discourse over a decade, and its development has been gaining momentum over the past few years. Over this period, both from a policy perspective and in real practice, SEs have been asked to undertake a lot of tasks and fulfill a lot of expectations.

- a. Work Integration and Poverty Alleviation: In addressing the unemployment problem of people with disabilities, the development of work integration social enterprise (WISE) first took off in 2001, even before most practitioners knew about the term and the concept of SE. The promotion of WISE has been regarded as an important policy tool for fighting poverty ever since.
- b. Social Innovation and Problem Solving: As more and more practitioners came to embrace the idea of applying social innovations for addressing various previously intractable social problems, more and more SEs were created to address a broad range of social issues that go beyond employment creation and work integration. From ageing to food waste to environmental issues, SEs have been summoned to provide the solutions.
- c. Preferred Operators in Specific Policy Fields: Because of the presumed superiority of SE in its ownership and governance arrangements, in policy domains such as heritage conservation and environmental protection, SEs would also be created and called upon to undertake sizable heritage revitalization and green conservation projects with income generating capabilities, and very often with Government providing the start-up funding.
- d. Social Capital and Community Building: A less-discussed and more indirect policy directive in driving the development of SEs is to promote cross-sector cooperation for the creation of social capital. Given the unique attribute of social entrepreneurship in bringing together and combining different stakeholders and community resources, the SE sector has been serving as a breeding ground for engendering cross-sector dialogues and community building.
- e. Understanding the Value Creation Process of SE: These very diverse functions being served by the SE sector notwithstanding, our understanding of the value creation process of SEs is rather shallow and one-dimensional. The vast majority of the public sees work integration being a major function served by the SEs, but beyond the point of job creation for the disadvantaged, we do not have a good understanding of the many different ways social values are being

produced by the SE sector. The fact is, in the absence of a solid understanding on how the sector's value creation process has contributed to public problem-solving and community building, it would be difficult to formulate and evaluate any policy proposal for furthering the development of the SE sector (we devote the entire Chapter 2 of this research report to explore social value creation of local SEs in Hong Kong).

1.7 Furthermore, our limited understanding on the nature and the process of social value creation as pursued by different kinds of SEs would also affect how we would address the following contending issues:

- a. The SE sector's brand identity and sector-wide brand-building: In theory, the SE sector's brand identity should in some way be connected with the plurality of values that are being produced by different kinds of SEs currently in operation. It is thus of great importance that the SE sector, despite its increasing complexity and diversity, should be able to articulate and communicate the sector's shared values to the wider public in any sector-wide brand-building exercise. However, how the SE sector could undertake such a brand-building exercise is uncertain and is open to debate and deliberation. [This question about sector-wide brand building is further discussed in Chapter 5, and relevant policy recommendations are given in Chapter 6.]
- b. Devising a commonly agreed definition of SE: The sector has long debated the necessity and viability of coming up with a commonly agreed definition of SE. Meanwhile, there have also been efforts within the SE sector to develop registration or accreditation systems for certifying SE. While any viable definition of and accreditation system for SE would likely evolve around certain threshold criteria comprising multiple attributes and conditions (e.g. social objectives, ownership forms, governance arrangements, etc.), in what way and to what extent social value creation would be captured in the SE definition/certification criteria is an issue that would likely be very difficult to resolve (see also Section III below on definitions).
- c. Specific legislation for facilitating the establishment of SEs: In addition to putting in place a certification system, another suggestion frequently raised by the SE policy advocates is for the Government to enact legislation to facilitate the formation of new categories of SEs with innovative ownership and governance arrangements. Whether it is legislation to create new legal form for SE (such as Community Interest Company (CIC) in the UK) or the revision of old legislation to facilitate the formation of new SEs (e.g. the call to revise and update the Co-operative Societies Ordinance), the argument is

that formal legal identity could greatly enhance public recognition and acceptance of SEs.

d. Management of various funding schemes supporting

SEs: At present there are at least seven government funding schemes serving different policy objectives for which SEs, given their related social missions, are potentially eligible to apply. Some consider that the Government should coordinate the various funding schemes to propel the development of SEs. Some suggested that the Government should revamp or even consolidate the operation of some of these funding schemes. A related issue is about the eligibility criteria being adopted by these funding schemes for screening the fund applicants, which would effectively determine what kinds of applicant organisations would be given a chance to receive public funding to establish SEs. On the other hand, there are other views that these funding schemes are serving a variety of social missions, e.g. poverty alleviation, heritage conservation, environmental protection, etc. and not all of them are dedicated for SE development. SEs should be one possible group of candidates eligible for applying for the funding and a level-playing field should be maintained. Our views on this issue will be set out in Chapter 6.

- e. All of the above issues are interrelated and we should not deal with them in an isolated manner, or else we'll risk coming up with contradictory policy proposals that could end up be self-defeating. Following the agreed research plan, the point of departure as adopted by this research inquiry to address these related policy issues is to undertake a thorough investigation into the value creation process of different kinds of SEs currently operating in Hong Kong, the findings of which could allow us to work out a more holistic and consistent approach to address these important policy issues shaping the development of the local SE sector.

III. Notes on Definitions on Social Enterprise and Social Value Creation

- 1.8 Given a key objective of this inquiry is to delineate and potentially broaden the scope of social value creation as recognised by SE practitioners and policymakers, the research team intentionally did not stick to a rigid definition of SE while planning and implementing the various research components. The purpose of the SE landscape survey which serves to, inter alia, provide input for Government formulation of future strategy, we have made reference to the "SE definition" of the HAB published via its website on Social Enterprises:

In general, an SE is a business to achieve specific social objectives such as providing the services ... or products needed by the community, creating employment and training opportunities for the socially disadvantaged, protecting the environment, funding its other social services through the profits earned, etc. Its profits will be principally reinvested in the business for the social objectives that it pursues, rather than distribution to its shareholders." (HAB website, accessed February 26, 2013)

We understand that HAB has used the following definition of SEs in formulating new initiatives involving public resources to support individual SEs. We appreciate that this definition has been developed having regard to the definition of "Community Interest Company" in the United Kingdom and other discussions in Hong Kong on this subject and endorsed by the Social Enterprise Advisory Committee:

"a business targeted to achieve specific social objectives through entrepreneurial strategies and self-sustaining operations, and not less than 65% of its distributable profits are reinvested in the business for the social objectives that it pursues"

But for brainstorming innovative recommendations, elsewhere in the research report (e.g. in selecting the exemplary SE case studies as covered in Chapter 2) the research team would adopt a more lax approach in identifying SEs in order that other newly emerging SE categories would also be incorporated into the mix of the policy deliberation and analysis (e.g. the emerging "sharing companies" as introduced in Chapter 2 many of which are for-profit and privately-owned, while some sharing initiatives are totally informal and voluntary in nature).

- 1.9 In the course of conducting the SEs Study, the research team had the opportunity to discuss with a good number of SE practitioners and relevant stakeholders in the SE space, and in the process debated on the necessity and viability of introducing specific legislation or public procurement rule or policy for supporting development of SEs or providing a unified legal definition on SEs in the local context. While there were views strongly supporting a legal definition, the research team did not favour the above Government-led approach having regard to the objective of promoting organisation diversity and the plurality of social values in SEs and the current development stage of SEs in Hong Kong, as explained below.

- a. SE Legal Definition. The research team considers that a strict official SE definition or a government-endorsed SE certification system of SEs may interfere with the innovative potential of existing and new SE ventures,

hindering the present momentum of the SE sector and the market-led approach which is currently well-received by the sector. We do not see the imminent need of any form of regulation for SEs given the relatively small scale and healthy growth of the SE sector thus far. Furthermore, given the SE sector is still in an early development stage in terms of sophistication and diversity of its forms and nature, a better option is for the Government to rely on self-regulation by the sector, while at the same time maintaining a prevalent, non-stringent definition for the time being.

- b. Introducing the Language of Social Value in Public Procurement. A similar policy debate also arose concerning whether the Government should promote specific legislation with the effect of introducing the language of social value in the public-sector procurement procedures (similar to the Public Services (Social Value) Act as implemented in the UK since 2013). Such a policy would be a strong measure to boost the demand for SE services, while at the same time it also helps transform the existing culture of public procurement to make new emphasis on the social and environment impacts in outsourcing activities of the public sector. Yet, after considering the state of development of the local SE sector and the inherent difficulty in defining and measuring social value creation, the research team is of the view that at this moment both the Government and the local SE sector may not be ready to embrace such a policy change, and adopting legislative means to alter public-sector procurement policy could be counterproductive. Instead, the research team favours a non-coercive approach and encourages the Government to continue to promote the ethical consumption movement across all sectors in the community, with public procurement constituting an important element of the annual ethical consumption campaign.
- c. Implementation Challenges. In both of these debates, the research team does not favour using a legislative approach to mandate a legal definition of social enterprise or to introduce the language of social value in public procurement processes. While the research team believes that the Government should assume a leading role to help develop and shape the eco-system of the SE space, its efforts should primarily focus on creating a pluralistic market environment through the use of non-legislative means. Given the local SE sector is still at early development stage, many SE services are still not well-developed and even good intentioned policies like reforms in the public procurement processes could face insurmountable implementation challenges. Thus, the research team follows a consistent approach in this

report in avoiding proposing new legislation to shape the SE-operating environment.

- d. SE Definition and Sector-wide Brand Building. Relevant discussions on SE definition from the perspective of sector-wide brand building are provided at paragraphs 5.9 and 5.10 in Chapter 5.

IV. SE Sector Overview: Findings of the SE Questionnaire Survey

- 1.10 As a core component of the empirical research, the Social Enterprise Survey was conducted during the period from July 22 to September 21, 2013 using a self-administered questionnaire distributed to local SEs in Hong Kong. A total of 419 SEs (including standalone entities as well as projects affiliated to existing organisations) were identified and invited to participate in the survey. By end of the survey period, 187 completed questionnaires were collected, among which 174 were valid responses. The valid response rate is 41.5%.
- 1.11 In adopting the definition of SEs explained in paragraph 1.8 above, the SE Survey included mainly two types of SEs, viz.: (i) SEs or SE projects established by non-governmental organisations (NGOs), and (ii) other “standalone” social businesses with or without a sponsoring organisation (such as independent startups or startups launched by social investment organisations). Other initiatives such as corporate social responsibility (CSR) projects of business corporations and “public enterprises” that generate both social and financial returns would not be included.
- 1.12 The seven-page survey questionnaire contains a wide variety of questions, so as to have a comprehensive coverage of the wide range of topics addressed by the research. The survey findings are then divided into three main parts according to the particular research topics they address, and are separately presented in the research report in two subsequent chapters and in Appendix II.
 - a. SEs’ Entrepreneurial Orientation: A series of survey questions were designed to investigate the entrepreneurial orientation of the local SEs (covering three components including proactiveness, innovativeness and risk-taking). The findings and the implications are presented and analysed in Chapter 3.
 - b. SEs’ Training and Capacity Building Needs: Survey questions attempting to unveil the existing practices of the SE sector in conducting training and capacity building activities were also incorporated in the questionnaire, along with other related questions to examine both the urgent management matters as well as the use of best practices in the field. Relevant findings are given in Chapter 4.

- c. **Landscape Overview:** Survey findings on the SE sector including legal form and governance structure, social mission and target beneficiaries, business nature and mode of operation, scale and funding model, and other general landscape data are presented and analysed at Appendix II. Further analyses are also given on a few notable features and trends including: (i) the growth of different types of SEs; (ii) the SEs' interactions with local communities; and (iii) brief notes on SEs that are scaling-up or struggling/declining. Report readers who are interested in the SE sector landscape overview and other key survey findings should jump directly to the discussion given at Appendix II.

V. Key Arguments of the Report

- 1.13 As noted in the opening section, the empirical research findings (including the SE Survey, SE case studies, public opinion poll and focus group sessions) will be presented and synthesised in the four middle chapters of the report, and relevant policy recommendations will be given in the concluding chapter. The key arguments of the report are as follows:

- a. In its first decade of development, the local SE sector has been dominated by the proliferation of WISEs which were mostly established by social service NGOs with the aid of government subsidies. In projecting the next stage of SE development, the research identifies four possible development trajectories suggesting the coming emergence of four distinct categories of SEs in Hong Kong, viz.: 1. the next generation of WISE; 2. SEs addressing the bottom of pyramid (BOP) and shunned markets; 3. SEs adhering to the collaborative consumption/sharing economy movement; and 4. SEs adhering to the broader social economy movement (see paragraph 2.15 in Chapter 2).
- b. These four types of SEs would contribute to social value creation mainly through two mechanisms: the first three types of SEs find their ways to create social values through directly contributing towards *public problem-solving*, while the last category (SEs engaging in community economic development) would produce an additional layer of social value by way of engendering *social capital creation and community building and revitalization*. In the former case, the SEs address previously unmet social needs through introducing innovations in the production, distribution or consumption realm of a specific SE's value creation process. In the latter case, the SEs bring together different stakeholder groups and community segments by way of redesigning and reconfiguring the production-distribution-consumption ties of the SE's economic value chain and henceforth allow for the rediscovery of social relations behind economic activities.
- c. From the Government's perspective, with the emergence of the new breeds of SEs and their increasing organisational diversity, it is of utmost importance that the Government should promote the continuous development of SE with its overall strategic vision and policy priorities. While initially being deployed as a policy tool to create employment and fight poverty, from a more strategic level of policymaking, the policy goal of SE promotion should not be viewed only as such. Our examination of the value creation process of exemplary SEs suggests that *encouraging social innovation for public problem-solving* and *facilitating multi-stakeholder participation in SE development* are two themes that the Government should proactively pursue in its effort to support the advancement of the SE movement in Hong Kong.
- d. Given the historical context under which SEs have been developed in Hong Kong, it is understandable that at the present juncture we have a relatively strong WISE sector while the other categories of SEs are still underdeveloped. Moving to the next stage of SE development, it is apparent that working towards building a more pluralistic SE sector could enhance the innovativeness and entrepreneurial capacity of the entire social entrepreneurship space. Thus, while the Government should build on its success and continue to promote WISE development, harnessing the creative energies of the new categories of SEs would be equally important.
- e. The research team thus adopts i) *enhancing plurality* and ii) *facilitating multi-stakeholder participation* as two guiding principles to assess the current deficiencies of the SE sector in capturing and implementing social innovations. To enhance the innovation capacity of the SE sector and to strengthen its implementation capability, the research team offers a number of recommendations (through public education, policy and funding facilitation, the building of support organisations and one-stop shops, etc.) to entice the active participation of various community segments (small and medium enterprises (SMEs), youths, young and mid-age professionals, early retirees, etc.) in becoming active members of the SE sector.
- f. And while we work the supply-side to strengthen the SE sector's capability in capturing and implementing social innovations, we need to simultaneously cultivate the demand-side and activate/expand the SE market to fuel further scaling-up of the social economy. Relevant recommendations thus include building new sales

channels, sector-wide marketing support, and sponsoring “social media” and “social change media” campaigns. In view of the increasing plurality of the SE sector, we also recommend using a sector-wide brand-building exercise to debunk common misconceptions and highlight commonalities among different categories of SEs. Sub-branding strategies may also be deployed to highlight distinctive features of different categories of SEs.

- g. Thus far this summary account of the research inquiry has addressed four strategic areas including: 1. promote the continuous development of SE; 2. enhance innovation and entrepreneurship; 3. strengthen implementation capability; and 4. sector-wide brand-building and market promotion. The last area of inquiry leads us to address yet another core policy concern of the SEAC and the HAB – how to link up the Government’s effort in SE promotion with the HAB’s wider policy imperative to enhance local community building and revitalization?
- h. While adhering to the two guiding principles of *enhancing plurality* and *facilitating multi-stakeholder participation*, the research strongly argues that SE promotion could make significant contribution to community building and revitalization. By way of purposive efforts to link up SE development with *both* the conventional district-based community building initiatives *and* the emerging Internet-based communities engaging in the sharing economy, the SE sector could function as a fertile breeding ground for bottom-up innovations in tackling many social problems on the one hand, while it also offers a platform for facilitating cross-sector collaboration and making citizens’ active participation happen on the other hand.
- i. Realising this apparent and vast opportunity, the research team recommends the Government to consider implementing various policy initiatives including the creation of a network of thematic social innovation hubs and co-working spaces across the territory (designed with specific themes in reference to local community needs and characteristics), commissioning the creation of web-based and territory-wide sharing economy maps, facilitating the creation of new SEs with diverse ownership forms (e.g. social firms, social co-operatives, community-owned enterprises, etc.) that work at the local community level in specific industries (e.g. child care, elderly care, heritage, creative and cultural industries for the youth, etc.) with the purposive aim to transform the existing mode of service provision and trigger creative destruction in particular industries.

- 1.14 The empirical research findings are detailed in the research report from Chapter 2 onwards, while the full list of recommendations would be given at Section II of Chapter 6.

VI. Intended Audience and Other Recent SE Studies

- 1.15 While the SES Study is commissioned by the SEAC and the HAB, the research team reckons the primary audience of this research report is the SE practitioners and the wider community of SE-supporting organisations in the social entrepreneurship and the impact investing field. To realise the recommendations proposed in this report, it is imperative that the Government would need to engage and work in close collaboration with the wider SE community to build a better eco-system for SE development. Hence, it is the objective of the research team to make this report a piece of document for facilitating collaboration between different stakeholders in SE development.
- 1.16 It is also worthwhile to note that there are a number of research studies conducted over the past few years addressing a wide range of research topics related to the SE field. All of the studies were undertaken by local research institutes and SE-supporting organisations who have deep knowledge about the development of the SE field in Hong Kong. The research team has greatly benefited from these research studies and recommends that readers should also consult these other studies while they make reference to the findings of the present report.
 - a. Benchmark Survey on Social Enterprises in Hong Kong (Apr 2011). The Hong Kong General Chamber of Social Enterprises commissioned Policy 21 to undertake a survey to gather “benchmark information” on the operational characteristics of SEs in Hong Kong.
 - b. Money for Good: Global Trends & Local Potentials in Engaged Giving & Social Investing (Nov 2011). Conducted by Social Ventures Hong Kong, Money for Good drew lessons from the global development trends of the impact investing field and reflected on the local development potentials.
 - c. Social Enterprise & Social Values: A Consumer Perspective Survey Report (Feb 2012). The Hong Kong General Chamber of Social Enterprises collaborated with Policy 21 to conduct on-site surveys on visitors, operators and passengers participating in the SE Bazaar 2011.
 - d. Mind the Gap: Lessons and Findings from EngageHK (Aug 2013). The research report is the final product of the EngageHK Project, which was a stakeholder engagement exercise – spearheaded by Asia Community

Ventures – that aimed to identify the existing gaps in the social ecosystem in Hong Kong.

- e. SROI Studies on Government Funding Schemes (Aug & Oct 2013). Relying on macro project data, the Fullness Social Enterprises Society produced two research bulletins that examined the effectiveness of the Government’s grant funding investments on two SE

funding schemes using simple SROI calculations.

- f. Social Enterprises in Hong Kong (Oct 2013). Conducted by the Bauhinia Foundation Research Centre, the research surveyed the business operations of SEs and the challenges facing them, and proposed recommendations to foster the sector’s sustainable development.

The research team recommends readers of this report to also consult these other research papers so as to gather a more comprehensive picture of the Hong Kong social entrepreneurship space.

Chapter 2

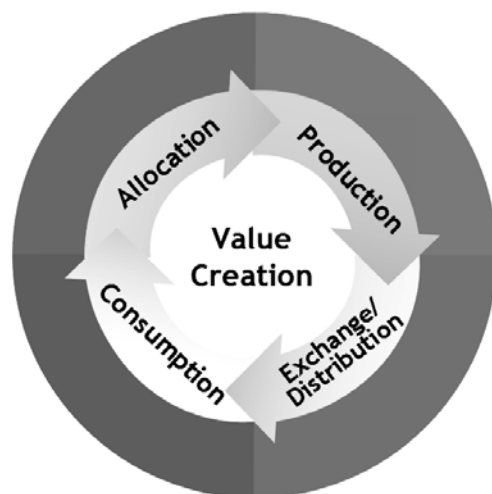
Examine Social Value Creation in Social Enterprises

Overview of the Chapter

- I. The Value Creation Process of SEs: An Overview
- II. Social Value Creation in SEs: Summary of the Case Findings
- III. Interpretation of Findings
- IV. Implications

I. The Value Creation Process of SEs: An Overview

- 2.1 This chapter examines the process of social value creation among different SEs in Hong Kong. Through systematic analysis of a group of exemplary SEs, the chapter will highlight how successful SEs could zero in on different enterprise processes to create social values. The case analysis will further examine the innovative approaches being utilised and value appropriation in SEs, with a key emphasis on social values of SEs to local community building and revitalization.
- 2.2 In elucidating the value creation process of SEs, the research team drew reference to the value chain/value creation framework as given at Box 2.1 which dissects an SE's economic operation into the basic enterprise processes of production, distribution, consumption and surplus allocation.



Box 2.1 The value chain framework for analysing value creation in SEs

- 2.3 Under this framework, the value creation processes (encompassing both economic and social value creation) as embedded in each SE would be analysed according to the core enterprise processes of production-distribution-consumption, as well as the enterprise's established practice on surplus allocation (the way an SE allocates its operating surplus, if applicable). As the diagram depicts, value creation could happen in any one of the four aforementioned activity domains:
- a. Production:** By combining community resources and other factors of production in some creative ways (including underutilised human resources and other "hidden" community assets), many SEs work to create social values through the production process. Typical examples include WISEs that hire the disadvantaged people, green enterprises that recycle and reduce waste, and community-based SEs that seek to leverage existing community networks for generating economic benefits.
 - b. Consumption:** Another common approach for social entrepreneurs to address a social problem is through the provision of products or services that directly serve the needy. In choosing to address a social problem through direct service delivery, these social entrepreneurs create or activate markets that do not exist in the past, and some even manage to transform existing markets. Examples include SEs that aspire to provide useful and affordable services to the BOP market.
 - c. Distribution:** While basically a middle function linking production and consumption, distribution in fact plays a crucial role in value creation in many SEs given the quest to blend social needs with market opportunities has always been one of the biggest challenges for social entrepreneurs working to scale their impact. Examples include the design of marketing and distribution channels that could help the SEs to reach their target consumers in the most effective manner (incl. middle class ethical consumers, specific disadvantaged groups, or ordinary consumers).
 - d. Surplus Allocation:** More and more SEs in Hong Kong now manage to reach financial sustainability and many incur an operating surplus. For this selected group of SEs, in addition to creating social values through the enterprise processes of production, distribution and consumption, they could further produce social value by allocating their surplus revenue to support certain social causes. Examples include SEs that apply their surplus revenue in supporting charitable work run by their sponsoring organisation, as well as CICs that spare a specified portion of the operating surplus for re-investment into the SEs and henceforth perpetuate their social missions.
- 2.4 In attributing social value creation to the four enterprise processes, it is a vastly simplified model and in reality the process of value creation would be a lot more complicated.
- a. Value Creation across Multiple Domains:** While for the purpose of undertaking the comparative case analysis, the framework makes simple and categorical distinction of the enterprise processes, many successful SEs would simultaneously create values across multiple domains. Moreover, an SE would typically produce multiple layers of social values that go well beyond the enterprise's primary social objectives (i.e. the notion of "positive externality"), and oftentimes it would be futile/impossible to try to pin down every possible aspects of value creation to particular enterprise processes.
 - b. New Patterns of Community Engagement and Value Creation:** In envisioning new patterns of production and/or service delivery, many SEs manage to bring together different stakeholder groups across multiple segments through redesigning the enterprise processes of production, distribution and consumption. By effecting the service reconfiguration, these SEs create an additional layer of social value by building social capital at the local community level. If this happens, value creation would again transcend different activity domains.
 - c. Value Creation vs. Value Appropriation:** To fully comprehend the process of value creation in SEs, one needs to look beyond the value creation processes and to question and investigate how social values are being apportioned to the target beneficiaries as well as to other stakeholder groups. In other words, the discussion of social value creation would not be complete until we develop a broad picture as to who are the intended or unintended beneficiaries of a certain SE's activities, and if there are "spill-over" of social good to the wider community.
- 2.5 In view of the complexity of the topic, the case analysis in this chapter will first follow the value chain/value creation analytical framework as we examine exemplary SE cases that exhibit value creation in various activity domains. Local SE cases that illustrate value creation across multiple domains would then be followed. The case analysis will also pay attention to value appropriation and examine the multiple layers of social values being created by some of the SE cases. We will revisit and illustrate further the above points while we discuss case selection and in the analysis of the case findings.

II. Social Value Creation in SEs: Summary of the Case Findings

- 2.6 Altogether ten exemplary SE cases (the “main cases”) were covered in the comparative case analysis. The summary information of the ten cases is separately given at Appendix III, and a list of the selected cases grouped under different categories is given at Box 2.2.

Work Integration Social Enterprises:

(note: Fullness Salon is a company limited by shares, while the other two are run by NGO)

1. MentalCare Connect (MCC)
2. Fullness Salon
3. Happy Veggies

Market Creation Social Enterprises:

4. Senior Citizens Home Safety Association (SCHSA)
5. Diamond Cab
6. Light Be (Social Realty) Limited

SEs Creating Social Values in Multiple Domains:

7. Dialogue in the Dark (DiD)
8. L Plus H Fashion Limited (L Plus H)

SEs Engaging in Community Economic Development:

9. Ground Works of St. James’ Settlement
10. The NAAC Alternative Human Resources Market (NAAC Alternative HR Market)

Box 2.2 List of exemplary SE cases included in the SE case study

- 2.7 The rationales of case selection largely follow the theoretical framework given at paragraph 2.2 and related criteria discussed in paragraphs 2.3 and 2.4:
- a. The first category of WISEs corresponds to value creation in the “production” realm. Being the dominant form of SEs in Hong Kong, three WISEs including MCC, Fullness Salon and Happy Veggies which exhibit different paths of WISE development in Hong Kong were selected.
 - b. With regard to the category of “consumption” and market creation, again three renowned local SEs including SCHSA, Diamond Cab and Light Be were included in the comparative case analysis, all of which have in their own ways activated a shunned market that serves the needy.
 - c. The third category includes two cases – DiD and L Plus H – both are pioneering SEs that have chosen to adopt new ownership arrangements, established their social

ventures as a CIC, and managed to produce social values across multiple domains.¹

- d. Finally, the fourth category includes another two community-based SEs – Ground Works of St. James’ Settlement and the NAAC Alternative HR Market – and both are engaged in the development of the grassroots social economy that offers alternative economic experience for their producers and customers.

- 2.8 A summary table showing the rationales of case selection and their relations with social value creation in different activity domains is given at Box 2.3 below.

| | Production | Distribution | Consumption | P-D-C | Allocation |
|----------------------------|------------|--------------|-------------|-------|------------|
| Mental Care Connect | Y | | | | Y |
| Happy Veggies | Y | | | | Y |
| Fullness Salon | Y | | | | Y |
| SCHSA | | Y | Y | | Y |
| Diamond Cab | | Y | Y | | Y |
| Light Be | | Y | Y | | Y |
| Dialogue in the Dark | Y | | Y | | Y |
| L Plus H | Y | | Y | | Y |
| SJS Ground Works | Y | Y | Y | Y | Y |
| NAAC Alternative HR Market | Y | Y | Y | Y | Y |

Box 2.3 Rationale on case selection

- 2.9 The ten SE cases cover a broad array of enterprise models and exemplify value creation processes in different industries and service fields. First and foremost, the comparative case analysis further illustrates that social value creation would happen in all four enterprise processes as depicted in the value chain/value creation analytical framework:
- a. Production: MCC, Fullness Salon and Happy Veggies are all using the SE model to realise the ideal of welfare-to-work, henceforth producing social impact via the production process. All three SEs have already gone past the start-up stage of enterprise development, and all put greater emphasis on social value creation beyond job creation. Yet their approaches to scaling impact are very much different. In the case of MCC, it is about “scaling up” – it has turned itself into one of the top three SEs in town hiring over one hundred ex-mentally ill persons. For Fullness Salon, it is about “scaling deep”. Its social impact is not merely about creating jobs and

1. As there is no applicable CIC legislation enacted in Hong Kong, the two SEs were in fact registered under the Companies Ordinance but they drafted their constitutions incorporating the distinct features of CIC including asset lock and profit distribution restriction. So more accurately both should be considered SEs self-proclaimed as CICs.

making available the apprenticeship opportunities, but to offer all-rounded support to the young ex-convicts, forever changing the lives of the youngsters while lowering social cost of recidivism. Happy Veggies enhances its social impact through “scaling out” – by way of spreading new industrial practices in the food & beverage (F&B) industry. Through its pioneering effort to employ the hearing impaired, Happy Veggies has demonstrated to the F&B industry that deaf people could in fact perform extremely well in the frontline interacting with the customers. It has successfully changed the mindset of operators who experience difficulties in hiring. The mainstream F&B businesses now replicate what Happy Veggies has done.

- b. Consumption: In the consumption realm, the cases of SCHSA, Diamond Cab and Light Be tell different stories of their exciting ventures to meet previously unmet needs. As one of the earliest SEs in town, SCHSA's main social objective is to attend to the emergency needs of elders living alone in the community, and over the years it has further expanded its scope of services to address day-to-day, as well as social and psychological needs of the elders, including helping them to connect better with their family members using information and communications technology (ICT). In doing so, SCHSA is actively working to expand its market to cover the wealthier middle class segment while it continues to serve the poor elders. Diamond Cab makes available basic point-to-point public transport service for wheelchair users. While the taxi fare is still relatively expensive for many potential users, the SE is successful in activating a shunned market for the middle class market segment, thus broadening the range of barrier-free transport services available to the public. Light Be has the ambitious vision to change the status quo of the affordable housing market in Hong Kong, providing a viable alternative to the borderline or outright illegal sub-divided flats. While the SE is still at its start-up stage with only limited scale, it has successfully demonstrated that such a housing product for the “BOP consumers” not only is feasible, but is also capable of producing tremendous social values to both the poor families joining the co-housing project as well as the landlords making available the “Light Houses” with discount rents.
- c. Distribution: The cases of SCHSA, Diamond Cab and Light Be can again be used to illustrate value creation in the domain of “distribution”, which is particularly important in serving the underprivileged, because for the BOP market, access to service is just as important as the provision of service. In the case of SCHSA, its personal emergency link service (PE-Link) creates tremendous

social value by way of helping the needy elders getting instant access to emergency service providers which long existed before the PE-Link service. Thus, insofar as the core PE-Link service is concerned, its service delivery model (with tens of thousands of remote PE-Link devices installed in the homes of the users all linking to a centralised call centre) is all about access and distribution. In the case of Diamond Cab, the only way for the enterprise to become economically viable (and in the process to serve the maximum number of needy wheelchair users) is to institute a booking system that maximises the utilization rate of the enterprise's small fleet of six vehicles. As a co-housing project matching multiple families to the Light Home, Light Be's core operating model is also about distributing the scarce housing resource to a selected group of needy families whose circumstances are considered most suitable for residing in the Light Houses. If the matching is done right, the enterprise would create additional social value through this very distribution process (e.g. the families could become peer support groups). And with the increasing number of Light Houses created, the co-housing service network would itself become a service distribution network that other sources of non-housing support could be provided to the Light House residents in a highly effective manner (e.g. tutoring service for poor family children living in nearby Light Houses), making it possible for the provision of highly targeted help to the needy families at appropriate scale (thus making the support service more economically viable). In short, in all these cases, finding the most effective way to connect to the target service users and the institution of a lasting service distribution network have allowed the SEs to continuously create social and economic values through the delivery of direct services addressing the needs of their respective client/customer groups.

- d. Surplus Allocation: The notion of value creation through surplus allocation is relatively straightforward. In our selected SE case studies, many are subsidiaries or projects under the auspices of charitable organisations (e.g. MCC, Happy Veggies, etc.) or itself being a registered charity (e.g. SCHSA). For SEs affiliating with charitable organisations, all surplus revenue will be locked up for re-investing into the social missions of the SEs or the charitable causes of the sponsoring organisations. Other SEs like the French restaurant La Parole in fact creates its social value mainly through the surplus allocation process, applying its surplus revenue to support the Benji's Centre which offers specialised one-to-one professional speech therapy to children and teenagers from low-income families. As a more recent creation in SE ownership arrangement, the CIC as an

organisational form (DiD and L Plus H) is a social innovation for achieving the dual goals of attracting private social investment capital on the one hand, and making sure a substantial proportion of the net revenue of the SEs will be locked up for the purpose of perpetuating the social missions of the SEs on the other. Given most SEs in Hong Kong are affiliated with charitable organisations and in the past not too many SEs were making a profit, the question of value creation through surplus allocation has not attracted a lot of attention among local policymakers and practitioners. Yet the ownership arrangements of SEs in fact would have significant implications not only on value creation through surplus allocation but also on the entire value appropriation process of the SEs, and thus are an important topic in the debate on SE promotion strategies in many other countries. Other new SE ownership forms such as social firms (for establishing WISEs), multi-stakeholder social cooperatives, community-owned trusts and enterprises, etc. have become more popular in countries active in advancing the social economy, and new movements such as the proliferation of public service mutuals in the UK and social cooperatives in Italy and Quebec also help push the envelope with regard to the boundary of the SE development in those countries.

2.10 As noted earlier, in addition to applying innovative solutions in each of the enterprise processes to induce changes and create value, many successful SEs would in fact produce positive social impact across multiple activity domains. The remaining four case studies including the two community interest companies (DiD and L Plus H) and the two grassroots alternative economic projects (Ground Works and the NAAC Alternative HR Market) demonstrate distinctive approaches to creating values across the different enterprise processes.

a. Value Creation across Multiple Domains: For DiD and L Plus H, they both advance employment integration through offering decent work opportunities to the visually impaired and the middle-aged ex-factory workers respectively. On market creation and the consumption realm, DiD is a unique and a market-leading SE. Not only did it successfully adopt and improve the service blueprints pioneered by the DiD originator in Germany (the experiential tours and executive training workshops), it has also created a wide range of innovative, complementary products that were totally original, with the new products all heeding building empathy and promoting social cohesion. Working explicitly to strengthen Love and Hope in our battered society, L Plus H also puts key emphasis in building social cohesion among different community

segments as it meticulously brings people with various backgrounds together (its factory workers, customers, corporate supporters, students, etc.) to promote positive aspects of the SE's commercial and philanthropic endeavours. Putting emphasis on its manufacturing root, the SE also attempts to resuscitate high-quality manufacturing and even local craftsmanship in Hong Kong, setting a goal to revive the "Made in Hong Kong" label. As CICs, the two SEs also divert their operating surplus as well as internal resources to support social investment and/or philanthropic activities, they are hence involved in social value creation through surplus allocation as well.

b. Value Creation via Community Economic Development:

Unlike the two CICs, Ground Works and the NAAC Alternative HR Market both operate at the local community level (in Wanchai and Shatin respectively). Their primary social objective is to promote community development while the SEs also work to improve the economic well-being of the deprived members in the local neighbourhood. Challenges abound. For example, in the production realm, there are untapped labour resources but the economically deprived have difficulties joining the mainstream labour market because of the need to take care of children or other family members. In consumption and service delivery, the deprived families have big service needs but not the monetary resources to consume. Under such service context, the SEs have to develop alternative economic practices that bring in other economic incentives and actors, as well as to reconfigure the production-distribution-consumption ties of the production and exchange system in order to induce economic activities that are more inclusive and accommodative to the situations of the deprived families.

Ground Works is a case in point. By running a licensed food processing unit in Wanchai, it links up local organic farmers in the New Territories who supply fresh ingredients to the SE to make healthy and good quality processed food while hiring workers in the Wanchai area, and the finished food products are then sold in various outlets using the SE's own label or through other commercial labels (like the SE's partnerships with Fair Taste or with the brand HealthWorks). In order to facilitate the non-monetary exchange of labour and other resource inputs, the SE has also instituted a system of alternative currency called "time dollars" (a kind of the Local Economic and Trade System or Local Exchange Trading System (LETS)). With the time dollars they earned in exchange for their labour hours, the poor families could also consume a variety of healthy food products (e.g. organic vegetables) that otherwise would

be way too expensive for them. In all, through the networking and partnership arrangements, different community segments including both the rich and the poor are all getting involved in the alternative economic system crafted by Ground Works. Social capital has been nurtured in the process and social benefits diffused across the entire community of actors.²

The NAAC Alternative HR Market is also determined to assist the economically deprived (namely single-parent families many of whom are CSSA recipients) to re-connect to the labor market. The SE aspires to create family-friendly work opportunities with flexible working hours that could better accommodate the situations of single parents who need to take care of their families and cannot take up the long-shift jobs that are more abundant in the labor market. In collaboration with some 50 partner organisations, the SE platform offers 20 kinds of services including patient escort service, house cleaning service, haircut service at elderly homes, etc. While obviously addressing the needs and producing immense social values to both the service users (inexpensive personal social care support) and the part-time workers (decent work with flexible working hours), the crux of value creation in fact lies in (i) how the SE platform could manage to provide a job order management system that matches service demands with idle human resources available in the community; and (ii) how the workers themselves could self-organise to enhance the overall flexibility of the workforce. Viewed in this way, it becomes obvious that the locus of value creation in fact resides in the distribution process that must be efficient and allows for the alternative economic activities to come about and sustain. The SE has since realised assisting their members to form small units of self-organised “cooperatives” (not the formally registered cooperative societies under law but some small work groups) is the best way to help unleash the “labour potential” of the single parents. Having gained successful experience in helping the single parents to form the quasi-cooperatives, the SE now has the ambitious plan to support the establishment of dozens of similar “quasi-coops” so as to help unleash the hidden human resources for participating in value-creating productive activities. The case of the NAAC Alternative HR Market again demonstrates that achieving value creation through community economic development has to overcome various coordination and incentive

problems, micro “market failure” if you may, at the grassroots level. The numerous social innovations and alternative economic practices brought in by these SEs transcend the four activity domains and help change the incentives of market participation, and in the process engage new stakeholder groups and build community relationships and networks.

2.11 Through the above review of the exemplary SE case studies, the general lessons on value creation and value appropriation include: 1) the various ways social value creation are realised in SEs, 2) how social values so created are appropriated under different SE models, and 3) how social values created by SE are connected to local community development.

a. Social Value Creation: As the case studies show, social value creation can happen in any of the enterprise processes, while some SEs would manage to create social values across multiple domains. Apart from working in the production and/or the consumption realms, distribution is often a critical component for social value creation, particularly when an SE is addressing the BOP market where easy access to service is of utmost significance for the purpose of controlling cost and achieving scale-up. Social value creation also has multiple levels or layers – some are more direct and specifically linked to particular stakeholder groups (e.g. employees, BOP service users, etc.), while other social benefits created are more remote (but of no less significance) and may diffuse across the entire community (the case of social capital creation). While no SE should make unreasonable claim over value creation and impact, appropriately hunting down the spillover effects of one’s activities is essential to understanding an SE’s value creation (and appropriation) processes.

b. Value Appropriation: This leads to the question of value appropriation (i.e. in what ways the social values created are appropriated to different stakeholders), which as discussed earlier should not be confused with value creation. Broadly speaking, one should pay attention to three different dimensions of value appropriation. First, there are values directly appropriated to certain needy groups, e.g. economic and social benefits attained by disabled employees that are above and beyond a fair wage. Secondly, if an SE can internalise the values being created by the enterprise and derive an operating surplus, then it turns into the case of surplus allocation (see discussion re paragraph 2.9d above) and the ownership form of the SE will determine how the surplus revenue would ultimately be appropriated (e.g. Section 88 Charity vs. CIC vs. cooperative etc.). Finally, there are SEs that attempt to redesign and reconfigure the production-distribution-consumption ties of the

2. Apart from the use of time dollars, other features of local community economy that contribute to potential economic success include the flexible working hours as offered by the local workforce, “free” volunteer support of local talents and residents, the existence of local marketplace which serves as a public sphere, and the participatory style of management, etc.

local economic relationships with the consequence that social values would be diffused across the entire community, benefiting all stakeholders including the more well-offs (e.g. the ethical consumers, the knowledge volunteers, etc.) and the disadvantaged groups (e.g. the single parents running a producer cooperative). One should make clear distinctions between these various aspects of value appropriation, and the information would be highly useful for considering support measures to be introduced to augment different areas of social value creation.

- c. Social Values of SEs to Local Community: With regard to the connections between social value creation of SEs and local community development, drawing on the above analysis of SE's value appropriation process, now it should be clear that there are two distinct paths that a particular SE could travel to create values for local community development. First, it is about directly serving certain disadvantaged groups in the local community. An SE could introduce a social innovation say in the production or consumption realm of the SE's enterprise processes, and deliver direct benefits to the targeted disadvantaged groups, which could be employment creation (production) or finding ways to meet previously unmet needs (consumption). Under this scenario, the social values would be captured and internalised by certain stakeholder groups. Secondly, through crafting and putting in place an alternative economic system, an SE could create values that would diffuse across the entire community, and no single group could internalise the values so created which are embedded in the entire economic system. While social innovation would still be crucial under this second scenario, an even more important feature would be active participation by multiple stakeholder groups in the creation and maintenance of the social and economic ties.
- 2.12 Apart from analysing and theorising the various pathways for achieving social value creation, the case studies and comparative case analyses also shed light on the innovative approaches and potential best practices of the exemplary SEs in their quest to create and sustain their impact. In our effort to put together a roster of best practices, the research team finds the list of best practices as summarised in a UK research report on "Compendium for the Civic Economy"³ a good reference framework for highlighting those approaches that are also practiced by the local SEs in Hong Kong, as well as those areas that are

less utilised. Four common practices are readily identified in the local SE cases:

- a. Recognise the protagonists: Civic entrepreneurs. In all the SE cases examined, the civic or social entrepreneurs all play a significant role in ensuring that social value creation remains a core focus of the organisations. These social entrepreneurs have a wide range of backgrounds – seasoned social workers from social service organisations, mid-age professionals coming from the business sector, and early retirees ready to launch a second career for social good. A key lesson is that the SE sector needs to continue to find ways to entice the would-be social entrepreneurs to join the field and eliminate the entry barriers (see further discussion in Chapter 6 on how to entice new market entrants to the sector).
- b. Re-use existing assets: Recognising latent opportunities. Whether it is to achieve value creation in the production or consumption realm, most of the local SE cases examined show the creative use of "hidden" community assets, including all the SEs employing the disadvantaged or the cases of SCHSA and Light Be that connect service needs to available community resources. Finding values from idle or scraped resources is an important element of entrepreneurship, and SEs have demonstrated their comparative advantage in identifying and applying otherwise idle community resources for value creation.
- c. An open-ended approach: Framework for emergence. While focusing on value creation and achieving financial sustainability, the local SE cases exhibit a great deal of flexibility in changing course and possess the ability to "self-correct" while going through repeated trials-and-errors. A service blueprint may be important (as in the case of DiD) but the SE operators in their social entrepreneurship journeys all adopted an open-ended approach and used techniques such as rapid prototyping to test new ideas. Coincidentally, having studied a good number of local SEs in Hong Kong, the Fullness Social Enterprises Society is also promoting the paradigm of effectuation from entrepreneurship research to capture a framework of new venture emergence. Similarly, the "lean startup" approach has been introduced to the local SE sector recently which also shares comparable insights.

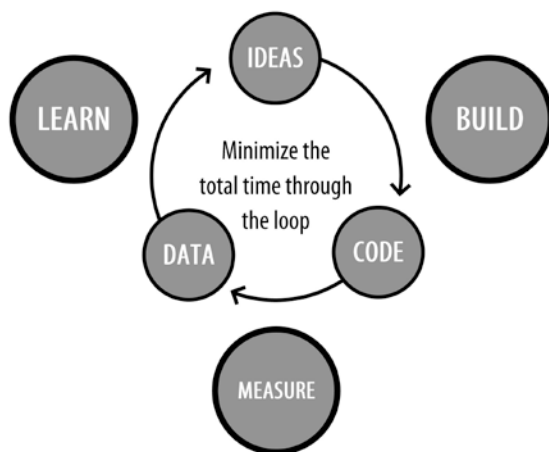
3. Ahrensbach, T., Beunderman, J., Fung, A., Johar, I. and Steiner, J. (eds.) (2011) *Compendium for the Civic Economy: What the Big Society should Learn from 25 Trailblazers*. (London: 00:/ in association with NESTA & Design Council CAFE).

"Effectuation begins with a given set of causes, consisting of (mostly) unalterable characteristics and circumstances of the decision maker, and the focus is on choosing among alternative (desirable) effects that can be produced with the given set of means, thereby eliminating the assumption of preexistent goals..., in effectuation a dynamic decision environment involving multiple interacting decision makers is assumed... [T]he four principles of effectuation, in contrast with causation, involve

- 1. Affordable loss, rather than expected returns;**
- 2. Strategic alliances, rather than competitive analyses;**
- 3. Exploitation of contingencies, rather than preexisting knowledge; and**
- 4. Control of an unpredictable future, rather than prediction of an uncertain one."**

(Sarasvathy, 2001, 259)

Box 2.4 Effectuation⁴



Box 2.5 The Lean Startup Process-Diagram^{5, 6}

4. Sarasvathy, Saras D. (2001). "Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency". *The Academy of Management Review*, 26(2): 243-263

5. Reference: <http://theleanstartup.com/principles>

6. The build-measure-learn feedback loop is a core component of Lean Startup methodology. It emphasises "validated learning", running rapid scientific experimentation, as well as counter-intuitive practices that speed up product development cycles, measure actual progress without resorting to vanity metrics, and learn what customers really want (Ries, E. (2011). *The lean startup: how today's entrepreneurs use continuous innovation to create radically successful business*. New York: Crown Business.).

d. Generate change through networks: The scaling challenge. The importance of leveraging networks to generate change has been well documented and among the local SE cases the two SEs engaging in promoting community economic development in the social economy (Ground Works and the NAAC Alternative HR Market) exemplify the use of partnerships and local community networks to make their alternative business models viable and in the process expand the reach of their operations. The case of Diamond Cab is also instructive as different stakeholder groups were assembled to realise the cross-sector collaborative venture. All other SEs examined had also leveraged partnerships and networks to help kick-start their operations and to achieve scale.

2.13 Four other best practices as listed below are again highlighted in the "Compendium for the Civic Economy" research report. While we still could find local SE cases adopting similar practices, generally speaking the local SE sector is lagging behind in these areas. Future policy initiatives may set out to address them.

a. Financial co-investment: Diversifying funding streams.

Of the ten exemplary SE cases, depending on the precise ways to define co-investment, around four or six SEs have adopted co-investing arrangements. While it appears to be a good proportion, it cannot represent the general SE scene in the Hong Kong. In fact, despite the rise of impact investment in Hong Kong in recent years, financial co-investment is still far from being a common practice, and the various government funding schemes still represent the dominant source of funding for many SEs in town. The findings of our SE Survey also show that 73.6% of the respondents used a single start-up funding source. In Chapter 3 we will further analyse the influence of financing on the entrepreneurial orientation of SEs.

b. Participation beyond consultation: Inviting citizen co-production.

In SE promotion and organisational development, there are various opportunities to engender citizen participation like co-governance, co-investment, sharing of passions and skills, service co-production, peer-to-peer services, etc. Again some of the studied cases have done extensively to further cross-sector partnership in their service delivery systems, like the use of alternative currencies in Ground Works, the formation of quasi-cooperatives in NAAC Alternative HR Market, and the use of knowledge volunteers in SEs like Fullness Salon, Diamond Cab and L Plus H. Yet the scope of user and stakeholder participation could definitely be expanded. As argued in this research, the research team

considers encouraging multi-stakeholder participation as a policy imperative for SE promotion, and relevant policy recommendations would be discussed in Chapter 6 (also see discussion in paragraph 2.18b below).

c. The experience of place: Setting physical and social conditions. For SEs working in particular localities, garnering the unique experience of specific locations and place and finding ways to integrate them into the SE operations to create wonder, delight and even disruptions is a core practice utilised by many successful SEs around the world. Among the ten exemplary cases examined in the study, the case selection has not included particular SEs that attempt to produce place-based experience unique to the location. Working in the Wanchai area, Ground Works may be an exception and a place-based SE model would likely be employed with the launch of the nearby Blue House heritage building project in the near future, which is also managed by St. James' Settlement. Given our research's interest to link social value creation of SEs with local community development (as discussed earlier at paragraph 2.11c), we'll further contemplate the strategy of SE promotion at the district and local community level (see further discussion in Chapter 6).

d. Recognise where value lies: The metrics of change. The final best practice as identified by the UK research report is about social impact measurement and the development of outcome metrics, which is perhaps the weakest spot among the SE cases that we have examined. While also recognised by the local SEs as an important pillar for SE development, none of the SEs has devoted substantial resources to advance impact measurement in their respective operations. As of now the commonly adopted practice is to engage research support from the academia to develop idiosyncratic evaluation framework, and some SEs will selectively use impact data for publicity and marketing purposes. Yet, given the early stage of the sector's development, the SE sector as a whole still lacks the incentive to develop more rigorous social impact assessment systems. But the situation may change as the Government has begun putting more emphasis on impact evaluation.

III. Interpretation of Findings

2.14 To further reflect on the significance of the case study findings on social value creation in SEs and its relevance to formulating long-term SE promotion strategy in Hong Kong, it is best to consider the case study findings along with the emerging development trends of the local SE sector. From the SE Survey findings, we learned that there has been a steady growth of WISEs over the past decade,

and more recently we also witnessed the emergence of more "non-WISE" and "non-Section 88" SEs being established by a variety of actors (see discussions re paragraph 2.1 at Appendix II). Given the increasing diversity of the SE sector, the nature of the social values being created by SEs would also become more diverse.

2.15 To maximise social value creation on multiple fronts, different approaches could be adopted to support different kinds of SE operators to propel the development of their respective SE categories. In this connection, the research team identifies four possible development trajectories suggesting the coming emergence of four distinct categories of SEs in Hong Kong, viz.: 1. the next generation of WISE; 2. SEs addressing BOP and shunned markets; 3. SEs adhering to the collaborative consumption/sharing economy movement; and 4. SEs adhering to the broader social economy movement.

a. WISE 2.0: WISE typically creates social value in the production realm. Local research on social impact of WISE has proven the important contribution of WISE to employment integration and demonstrates that, if appropriately implemented, the superiority of the SE model in implementing welfare-to-work.⁷ Our case analyses also showed that the three WISEs run by NGOs are all working meticulously to enhance their impact through the mechanisms of scaling up, scaling deep and scaling out. For Hong Kong to continue to strengthen and grow the SE sector, it is imperative that the Government should continue to support the development of the next generation of WISE that would put even more emphasis on producing greater and deeper social impact for the disabled and the disadvantaged.

Yet, the development of WISE is not without limitations. According to our SE Survey, of those SEs indicating they are struggling or declining, a significant proportion also belongs to WISE. While this finding is not surprising given a large proportion of the SEs included in the survey are WISEs, and hence a higher proportion of WISE declining or struggling is just normal. Yet, in reviewing the list of WISEs that are struggling, their common features include (i) these SEs are operating in some highly competitive market environments; (ii) they lack innovations in their operation; and (iii) they do not have strong community network to ground their operation. In projecting the next development stage, the new

7. See the two research bulletins prepared by the Fullness Social Enterprises Society: "Social Return on Investment (SROI) of Enhancing Self-Reliance through District Partnership (ESR) Projects" and "Social Return on Investment (SROI) of Enhancing Employment of People with Disabilities through Small Enterprise (3E) Projects", available at: www.fses.hk

generation of WISE has to deepen its value creation on the one hand, while they also need to zero in on adopting some of the good practices as examined in paragraphs 2.12 and 2.13 above on the other hand.

- b. SEs addressing BOP and shunned markets: The second development trajectory relates to the increasing number of new SEs that aspire to apply business solutions to address previously unmet social needs and to serve the needy at the bottom of the economic pyramid, henceforth producing social values via the consumption realm. From the early case of SCHSA to the more recent Light Be, these innovative social ventures demonstrate that by instituting the right business models and shrewd business skills, not only could the SE operators address the needs of the underprivileged, but they could also develop a sustainable business that is scalable and contributes to changing the dynamics of service provision in their particular service fields. Applying innovative solutions to the BOP market is an area of SE development that has attracted a lot of attention of the would-be social entrepreneurs in Hong Kong and around the world, and the emergence of this new trend partly explains the increasing number of “non-WISE” and “non-Section 88” SEs being created in recent years (as discussed in paragraph 2.1 in Appendix II).
- c. SEs adhering to the sharing economy: Coincidentally, the third development trajectory and possible growth area for the local SE sector correspond to creating social value through the realm of distribution – by making it easy for people to gain access to useful services through the sharing of otherwise idle or unused products or productive assets with or without money exchanges.⁸ The sharing economy, which also covers the collaborative consumption movement, is a worldwide development trend in the SE field that is gaining stream in recent years due to the advancement of the Internet and mobile technologies. These advancements result in significant reduction in the transaction cost of sharing and thus greatly enhance the efficiency in arranging service distribution and access. In our SE case studies, transportation service like Diamond Cab could be considered an “old school” sharing company, which has a business model based on the efficient use of its six wheelchair taxis by way of a central booking system. The idea of collaborative consumption is rather new to Hong Kong, and the public may not regard the newly emerged

sharing companies being part of the larger SE movement. Moreover, often times the target customer groups of the sharing companies are the middle-class rather than the underprivileged. For instance, the peer-to-peer car sharing service Carshare.hk and the secondhand furniture recycling SE Green Dot Home produce their social impacts through lessening resource consumption and reducing waste, and their existing business models won't allow them to really serve the disadvantaged directly. Yet, as the business models of these sharing companies continue to evolve, they have the potential to extend their reach or diffuse their innovation for the benefits of the disadvantaged and the BOP market.

Sharing Economy and Sharing Hong Kong

A global movement, the sharing economy has also taken roots in Hong Kong.

The book “Sharing Hong Kong” was published in April 2014.* In the publication, a good number of local sharing economy initiatives were recorded. Carshare.hk and Green Dot Home are two examples.

Carshare.hk (<http://carshare.hk/>)

Peer-to-peer car sharing is frequently invoked as an exemplary case of collaborative consumption, and the car sharing movement has become very popular in many major cities in North America and Europe. CarShare.HK is the local version of the peer-to-peer car sharing model and the start-up venture, established in 2013, envisages the tremendous value in resource sharing and collaborative consumption. Using an innovative technology platform to create a trusting community of car owners and borrowers, the privately-owned social venture facilitates car owners to convert their underused personal vehicles into a profit-making asset.

Green Dot Home (<http://www.green-dot-home.com.hk/>)

Green Dot Home was established in 2012 and focuses on collecting and recycling used furniture and homeware. Some of the items collected by the social enterprise will be donated to the public while others will be sold in secondhand markets to generate revenue, with part of the proceeds donated to non-profit/charitable organisations. The social enterprise was awarded Champion in the ‘International Symposium: Discovery and Idea Incubation for Realizable and Scalable Social Impact’ competition organised by Project Flame of the City University of Hong Kong.

8. According to the RSA website: “The sharing economy is a bunch of new ways to connect things that aren't being used with people who could use them. It often does this through internet-based applications, and therefore does this radically better than previous systems in achieving higher utilization of the economy's ‘idling capacity.’”

* 鄒崇銘、黃英琦、阮耀啟主編，《共享香港：從社會企業、公平貿易、良心消費到共享經濟》，印象文字 2014

Box 2.6 “Sharing Companies” in Hong Kong

d. SEs adhering to the broader social economy movement: Lastly, the fourth possible development trajectory and future growth area relate to the broader social economy movement, which is exemplified by the cases of Ground Works and the NAAC Alternative HR Market. As examined in the case discussions, these SEs are promoting community economic development and their approach is to reengineer the production-distribution-consumption ties of the local economic system, engaging different community segments in the process while implementing alternative economic practices that provide different economic experience to the participants (like the use of alternative currencies in Ground Works and the formation of quasi-cooperatives in the NAAC Alternative HR Market). Unlike the sharing economy, the “social economy” has a long history but the two movements share a lot of commonalities. Since the very act of sharing could engender community building, increasingly the “virtual communities” assembled via the sharing economy movement would transform into place-based and community-based actions, like various “pop-up flea markets” that serve as exchange platforms for secondhand items. It is thus conceivable that the two movements would complement one another and could even converge in particular service domains and locations to address the needs of a wider spectrum of the community including both the economic well-to-do and the marginalised.

2.16 Whether all or any of the projected development trajectories would materialise is an unknown, and we simply do not have enough trend data to substantiate the conjectures on the possible growth areas say for the next five to ten years. Given the scope of the study, the analysis is also carefully craved to focus on the local situation without going beyond the borders of Hong Kong. In any case, from the findings of the SE Survey, we know that we have a relatively strong WISE sector at this moment, and more recently, particularly after year 2009, we witnessed the emergence of new breeds of SEs including those trying to create new markets for serving the poor and the disadvantaged, as well as those working to transform existing market practices for better utilization of available community resources. In all, the SE case analyses largely conform to our understanding of the SE development trends in Hong Kong.

IV. Implications

2.17 Given the projection on the possible development trajectories, in what ways should the Government formulate its immediate and longer-term strategies in order to catch the tides and take benefit from the impending changes? The research team considers that the Government should zero in on two broad approaches for promoting social value creation in SEs including: 1. encouraging more social innovation in public problem-solving, and 2. facilitating multi-stakeholder participation in SE development.

2.18 Of the four categories of SEs as examined in paragraph 2.15, we could roughly make the following distinction: the first three types of SEs find their ways to create social values through directly contributing towards *public problem-solving*, while the last category (SEs engaging in community economic development) would produce an additional layer of social value by way of engendering *social capital creation and community building and revitalization*.

a. Social innovation and public problem-solving: In the former case, the SEs address previously unmet social needs through introducing social innovations in the production, distribution and/or consumption realm(s) of a specific SE's value creation process. For these three categories of SEs, the key for supporting them would be to engender social innovations for inducing positive and transformative changes.

b. Community building and social capital creation: In the latter case, the SEs bring together different stakeholder groups and community segments by way of redesigning and reconfiguring the production-distribution-consumption ties of the SE's economic value chain and henceforth allow for the rediscovery of social relations behind economic activities. Facilitating multi-stakeholder participation is thus the key for supporting social value creation for these SEs.

2.19 The implications of the research findings on SE's social value creation are multifaceted. We summarise five areas for further elaboration in Chapter 6 when relevant recommendations are deliberated.

a. SE as a Policy Tool: The range of social issues that the SE sector could address are limitless, and over the years the strategic focus has been placed on employment creation and fighting poverty. Yet from a strategic level of policymaking, the policy goal of SE promotion should not be viewed only as such. The Government should promote continuous development of SE with its broader strategic vision and policy priority. The HAB as the bureau coordinating initiatives on SE promotion should

take the lead to facilitate and work out Government's strategic focus on SE promotion and work together with stakeholders to achieve its vision.

- b. Promoting Plurality: Our research analysis projected likely emergence of four distinct categories of SEs in Hong Kong. From the Government's perspective, it may decide that not all of the new SE categories would merit government funding support, or that it may put more emphasis on particular SE categories but not the others. Yet, taking into consideration the dual policy objectives of SE promotion to enhance social innovation and encourage multi-stakeholder participation, the policy premise to promote plurality of SE operators should be observed.
- c. SE Formation and Governance: With the emergence of the new breeds of SEs and their organisational diversity, it is envisaged that sooner or later the SE sector would need to take a fresh look into the legal foundation for supporting SE formation and governance. While the enactment of new legislation for SE formation may deem unnecessary, alternative ways for allowing easy formation of various SE categories that suit the needs and the operation requirements of the particular SE operators should be contemplated.
- d. SE and Local Community Building: As a key theme of this research inquiry, the research team puts key emphasis on examining social value creation in SEs and its possible contribution to local community development. The research findings have indicated that SE should function as a channel for participatory and community-based problem-solving to address a wide range of policy issues. The Government should consider combining SE promotion with policy initiatives to engender local community development and urban renewal.
- e. Promotion of Best Practices: A list of potential best practices and innovative approaches for achieving social value creation is given at paragraphs 2.12 and 2.13, and the benchmarking to the exemplary local SE cases has shown that there are practices that local SE operators have proved to be useful, while areas of deficiencies are also identified. It is envisaged that policy initiatives could be crafted to facilitate the local SE operators to test and then adopt the potential best practices such as enrichment of user participation in service provision, the promotion of financial co-investment, etc.

Chapter 3

Enhance Innovation and Entrepreneurship

Overview of the Chapter

- I. Introduction: Measuring Entrepreneurial Orientation of SEs
- II. SE's Capacity to Innovate: Survey Findings on Entrepreneurial Orientation
- III. Interpretation of Findings
- IV. Implications

I. Introduction: Measuring Entrepreneurial Orientation of SEs

- 3.1 As the environment changes constantly, innovation and entrepreneurship are critical elements for success and sustainability of any types of organisations, including SEs. Running an SE entails the achievement of the double bottom line, that is, social missions and the business sustainability. This made things even more difficult to SEs.
- 3.2 Past landscape studies of the SE sector in Hong Kong have emphasised the social objectives of SEs. However, other than producing sector-wide statistical data, the operational side of SEs is rarely explored in these studies. To fill this gap, the SE questionnaire survey investigated the business sustainability side of SEs taking an angle of entrepreneurship.
- 3.3 Entrepreneurship in competitive business often refers to the capturing of new opportunities through innovations.

This research adopts the construct of “entrepreneurial orientation” developed for commercial sector to study SEs in Hong Kong. Being a well-developed construct in business research, the measurement of entrepreneurial orientation is composed of several dimensions. Considering the relevancy, this survey used only the three dimensions of innovativeness, proactiveness and risk-taking.⁹

- a. Innovativeness measures if the enterprise would demonstrate their creativity, and not just replicate other competitors.
- b. Proactiveness measures if the enterprise would take the opportunity, take the lead and respond to market or

9. Lumpkin, G.T. & Dess, G.G. (1996). “Clarifying the entrepreneurial orientation construct and linking it to performance.” *Academy of Management Review*, 21, 135–172.

Miller, Danny. (1983). “The Correlates of Entrepreneurship in Three Types of Firms.” *Management Science*, 29(7), 770-791.

competitors quickly.

- c. Risk-taking assesses if the enterprise is willing to take risk aggressively while facing various uncertainties.
- d. These three dimensions of entrepreneurial orientation not only capture entrepreneurial activities, but also demonstrate the process of entrepreneurship and reveal the strategic plan of the enterprise.

3.4 Ten measurement items were taken from previous studies¹⁰ to capture how SEs run their business empirically. Respondents indicated their choice by a 4-point scale from “strongly disagree” to “strongly agree”. Three sets of entrepreneurship indicators are calculated by aggregating the corresponding item scores. In addition, an indicator that reflects the overall entrepreneurial orientation was also computed by aggregating the three indicators. This means that each SE has a set of four indicators on innovativeness, proactiveness, risk-taking, as well as overall entrepreneurship. The ten measurement items are given below.

| |
|---|
| <p>Innovativeness:</p> <ul style="list-style-type: none"> • In the past year, we made a big change to the product or service portfolio • In the past year, we provided many new products or services • In the past year, we marketed or delivered our products or services in innovative ways • We attach great importance to R&D and pursue innovation in technology and services |
| <p>Proactiveness:</p> <ul style="list-style-type: none"> • We actively develop new markets or customer segments • We usually take the lead in introducing new products, services, management skills or production techniques in the industry • Overall, we emphasise the introduction of new products or ideas ahead of our competitors |
| <p>Risk-taking:</p> <ul style="list-style-type: none"> • When facing uncertainty, we tend to take action to seize the opportunity rather than being conservative • To achieve our operational goals, we tend to act boldly and quickly • We like to take on risky projects with high return |

Table 3.1 The measurement items of entrepreneurship (Innovativeness,

10. Terjesen, Siri; Lepoutre, Jan; Justo, Rachida; and Bosma, Niels. (2009). *Global Entrepreneurship Monitor: 2009 Report on Social Entrepreneurship*; website: <http://www.gemconsortium.org/doc/download/2519>. Zhang, Yuli and Chen, Hansong. (2011). *Entrepreneurship*. (2nd ed.). Beijing: China Machine Press.

Proactiveness and Risk-taking)¹¹

II. SE's Capacity to Innovate: Survey Findings on Entrepreneurial Orientation

3.5 The survey findings on the entrepreneurial orientation of SEs are presented below according to three separate themes including: 1. sponsoring organisation and entrepreneurial orientation; 2. start-up capital and entrepreneurial orientation; and 3. social objectives and entrepreneurial orientation.¹²

3.6 Sponsoring Organisation and Entrepreneurial Orientation

a. As mentioned in the landscape overview at Appendix II, the governance of SE is rather complex in the SE sector. The sponsoring organisation not only assists in founding the SEs, but also plays a critical role in organising and teaching their staff the ways to run their business together. Therefore, the relationship between entrepreneurship orientation and the nature of SEs' sponsoring organisation is important. Such examination reveals noteworthy findings.

b. The findings show that there is a relationship between entrepreneurial level and the sponsoring organisation. SEs were grouped into two categories, NGO-derived and Non-NGO derived, and had their means compared (NGO-derived SEs = 2.74 vs. Non-NGO derived SEs = 3.06). The finding implies that Non-NGO derived SEs tend to be more entrepreneurial than NGO derived SEs ($p < .001$).

c. When the SEs were grouped by more specific nature of sponsoring organisations (i.e. SEs with no sponsoring organisation, sponsoring organisation not under Section 88 and sponsoring organisation under Section 88), the finding is more obvious. Comparing the mean scores across various nature of sponsoring organisation, SEs with no sponsoring organisation got the highest mean (Standalone SEs = 3.11 vs. SEs with sponsoring organisation not under Section 88 = 3.03 vs. SEs with sponsoring organisation under Section 88 = 2.74). It shows that standalone SEs tend to be more entrepreneurial ($p < .001$).

3.7 Start-up Capital and Entrepreneurial Orientation

a. Start-up capital is another aspect that may be

11. Reliability of the three subscales (Cronbach's Alpha) are .761, .621, and .722 respectively, the reliability of aggregated scale is .868. Entrepreneurial orientation is a proven measure, and using only partially the scales (due to space) limits its reliability but is still considered as valid measures.

12. The themes highlight some major SEs' characteristics. These characteristics (sponsoring organisation, start-up capital and social objectives) are grouped into two or three subgroups for further statistical analysis (i.e. t-test or ANOVA), and their means were compared.

associated with entrepreneurial orientation. Start-up capital varies in their form, sources, and mixture. Investment (equity), loan and donation are three common forms of initial funding to start a business. Each of the forms implies different appetite of risk, return, and involvement. Sources of funding as well reveal the concerns of various stakeholders. For instance, an SE sponsored by investors from the business sector may be operated very differently from an SE supported by government grant. They would run their business according to the interest and values of the fund provider(s). While SEs with single funding source only need to meet the requirements of a particular funder, SEs funded by several funders need to evaluate and manage the interests of various fund providers. Therefore, relationships among form of initial funding, diversity of start-up fund, nature of start-up capital (Government fund vs. Non-government fund) and entrepreneurial orientation are analysed.

- b. The analysis shows that there is a relationship between start-up capital and entrepreneurial orientation. SEs were grouped by two forms of initial funding source, investment and non-investment, and their means were compared (SEs involved initial funding from investment = 2.95 vs. SEs not involved initial funding from investment = 2.72). The finding stated that SEs involved initial funding from investment tend to be more entrepreneurial than those not involved initial funding from investment ($p = .001$).
- c. For the diversity of start-up fund, SEs were grouped by single source and multiple sources. Comparing their means (SEs supported by single sources start-up capital = 2.77 vs. SEs supported by multiple sources start-up capital = 2.96), it shows that SEs formed by multiple funding sources tend to be more entrepreneurial than those formed by single funding source ($p < .05$).
- d. SEs were further grouped by its start-up capital source (i.e. government funded vs. non-government funded). Non-government funded SEs have a higher mean than government funded SEs (Government funded SEs = 2.74 vs. Non-government funded SEs = 2.92). It was found that non-government funded SEs are likely to be more entrepreneurial than the government funded SEs ($p < .05$).

3.8 Social Objectives and Entrepreneurial Orientation

- a. To help the disadvantaged to have a job opportunity has always been a dominant social objective among many SEs in Hong Kong. That is why the so-called WISE are popular. In fact, one hundred and fifty-nine SEs reported the percentage of disadvantaged employees in the SE survey. Findings show that over 80% of the total

respondents hired the disadvantaged in their SEs (81.8%).

- b. In order to assess if the social objective of job creation for the disadvantaged would relate to the level of entrepreneurship, percentage of disadvantaged employees in SEs were divided into four groups (i.e. zero: 0%, low: 1-20%, medium: 21-60% and high: above 60%) for further analysis.
 - c. There is a relationship between the proportion of disadvantaged employees and the level of entrepreneurship. Comparing the means of various groups (SEs without disadvantaged labour = 3.10 vs. SEs with low percentage of disadvantaged labour = 2.83 vs. SEs with medium percentage of disadvantaged labour = 2.73 vs. SEs with high percentage of disadvantaged labour = 2.75), it was found that those SEs with less disadvantaged employees tend to be more entrepreneurial ($p < .05$).
 - d. To hire the disadvantaged through SEs directly is an obvious and popular way to achieve work integration. Yet it was discovered and reported in this study that some SEs could attain such social goal through indirect ways, particularly, outsourcing working procedures to sheltered workshops. To get at this issue, we analysed the survey data to explore how different types of SEs responded to the question about the social objective of work integration.
 - e. One hundred and thirty-five SEs indicated that promoting work integration is their social goal. Finding shows that there is a relationship between the social goal of work integration and entrepreneurial level. SEs were grouped into two categories, WISE and Non-WISE, and their means were compared (WISE = 2.77 vs. Non-WISE = 3.08). It reveals that Non-WISE tend to be more entrepreneurial than WISE ($p < .05$).
- 3.9 To sum up, characteristics of SEs are related to entrepreneurial orientation. SEs with no sponsoring organisation, no Section 88 affiliation, not primarily focusing on employment integration, receiving initial funding in the form of investment, starting with diversified funding sources, and starting not using government subsidies all tend to be more entrepreneurial. Correlations found using survey data may indicate causal relationship, and founding characteristics and funding sources may affect entrepreneurship. However, this interpretation is only one of the possible explanations and is far from conclusive. Experts and SE stakeholders help to paint a more complete picture regarding the complex relationships between the formation of SEs, their characteristics, and their entrepreneurial behaviors.

III. Interpretation of Findings

- 3.10 In order to have a grounded interpretation of the survey findings regarding the relationship between SE characteristics and its level of entrepreneurship, SE operators and other informants of the SE sector including academics, volunteer social angels, media and business sector collaborators were gathered to participate in focus group discussions. While informants tended to agree with the broad survey findings, they also offered criticisms and alternative explanations regarding the results.
- 3.11 According to the focus group discussions, four possible explanations accounting for the above observations on SE entrepreneurial orientation can be summarised: 1. ecology issues caused by a self-selection process; 2. bearing the mission of helping the disadvantaged; 3. a talent mismatch in running SEs; and 4. expectations of source of funding schemes. Understanding these four possible explanatory accounts gives a broader and richer view of entrepreneurship and operations of SEs. The first two explanatory accounts are relatively straightforward and are examined in the following two sub-paragraphs, while the latter two explanatory factors are explored in more detail in paragraphs 3.12 and 3.13 respectively.
- a. Ecology issues caused by a self-selection process: SEs have various reasons to come into existence. Some of them are primarily driven by innovation, i.e. using innovative ways to solve social problems. Some of them are mainly driven by the need of their clients, i.e. creating jobs for the disadvantaged. SEs being established for different reasons would lead them to take on certain form of governance systems and organisational structures. These organisational elements would cause and result in different levels of entrepreneurship. An informant used this reasoning to suggest that different levels of entrepreneurship in SEs is the result of a self-selection process.
- b. Bearing the mission of helping the disadvantaged: An informant vividly remarked, “running a commercial business could afford to be unsustainable – since I can always start another business again later – yet running an SE has to be sustainable, since shutting down an SE would upset the disadvantaged employees who are difficult to find a job elsewhere.” This remark suggests a possible challenge for WISE to become more entrepreneurial oriented while pursuing a social cause. Commercial enterprises exist for making profit, while SEs sustain the business for solving social problems. SEs are attached to social missions. Social workers running an SE may find it burdensome to make a wrong decision because they worry that an erroneous decision may cause the SE to go down, stripping away the help many people rely on. Particularly in the case of the WISEs, their development has to cope with the ability of the disadvantaged to find jobs. If a WISE goes bankrupt, the disadvantaged employees can suffer more heavily than normal employees, who have other employment options. Due to the severe consequences, social workers tend not to take risk and have more reasons to follow the established paths of operation.
- 3.12 The focus group participants also offer a third explanatory account which is about talent mismatch in running SEs:
- a. Apart from government funds, many social workers have contributed their efforts for the success of NGO-derived SEs in Hong Kong. Most NGO-derived SEs were managed by social workers and they can still be innovative, for example, the cases of NAAC Alternative HR Market supported by NAAC and Ground Works supported by St. James’ Settlement (analysed in Chapter 2). They successfully advocate dignity works, promote work-family balance and strengthen the relationship in the community through their innovative and flexible practice. They achieve the social values that are difficult to obtain from the mainstream commercial business sector.
- b. Yet, for better development and exploring the reasons for observation in Part II, SE stakeholders from NGO-derived SEs and business sector have expressed that development of SEs require diversity of skills. There are cases where social workers lack business knowledge and skills. An informant from a NGO-derived SE explained the meaning of mismatch of division of labour thoroughly as below:
- “Social workers are trained to do social service, (but) not to do business or to make profit. They have their own code and guide of ethics (as being a social worker). People should make clear that the role of social worker should be helping the business sector to realise their social responsibility. Social workers are not running social enterprises (running business), but doing empowerment project or empowering the group of disadvantaged. (Therefore) there is a need of collaboration with business sector, but not requesting social workers to re-learn what business is about.”
- c. This remark suggests that the collaboration between social and business sectors is critical to the development of SE sector. Both social sector and business sector should be responsible for their field of expertise. That is, social workers work as a gatekeeper on social objectives whereas business professionals focus on the business and financial management. It is important to create an environment that encourages social and business

sectors work together.

3.13 The fourth and final explanatory account is about the expectations of source of funding schemes that shape SE development:

- a. Hong Kong Government has been supportive to the development of SE sector. There are various funding and seed money available, such as Community Investment and Inclusion Fund (CIIF), "Enhancing Employment of People with Disabilities through Small Enterprise" Project (3E's Project) and The Enhancing Self-Reliance Through District Partnership Programme (ESR Programme), etc. According to the survey findings, it was found that most SEs in Hong Kong relied on a single start-up funding source (73.6%). About three-fourth of the total respondents raised start-up fund by grant and donation, and more than half of them reported that they particularly depended on the support of government fund (57.5%). Apparently, the Government is still the main funding channel for the development of SE sector.
- b. While many SEs were founded in response to various government funds, the requirements of the funding schemes were revealed. The SE stakeholders pointed out that the terms and criteria of government funding do not always focus on entrepreneurial spirit. Funding schemes are usually interested in the percentage of employees hired from the disadvantaged group or achieving pre-agreed milestones on schedule. Long term development and entrepreneurial planning, such as R&D and new product development are more common entrepreneurial activities in the business sector, but these are often overlooked by the SE practitioners. ESR Programme, as a scheme using public resources supporting SEs for defined social objectives, naturally pays attention to business sustainability among others. Yet innovation and entrepreneurship often entail a certain level of risk-taking for longer-term benefits. Emphasising a fine balance between the above in the scheme could encourage more innovative and larger-scale projects.
- c. Most funding schemes require the applicants to be Section 88 affiliated. Some non-NGO background SEs with entrepreneurial proposals do not have government funding assistance in their existing setting. Some of these SE practitioners do not bother to adjust their business ideas according to requirements of existing funding schemes, because their ideas may not have track record or require much efforts to demonstrate financial or market viability.
- d. The Government has to be prudent with the use of public money. Especially during the earlier development

of SEs, the public had a simple view on SEs (chiefly that of WISEs) and required the Government to account for "loss" of funds. SE stakeholders understood and accepted this practice. The government-funded SEs tend to play safe in their operations and it would require more incentives for them to become entrepreneurial in their projects. Despite this commonly known picture, SE stakeholders in the focus groups also emphasised that innovativeness and entrepreneurial activities always require flexibility and space for development, in particular under various schemes of government fund. More funding sources that support entrepreneurial projects should be promoted.

- 3.14 Additionally, although many SE stakeholders believe entrepreneurial orientation and innovativeness are important for SE development, they also pointed out that both less entrepreneurial and more entrepreneurial SEs have values to the society. A case in point is shared by an informant. It was mentioned that there is a WISE that provides cleaning services. Such service is hardly associated with innovativeness; yet, it has outstanding performance, and this allows it to obtain large market share. This case implies that SEs do not need to be innovative and entrepreneurial in order to perform well, at least financially.
- 3.15 Indeed the survey reveals an intriguing finding that WISEs tend to be less entrepreneurial, but WISEs tend to report a better financial performance than non-WISEs. The financial performance of SE is the dependent variable in the analysis, and it was rated by a 5-point scale (i.e. Great loss = 1, Loss = 2, Break-even = 3, Profit = 4 and Large profit = 5). The nature of SEs is the independent variable, and it grouped SEs into two categories (WISE and Non-WISE). The finding shows that there is a relationship between the nature of SEs and financial performance ($t = 2.215$, $p < .05$), and had the mean compared (WISE = 2.98 vs Non-WISE = 2.52).
- 3.16 Overall, this study reveals that SEs are not necessarily innovative or entrepreneurial in the sense of "entrepreneurial orientation". This construct coming from business research emphasises competition, R&D, new products and service. SEs pursue different goals, deal with different stakeholders and are operated by different professionals. Innovativeness and level of entrepreneurship should be developed on the basis of need and contextual relevance. While innovativeness or entrepreneurial orientation is essential for SE development, the SE sector should be inclusive and support all kinds of SEs to grow. As revealed in the survey and focus groups, SEs can be innovative and entrepreneurial not along the three entrepreneurship dimensions. Instead they creatively serve social needs of the disadvantaged,

navigate bureaucracies to find resources and deliver solutions, and working with the stakeholders to build trust, solicit collaboration, and develop new institutions.

IV. Implications

3.17 Charles Leadbeater gave his advice to the SE sector, "...you can't just deliver a solution like you're delivering a package...you have to create solution with people. One of the reasons why social enterprise matters is that it creates solution with people, not just doing it for people or to people..."¹³ Entrepreneurial as SE ought to be, we must view its nature grounded on the very purpose of SEs and their stakeholders in Hong Kong. To bring improvements, the findings of this study reveal shortcomings that span across the SE sector that need to be addressed.

3.18 The survey findings and grounded interpretation from the focus groups have strong implications. We highlight promoting diversity, enhancing innovativeness, and rethinking capacity building support as three critical areas for further elaboration in Chapter 6 when relevant recommendations are further examined.

a. Promoting Diversity: WISEs, non-WISEs, and other new breeds of SEs contribute to the society in different ways. Since the launch of the SE movement in Hong Kong, the society and the Government inclined to support the development of WISEs. On the basis of this success and changing needs of SEs to address new social problems, future efforts should place more emphasis to support plurality and encourage additional diversity of the SE operators. This can be done either through fine-tuning existing programmes or creating new programmes, such as new schemes to fund and develop the capacities of SEs.

b. Enhancing Innovativeness: Stakeholders of SEs outline a complicated picture of what it takes for SEs to be successful. They certainly need to adapt and to innovate. As new needs emerged, present capacities of SEs, in terms of human resources, new product development, and so forth, are unlikely to be enough. Unfortunately, SEs are usually small, limited in resources, and operating quite separately.

c. Rethinking Capacity Building Support: Apart from those small numbers of SEs supported by enthusiastic sponsoring organisations, most SEs lack the ability to tackle their own weaknesses, particularly those requiring longer term investment or taking more than low level of risk. Meanwhile, there are volunteers who are eager to aid SEs for continuous success. However, matching the SEs to these passionate individuals is expensive, and mismatch and ill-advice can cost dearly to SEs. These problems are shortcomings of the present SE ecology. Individual SEs would not and cannot solve them. It is a system issue and solving it entails a system- or society-wide coordination and requires public resources to install supportive platforms, encourage SE support organisations to sharpen their services, and lay the foundation for attracting new talents and resources to come up with new solutions.

13. The quote is extracted from the keynote speech "Cross-country Dialogue" by Charles Leadbeater, Visiting Senior Fellow, National Endowment for Science Technology and the Arts, U.K., at the 2013 Social Enterprise Summit in Hong Kong.

Chapter 4

Strengthen Implementation Capability

Overview of the Chapter

- I. Introduction: Training and Capacity Building Needs of the SE Sector
- II. An Overview of Current Capacity Building Activities in Hong Kong
- III. Research Findings on Existing and Desired Capacity Building Activities
- IV. Additional Research Findings on Urgent Matters and Existing Best Practices
- V. Three Dominant Leadership Building Approaches: The 3B's Model
- VI. Implications

I. Introduction: Training and Capacity Building Needs of the SE Sector

- 4.1 This chapter reviews the existing capacity building activities and incubation support available in the SE space in Hong Kong. The research also collected information concerning the current best practices adopted by the SE practitioners through the SE questionnaire survey. The capacity building needs of SEs and the existing training gaps are identified and analysed.
- 4.2 There was no lack of capacity building programmes and support services in the SE sector even during the earliest stage of SE development. These are training programmes for managerial and other levels of staff by SE-support organisations and universities. Universities play an important role in blending entrepreneurial and business perspectives with the values of social enterprises. They have been undertaking various capacity building

programmes e.g. the Hong Kong Social Enterprise Challenge scheme operated by the Center for Entrepreneurship of the Chinese University of Hong Kong for training university students and young graduates to participate in the work of SEs, pilot training provided by the University of Hong Kong and Chinese University of Hong Kong as per the advice of the Social Enterprise Advisory Committee to meet the training gaps in the early development stage. The 3E's Project initiated by the Social Welfare Department (SWD) in 2001 was a pioneering act to promote the establishment of SEs, despite its exclusive focus on WISE and people with disabilities. It was also an innovative move for the SWD to establish a separate marketing consultancy office, the "Support the Employment of People with Disabilities Limited" (SEPD Ltd) in 2002 to provide all-round capacity building support to SEs established under 3E's Project. Training courses, matching service, business support and trading services

were offered by the SEPD to the SEs, which over the years has successfully incubated a number of outstanding WISEs.

- 4.3 This “funder-incubator” model continued when the previous Commission on Poverty (CoP) picked up the agenda in 2005 and regarded SE as a viable means to achieving poverty alleviation. ESR Programme was established under the Home Affairs Department in 2006 in response to the CoP’s call for fighting poverty through the promotion of district-based SEs. Capacity building activities including mentorship scheme and business advisory services have been incorporated into the funding scheme to enhance capacity and sustainability of the funded projects.
- 4.4 Since 2007/08, a new landscape has emerged with the entry of notable SE support organisations and new support service providers which acted as incubators and capacity builders in the field. The CoP took an initiative in 2007 to support the Social Enterprise Resources Centre (predecessor of SEBC) of the Hong Kong Council of Social Service to launch the first SE certificate course (a project in collaboration with four local universities in Hong Kong). The Hong Kong Social Enterprise Challenge, the first inter-collegiate social business plan competition, kick-started in 2007 and has been supporting various new SE projects

ever since. The idea of social investment and the use of the “venture capital” model were introduced by Social Ventures Hong Kong in the same year. In 2008, the Social Entrepreneurship Forum, the Social Enterprise Summit, and the Hong Kong General Chamber of Social Enterprises also came on stage.

- 4.5 There are plenty of choices for SE practitioners and other individuals interested in the field to utilise the capacity building services provided by these support service providers as well as by the new supporting organisations and university centres that were established subsequently (e.g. Fullness Social Enterprises Society, Make a Difference (MaD), Education for Good, HKU ExCEL3, etc.). Funders have been working closely with the support service providers to launch various kinds of capacity building services.

II. An Overview of Current Capacity Building Activities in Hong Kong

- 4.6 The research team reviewed the existing capacity building activities available in the market and compiled the following two tables, viz. tables 4.1 and 4.2.

| | Low engagement | Medium engagement | High engagement |
|-----------------------------|---|---|--|
| Individual level | <ul style="list-style-type: none"> One-off training Best practice sharing platforms Study visits Informal networking | <ul style="list-style-type: none"> Mentorship scheme Structured certificate courses | <ul style="list-style-type: none"> Personal coaching Incubation for social entrepreneurs |
| Organisational level | <ul style="list-style-type: none"> One-off advisory service for SE SE networking platform | <ul style="list-style-type: none"> Single project consultancy service Change management | <ul style="list-style-type: none"> Social investment / ownership model |
| Sectoral level | <ul style="list-style-type: none"> SE networking platform SE Awards / competitions Collective business solutions (e.g. business template, discounts) | <ul style="list-style-type: none"> SE Awards/ Competitions and incubation Sector-wide consultancy service | <ul style="list-style-type: none"> Social investment platform SE Incubators |

Table 4.1 Supply-side review: Existing capacity building activities in the SE sector

| | Low engagement | Medium engagement | High engagement |
|--|--|---|---|
| Individual level <u>(Initiatives which target to enhance personal capacity of social entrepreneurs / SE practitioners - training courses, sharing platform, networking opportunities, mentorship schemes, social entrepreneurs' coaching and incubation)</u> | <ul style="list-style-type: none"> • HKSEF's training workshops • EFG's training workshops • SEBC's training workshops and sharing platform • HKGCSE's training workshop • SE Summit • Project Flame's training workshops • MaD's training workshops • Good Lab's training workshops • JCDISI's training workshop • British Council's workshop • Various university programmes • Various courses offered by the government | <ul style="list-style-type: none"> • EFG's intensive training programmes • SEBC's certificate courses • Various university programmes • Mentorship schemes offered by the government | <ul style="list-style-type: none"> • SVHK's SONOVA Institute and investment projects • EFG's social entrepreneur incubator programme |
| Organisational level <u>(Initiatives which target to build up capacity of the social enterprise – one-off advisory service, project based consultancy service, incubation service, change management services etc)</u> | <ul style="list-style-type: none"> • Fullness's advisory service • SEBC's one-off advisory service | <ul style="list-style-type: none"> • Fullness's in-depth consultancy projects • SEBC's in-depth consultancy project • SVHK's projects • HKSEIC's projects • Good Lab's incubation support to SEs • British Council's investment project | <ul style="list-style-type: none"> • SVHK's projects • HKSEIC's incubation project • AVPN's investment projects • Other social investment platforms |
| Sectoral level <u>(Initiatives which target to enhance the whole SE sector's development - ideas competition, co-working space, awards, incubators, pro bono network, joint business solutions, sector's quality assurance certificate etc.)</u> | <ul style="list-style-type: none"> • SE Challenge • SE Summit • SEBC's joint business support to SE sector • Good Lab's co-working space • JCDISI's support • Asia Social Inno. Award • Various SE competitions and awards • Various partners which offer pro bono services to the sector, e.g. Law Society, McKinsey | <ul style="list-style-type: none"> • SE Challenge's support to winners • SEBC's incubation funds (DBS, Peninsula Hotel) • Fullness's SE research projects • HKGCSE's SEE Mark • Good Lab's incubation support to SEs | <ul style="list-style-type: none"> • Government various funding schemes • Social investors in the market |

Table 4.2 Supply-side review: Existing capacity building activities (with detailed examples)

- 4.7 The tables examine capacity building activities in two dimensions: (i) level of intervention: individual social entrepreneur, SE unit, or the whole SE sector; and (ii) intensity of engagement: level of commitment for both of the SEs/social entrepreneurs and the service providers/incubators.
- 4.8 In conceptualising the provision of training and capacity building services, it is useful to think of three levels of intervention attending to individuals, organisations, as well as the sector-wide infrastructural level.
- Individual Level:** At the individual level, numerous skills-based training, sharing platforms and mentorship schemes can be identified. Support organisations offer different kinds of skills enhancement workshops and sharing sessions to SE practitioners, usually for the middle management. These activities range from practical workshops, business skills training, industry sharing, study tours and one-to-one mentorship. Usually these activities do not require a high level of engagement by the SE practitioners. Yet there are exceptions, e.g. a small number of support service providers aim to incubate potential social entrepreneurs through more intensive coaching support.
 - Organisational Level:** Compared to training support at the individual level, there are fewer support service providers offering assistance at the organisational level. For some of the support service providers, they would offer consultancy and incubation support to their affiliated SEs. Due to resource constraints, it is simply impossible for the existing support service providers to open their services to all SEs.
 - Sectoral Level:** Regarding capacity building for the whole SE sector, we found quite a number of competitions and awards organised by universities and various SE platforms. Nevertheless, post-competition incubation support is however not popular in the field. There are also various new trials of sector-wide capacity building activities, such as the 'SE Mark' scheme for SEs' quality assurance; the pro bono services co-organised by support service providers and professional associations; incubation fund for sector's development and the co-working space.
 - In sum, regarding the supply-side of capacity building in the SE sector, we observed the emergence of a great number of SE platform organisations and support service providers since 2008. These support service providers offer a large variety of support and the majority of them focus on skills-based training for individual practitioners. At the organisational level, just a few of them make available their services for any SEs to apply, and more often the support service providers

would only assist SEs that have some kind of affiliation with the support organisations.

III. Research Findings on Existing and Desired Capacity Building Activities

- 4.9 After reviewing the supply-side, this section further analyses the demand-side and examines the existing ways SEs acquire knowledge and ideas.

a. Table 4.3 shows the common ways for SEs to acquire knowledge and skills. Our survey found that SE practitioners enhance their capacity mainly by attending skills-based training activities organised by the Government, NGOs or universities. They also acquire skills by joining sharing sessions hosted by professional bodies and their peers. It is also notable that online information is an important source for SEs to learn.

| Rank | Existing ways to acquire knowledge and ideas | Frequency / % |
|------|--|---------------|
| 1 | Attend seminars / forums / workshops / courses organised by the Government, NGOs or universities | 124 (71.3%) |
| 2 | Sharing by professionals bodies or other organisations | 120 (69%) |
| 3 | Informal peer sharing | 118 (67.8%) |
| 4 | Online information | 110 (63.2%) |
| 5 | Professional advice given by the board members or committee members of social enterprises | 81 (46.6%) |
| 6 | Information from books and publications | 73 (42%) |
| 7 | Participate in local or overseas exchange tours/host local or overseas exchange tours | 60 (34.5%) |
| 8 | Form regular experience sharing platform | 50 (28.7%) |
| 9 | We have no idea so far | 6 (3.4%) |
| 10 | Others | 2 (1.1%) |

Table 4.3 How do social enterprises enhance their capacity? (multiple options)

b. At the same time, SE practitioners were also asked to select the perceived best ways to build their capacity, the figures tell a different story (see table 4.4). There are discrepancies between the kinds of capacity building supports being provided at present vs. what are desired by the SE practitioners.

| Rank | Most desired ways to acquire knowledge and ideas |
|------|--|
| 1 | Sharing by professionals bodies or other organisations |
| 2 | Informal peer sharing |
| 3 | Attend seminars / forums / workshops / courses organised by the Government, NGOs or universities |
| 4 | Form regular experience sharing platform |
| 5 | Professional advice given by the board members or committee members of social enterprises |
| 6 | Online information |
| 7 | We have no idea so far |
| 8 | Participate in local or overseas exchange tours/host local or overseas exchange tours |
| 9 | Information from books and publications |
| 10 | Others |

Table 4.4 The best way to build up capacity from SE's point of view (a max. of two choices)

c. While sharing by professional bodies and training courses are regarded as effective means to acquire knowledge, the practitioners also long for more opportunities for sharing with their peers (either formal or informal). Despite online information searching is a popular means for SE to acquire knowledge, not many SE practitioners regarded it an effective tool for capacity building.

d. The research team observed similar findings in the focus group sessions and case interviews. While formal and structured training courses/workshops can enhance business skills and industry knowledge of SE practitioners, the operators are also looking for network building opportunities. Sharing platforms and informal exchange at the sector and sub-sector levels can fulfill both functions as practitioners can exchange latest business information and acquire practical industry knowledge.

e. Regarding the current mentorship schemes organised by some government departments and SE-support service providers, the feedback was nevertheless not positive. Mismatch between mentors and mentees happened in some cases – whereas mentees looked for problem-solvers for front-line business problems, mentors in executive positions were often not familiar with daily operational issues; there were also cases that mentors and mentees did not share the same missions and values.

IV. Additional Research Findings on Urgent Matters and Existing Best Practices

4.10 The SE Survey also had a question that asked the respondents to list out the urgent matters being faced by their SEs. Each SE was allowed to pick a maximum of three items, the findings are given at table 4.5.

| Rank | Urgent matters rated by SEs (max. 3 options) |
|------|--|
| 1 | Train up frontline staff |
| 2 | Cut operation cost |
| 3 | Build up collaborative network with partners |
| 4 | Build up customer network in community |
| 4 | Establish/seek effective publicity platform |
| 6 | Tackle tenancy/venue problem |
| 7 | Train up management staff |
| 8 | Improve brand image |
| 9 | Improve service quality |
| 10 | Meet customers' needs |
| 11 | Seek loans/funding |
| 12 | Seek guidance from mentors or advisors |
| 13 | Build up sales network and increase income |
| 14 | Research and development |
| 14 | Recruitment of co-op members |
| 14 | Others |

Table 4.5 Top three urgent matters selected by SE (max 3 options)

a. Whereas most capacity building providers focus on training and grooming management-level staff, SEs – with a bit of surprise – concern much more about the training of frontline staff which is ranked no.1 on the list

of urgent matters among 16 options with 43.1%.

- b. In contrast, only 17.2% of respondents had chosen “train up management staff”. In the focus group sessions and case interviews, some SEs shared similar concerns about the recruitment and training of frontline staff including those disabled or disadvantaged employees that the SE is supposed to serve. This problem is a particular problem to WISEs, since it requires special skills and hard work from the SEs to identify the less known qualities of the disadvantaged groups and convert those qualities into assets of the SEs.
 - c. To address this problem, some SEs would collaborate with third-party support organisations (e.g. NGOs serving certain disadvantaged groups) for assistance in the recruitment and training of the frontline staff. For those SEs that are affiliated with sponsoring organisation (especially for those SEs supported by NGOs), the social service units of the sponsoring organisations may provide the support services to the SEs.
 - d. The research team observed that a small number of support service providers had been set up to meet this market demand. For instance, an SE established a job matching platform for elderly/early retirees, which has received inquiries from both the commercial as well as the SE sector.
 - e. Of the other items included in the “urgent matters list”, many are specific to the needs of individual operators, like tenancy renewal and building up collaborative network with partners. Yet there are areas it may merit collective effort of the SE operators, like establishing publicity platform and brand building etc. It would require that the capacity-building service providers and support organisations to devise effective ways to offer help to the local operators, particularly for SEs that are small in size and thus not viable to undertake certain functions like large-scale marketing or brand building. In order to support the vast majority of these small-sized SEs, it would be necessary for the sector as a whole to come up with ideas on sector-wide support programmes like the development of joint marketing platform and sector-wide communication plan etc.
- 4.11 In the SE questionnaire survey, the research team has incorporated a question asking the respondents whether their organisations have adopted certain “best practices” to improve business performance and effectiveness. The findings to the question are given at table 4.6.
- a. A vast majority of the SEs have leveraged internal resources and organisational ties to reduce operational costs and expand sales networks (92.4%). For example,

many SEs share existing office space with sponsoring organisations and also receive free administrative support. Some NGOs also deploy existing staff to supervise the SE projects without fully charging the cost. Diversifying income sources (91%) and forming partnerships with third-party organisations and corporations (83%) are also the commonly adopted best practices.

- b. Close to 70% of the respondents indicated they have set targets to measure both financial return and social impact. It is already a very high percentage, but the level of sophistication of the impact measurement tool has not been revealed in the survey findings. Besides, 67.5% of the SEs would conduct market research to understand the needs of customers, and 59.8% engaged in R&D to understand social needs before they launched their products and services.

| Rank | Best practices to improve management effectiveness |
|------|---|
| 1 | Leverage internal resources and network ties to reduce operational costs and expand sales network |
| 2 | Diversify income sources to avoid over-reliance on a single funding sources |
| 3 | Form partnership with other organisations or corporate to expand business network |
| 4 | Simplify administrative structure or procedure to enhance the operational effectiveness (e.g. procurement process, recruitment process) |
| 5 | Invest resources on staff training |
| 6 | Set targets to measure both financial return and social impact |
| 7 | Conduct market research to understand the needs of customers |
| 8 | Put resources on brand building of SE and utilise existing promotion platforms |
| 9 | Improve organisational structure |
| 10 | Conduct research and launch products / services in response to social needs |
| 11 | Use professional business consultancy service to improve business performance |
| 12 | Recruit professionals to manage social enterprises |

| | |
|----|--|
| 13 | Bulk purchase products or services with other social enterprises / organisations to reduce costs |
| 14 | State profit allocation and asset lock mechanism in M&A |

Table 4.6 Best practices adopted by social enterprises (multiple options)

- c. Less than 40% of the respondents had used consultancy services to improve their operation. One possible reason would be the limited number of qualified business consultants in the field. Besides, the small and medium sized SEs would probably find it too expensive to hire consultancy services, and most SEs would rather look for pro-bono or free services provided by some support organisations or support service providers, which were limited in supply.
- d. In our interviews and focus groups, the SE practitioners also shared other limiting factors discouraging the use of consultancy services. For some, it would be difficult to win the support of top management (in some cases approval by the board of the sponsoring organisation). Some SEs have concerns about the sharing of confidential information to external consultants. There was also a general doubt about the effectiveness of consultancy services.

V. Three Dominant Leadership Building Approaches: The “3B’s Model”

- 4.12 Of the long list of management challenges identified by the practitioners, the lack of qualified personnel at the leadership level – shortages in management talents in running SEs – is a major obstacle constraining even the market leading SEs to reach bigger scale. According to our case interviews, it was noted the SEs have been waging a three-pronged approach to address the challenge of management talent deficits: (i) hiring from outside; (ii) developing from within; and (iii) seeking external capacity building help. One informant referred this as the Buy-Build-Borrow Model, or the 3B’s Model, to understand leadership development in SEs.

- a. Hiring from Outside (Buy): There were successful experiences in some of the top performing SEs in hiring from the commercial sector (e.g. MentalCare Connect and SCHSA). Many home-grown social entrepreneurs who founded innovative social ventures were also coming from the commercial sector (the case of Light Be) or outside of the social service sector (the case of Diamond Cab).

- b. Developing from Within (Build): For those SEs that are led by founders or board members with strong entrepreneurial orientation, grooming in-house management talents is also a common model. Normally some potential talents with industry specific skills were first hired and then in-house development would be provided to groom the talents to gradually take up the management positions. Building the right organisational culture is a key factor for success under this strategy.

- c. Seeking External Help (Borrow): External capacity building support would be sought under this strategy, and the specific models could vary widely depending on the nature of the capacity building providers and how relations are established and maintained between the capacity building providers and the SEs. For instance, if a particular SE is owned by the capacity building provider through the private equity (the case of L plus H) or venture capital (the cases of the SVhk investees) models, capacity building support would be more intense and a relationship based on mutual accountability would be developed. Barring any ownership ties, the relationships built would likely be loose (e.g. some Social Angels programmes) or purely contractual (paid consultancy support) or voluntary (corporate volunteers via CSR activities).

- 4.13 The 3B’s Model neatly summarises our observation of the current capacity building practices of SEs. According to the survey findings on existing SE best practices in Table 4.6, it was recorded that 71.6% of the SEs invested resources on staff training (the “Build” model), while smaller percentages (38.1% and 34.3%) were reported for the use of consultancy services (the “Borrow” model) and recruiting professionals to run the SE services (the “Buy” model) respectively. Further comments were collected in the focus group sessions and the case interviews on factors leading to success or failure for these three models.

4.14 The “Buy” Model: Increasingly Popular in the SE Space

- a. Increasingly more SEs chose to recruit management professionals to take up senior management positions. It happened in both the privately-owned SEs, and in SEs (including WISE) that have an independent governance structure separate from the sponsoring organisation. These senior managers have rich experience in business management and specific trade knowledge, with some of them occupying top executive positions in the business field prior to joining the SE space.
- b. For SEs adopting this model, a clear division of work could be found between the “new recruits” and the other executives deployed from the sponsoring social service organisations. In many cases, the executives with social

service background would put more emphasis on steering the social mission of the SEs, while giving a free hand to the business managers on business operation. The deployed executive staff would also serve as a bridge between governing body of the sponsoring organisation and the SE management team. Incentive schemes were also adopted by some SEs to enhance staff motivation, including bonus scheme and other pay for performance measures.

- c. Unsuccessful cases were also noted in the research. Some informants shared experience of cultural conflicts between the new hires and the original social service personnel in their SEs. The NGO practitioners put emphasis on the uniqueness of SEs – small in size, need to achieve delicate balance between double bottom line, high manpower cost for WISE – all these require the executives to make delicate and flexible decisions. Executives who are rich in industry knowledge and yet without shared social visions with the SEs could not be the ideal candidates.

4.15 The “Build” Model: Most Popular Approach But With Big Hurdles

- a. The Build Model is the most popular capacity building strategy adopted by the SEs. It is supposed to be less costly compared to the Buy Model, and more reliable and sustainable comparing to the Borrow Model. As noted in the earlier discussion of the survey research findings, at present a large number of capacity building activities of SEs have been organised that target the management-level employees. But for SEs adopting the Build Model, a critical factor would be the SE’s own ability to groom and facilitate the growth of the executive staff. Some hand-holding and ushering services – e.g. initial hands-on support from the founder or some SE board members – would be necessary.
- b. Some SEs and their sponsoring organisations would even revamp their organisational structure to nurture intrapreneurship. Staff members exhibiting entrepreneurial spirit and with good business sense would be assigned to initiate new SE projects. In some organisations, independent SE departments were established to drive innovation and cultural change internally. Yet one major disadvantage of the intrapreneurship approach is the burden for implementing “cross-discipline entrepreneurship”. Given the lack of knowledge in specific industry and trade, the SE would be in comparative disadvantage if it has to compete in the open market against SMEs in the same industry. Worse still, some SEs will engage in activities in many industries, which would make them extremely

difficult for the SE leadership to manage effectively across many business sectors.

- c. Another good practice adopted by the SEs is to groom middle-level managers to gradually take up more important management positions (e.g. shop managers and unit heads). Career ladders leading to management-level positions are designed to avoid talent drain. In some cases, even the disadvantaged employees would be given the opportunities to move up the ladder and join the management team. Given the SE sector’s emphasis on staff empowerment, the Build Model naturally would align with the value propositions of many SEs.

4.16 The “Borrow” Model: The Need to Train-the-Trainers

- a. Our review of the existing capacity building activities (refer tables 4.1 and 4.2) has shown that a good number of SE supporting organisations are offering different kinds of advisory and consultancy services to SEs. They range from one-off activities that ask for little engagement, to longer-term consultancy projects that demand a high level of commitment from both the SEs and the capacity building organisations.
- b. Yet, there are two major deficiencies in the capacity building models in the “Borrow” genre that have significantly hindered their effectiveness. First, most of the capacity building providers (e.g. volunteered professionals from the commercial sector) are not well trained in acquiring the necessary consulting skills. Very often the SE personnel has to spend quite a lot of time entertaining the volunteer consultants and in return could not gain much from the exchanges. Second, insufficient resources (money and time) were devoted to undertaking needs assessment, which is a prerequisite for any training and consultancy undertakings.
- c. Apart from consultancy services, the use of mentorship schemes is also quite common in the SE sector. For the current mentorship schemes, as discussed earlier in paragraph 4.9e, SE practitioners would demand practical business guidance from the mentors, and yet many mentors could only provide some high-sounding strategic advice. Some consider middle-level management executives from SMEs best understand the real needs of SEs. For those successful cases of consultancy service and mentorship scheme, the key success factors include trust, passion and proper quality control.

- 4.17 While a particular SE may undertake all three strategies, it appears that different SE types (e.g. SEs with different ownership arrangements, whether the SE is established by a sponsoring NGO, etc.) would dictate the kinds of capacity

building models being employed. Moreover, given not all SEs would have the needed financial resources or internal capability to employ the “Buy” and “Build” strategies, the “Borrow” Model would likely continue to serve as a major approach for many SEs to acquire new knowledge and strengthen their management capability. There is thus an urgent need to enhance the quality of the capacity building support programmes currently being offered to the SEs.

VI. Implications

4.18 In this chapter, the research team sets out to examine the training and capacity building needs of the SE Sector, and investigate how capacity building supports are being provided at present. The research pays attention to different levels through which capacity building support could be provided (i.e. individual, organisational and sectoral), as well as the different leadership building models that are most commonly employed by the sector (e.g. the 3B’s Model).

4.19 The research findings seem to suggest that training and capacity building activities in the Hong Kong SE sector are not in short supply. Yet while the total number of activities may be spectacular, the sector needs to put more emphasis on quality over quantity. The research team also observed the lack of management talents at the leadership level which is a major obstacle constraining even the market leading SEs to achieve scale. While the survey findings suggest there is a need to provide for more opportunities for sharing among SE practitioners, the interview findings highlight the need to arrange for tailor-made capacity building support services for individual SEs.

4.20 The implications of our research findings on training and capacity building needs of the SE sector are summarised below. Recommendations will be further discussed in Chapter 6.

a. Level of Support and Intervention: The research findings suggest that there are discrepancies between the kinds of capacity building supports being provided at present against what are desired by the SE practitioners. The provision of capacity building support at the individual and organisational levels seems to be adequate (at least in terms of quantity), but at the sector level, the opportunities for in-depth sharing are lacking. Practitioners treasure the opportunities for peer learning through sharing platforms.

b. The Need to Acquire Trade-specific Knowledge: SEs need to acquire practical and hands-on industry knowledge and there are high demands from SE practitioners to acquire trade-specific knowledge. In this connection,

many SE practitioners set their sight to participate in knowledge sharing platforms that are industry-specific rather than SE-focused. Moreover, the training and exchange activities should target at all levels of staff and not limited to top-level executives.

c. Needs Assessment and Service Matching: Because of insufficient emphasis on needs assessment, many SEs do not understand their real capacity building needs. Few SEs would ever undertake an assessment on whether they are ready to receive consultancy help, and if so what kinds of consultancy services would best suit their organisational needs. Mechanisms should be instituted to strengthen needs assessment and to allow for proper matching of capacity building providers and those SEs in need of help.

d. Rethinking Consultancy and Mentorship Programmes: The effectiveness of consultancy services and SE mentorship programmes varies widely. As the sector heavily relies on business volunteers to support SE development, the quality of the pool of business volunteers and their “readiness” to provide advisory and/or consultancy services to SEs would greatly affect the value of the consultancy and/or the mentorship programmes. It was noted that at present many of the volunteer consultants lacked the required consulting skills, and in many cases the matching of mentors and mentees were not done satisfactorily. The sector would need to rethink how to organise its consultancy and mentorship programmes.

e. Development of HR One-stop Shops: In view of the management talent deficit present in the SE field, there exists a market void for the matching of management expertise available in the commercial sector (increasingly more of them are interested to join the SE sector) to potential SE employers and new SE startups. Similarly, comparable HR services could also be developed to assist some of the WISEs that are operating independently without the support of sponsoring NGOs, e.g. providing HR services to enhancing the “employment readiness” of some disadvantaged groups before they join the SE sector as formal employees.

Chapter 5

Sector-wide Brand-building and Market Promotion

Overview of the Chapter

- I. Brand-building and Market Promotion of the SE Sector: An Overview
 - II. Awareness to Action: Summary Research Findings
 - III. Interpretation of Findings
 - IV. Implications
-

I. Brand-building and Market Promotion of the SE Sector: An Overview

- 5.1 To ascertain public receptiveness and public expectation of SEs, the research team engaged the Telephone Survey Research Laboratory of the Hong Kong Institute of Asia-Pacific Studies at the Chinese University of Hong Kong to conduct a public opinion poll. The telephone poll took place between 9th and 18th September 2013 and addressed issues relating to brand-building and market promotion for SEs in Hong Kong.
- 5.2 The survey instrument of the poll contains fourteen questions that aim to solicit the opinions of the respondents over different aspects of SE operations in Hong Kong, plus additional questions gathering the demographic information of the respondents. With the use of conventional random sampling method for telephone poll, valid responses from 1005 citizens at the age of 18 or

above were successfully gathered. The questions and findings of the poll are detailed at Appendix IV.

- 5.3 Compared to similar inquiries that have been conducted in the past, the present poll adopted a more comprehensive framework to examine the respondents' receptiveness to SEs over five related areas including (i) awareness; (ii) appreciation; (iii) acceptance; (iv) action; and (v) gotten accustomed to supporting SE.
 - a. Awareness: SE is a new creation and it would take time for the general public to know about and realise the existence of the new organisational form. A key question of the poll is thus to learn about the respondents' level of awareness of SEs and through what channels the public got to know about the existence of SEs.
 - b. Appreciation: While awareness is the basic test for evaluating the level of public recognition, the general public may not truly understand the unique attributes and characteristics of SE as a distinct organisational form. Questions about the conceptual substance of SE were

thus incorporated in the poll to assess the public's level of understanding about the SE concept.

- c. Acceptance: Going beyond appreciation and comprehension, the public would also need to garner the belief that SE as a unique organisational form could really realise the social good it is supposed to deliver. A high level of public acceptance would thus mean that the public is generally speaking not cynical about the SE model, and instead truly believes in its viability and practicability.
 - d. Action: The litmus test of public acceptance of SEs is when people go beyond holding a positive perception to taking actions to purchase SE products/services and support the continued growth of the SE sector. The poll would thus contain multiple questions to examine the SE consumers' purchasing behavior and in particular investigate the facilitating factors for use of SE products/services.
 - e. Accustomed to: For those members of the public who truly believe in the SE model and have already taken actions to purchase SE products/services, it is likely that they could develop into long-term supporters of the SE movement. But helping the one-time purchaser to be converted into frequent and regular consumers of SE products/services would also demand the removal of other limiting factors such as the lack of convenient sales channels for SE products. A further investigation of the barriers and other limiting factors would thus be necessary and relevant questions were incorporated in the poll as well.
- 5.4 Encompassing all five areas (translate as 知、明、信、行、慣 in Chinese), the "Five A's Framework" is both an analytical approach and a promotion strategy being adopted in the fair trade and the ethical consumption movements to induce transformation in consumer buying behavior. A thorough analysis of all five areas could provide us with a comprehensive coverage onto the ways SE promotion could be further strengthened in Hong Kong.
- 5.5 Apart from the telephone poll findings, the research team has also collected relevant research findings on SE's social value creation in the SE case interviews, and additional insights on SE brand-building and market promotion were also gathered in the focus group discussions. The summary findings of the public opinion poll and the case interviews are detailed in the next section. The deeper meaning of the research findings and the implications are further analysed in Section III and Section IV below.

II. Awareness to Action: Summary Research Findings

- 5.6 The poll findings on public receptiveness and expectation of SEs are summarised as follows (refer to Appendix IV for the detailed poll findings for the full list of questions Q1 to Q14):

Awareness

- a. The findings reveal that a high proportion of the Hong Kong people recognised the emergence of SE (78.5% of the respondents noted they have heard about "social enterprise"; see Q1 at Appendix IV). The proportions are even higher for youths (age 18-29) and adults (age 30-59). The percentages, not separately shown in the appendix, are 88.6%, 81.3% and 62.6% for youths, adults and elders respectively. Apart from age, education level is a significant pointer on the level of public recognition of SEs.
- b. Compared to the finding of a similar question asked in a 2009 poll conducted by the HKU Public Opinion Programme, there has been an increase of close to 20 percentage point on the poll respondents' recognition of SE (up from 59% in 2009).¹⁴ This reflects the successful collaborative effort of the Government and the SE sector in promoting public awareness of the emergence of SEs over the past four plus years. And for those who have heard about the term "social enterprise", the most likely channel they got to learn about SEs is through the broadcast media (73.3%). Print media (39.6%) and Internet/mobile communication (19%) are respectively the distant second and third channel for the public to learn about the existence of SEs (Q4 at Appendix IV).

Appreciation

- c. As shown in table 5.1, in four separate questions designed to investigate public understanding of SEs (for those respondents who indicated they knew about the term "social enterprise"), the highest percentage went to "work-integration" (84.9%), then followed by "NGO-run commercial undertakings" (74.2%). Around two-thirds of the respondents (68.8%) recognised the unique requirement for SEs to meet the "double bottom-lines", and just over 60% agreed that SEs made use of innovative business models to provide social services.

14. Commissioned by Baptist Oi Kwan Social Services and DBS Bank, the HKU Public Opinion Programme conducted the poll titled "Opinion survey of Hong Kong people's recognition on social enterprises" (2009) (香港市民對社會企業認知程度意見調查 2009). The HKU public opinion poll was conducted during February 2nd-4th, 2009, .

| | Questions on public understanding of social enterprises (no. of valid responses: 789) |
|---|--|
| 1 | SEs are commercial undertakings run by non-governmental organisations (NGOs) |
| 2 | SEs make use of innovative business models to provide social services |
| 3 | SEs are enterprises that earn a profit while pursuing social objectives |
| 4 | SEs are to provide employment opportunities for the underprivileged |

Table 5.1 Public understanding of social enterprises

Acceptance

d. In assessing the public's belief in the ideal of SE to simultaneously pursue social and economic goals (i.e. capable to meet the double bottom-lines), two questions were designated to ask the respondents: 1) if they approve of the model of SE to pursue double bottom-lines; and 2) if they reckon the model viable and achievable.

e. The first question examines if the respondents approve of the fundamental value proposition of the SE model (i.e. a question on its desirability), while the follow-up question further assesses if the respondents really agree on the practicality of the SE model in terms of realising the ideal of meeting the double bottom-lines (i.e. a question on its achievability). For the first question, 76.5% of the respondents expressed their approval of the SE model (strongly agreed: 14%; agreed: 62.5%). For the second question, slightly less people (72.4%) think the double bottom-line model is indeed practicable (strongly agreed: 6.1%; agreed 66.3%).

Action

f. Despite a high level of SE awareness, only 17.9% of the respondents indicated they have purchased SE products/services either "frequently" or "often" over the past six months (frequently: 2%; often: 15.9%). Most noted they seldom (21.8%) or never (54.3%) purchased any SE products/services (Q8a at Appendix IV). Asked if they would purchase SE products/services in the coming six months, 62.3% answered "likely" and 7.2% of the respondents answered they would definitely do so. Slightly less than one-fifth said they won't, while 11.4% answered they didn't know (Q8b at Appendix IV). As to reasons for the respondents to consider purchasing SE products/services, most noted the desire to contribute to

the society through one's own consumption as an important factor (58.2%). For all the other suggested reasons given in the poll questionnaire, none of them has a percentage higher than 50% (see table 5.2 below, as well as Q9 at Appendix IV).

| | Reasons for respondents to consider purchasing SE products or services (no. of valid responses: 699; can choose multiple options) |
|---|--|
| 1 | Desire to contribute to the society through one's own consumption |
| 2 | Approval of the SE model or the SE's social objectives |
| 3 | Pricing of SE products/services is not excessive |
| 4 | Quality of SE products/services is not inferior |
| 5 | Confidence on the SE brand |
| 6 | SE Conveniently located |
| 7 | More/multiple sales channels available |

Table 5.2 Factors shaping the purchasing decisions

g. Interestingly, of the respondents who indicated they would purchase SE products/services in the coming six months, 60% indicated they would be willing to pay extra to purchase SE products/services (419 out of 699 respondents). And as indicated in table 5.3, of the 419 respondents, 73.6% suggested they would be willing to pay an extra 10% for comparable SE products/services, while 12.5% indicated they would be willing to pay an extra 20% (Q10 and Q11 at Appendix IV).

| | Extra amount you're willing to pay for SE products/services (no. of valid responses: 419) |
|---|--|
| 1 | More than 20% |
| 2 | Maximum 20% |
| 3 | Maximum 15% |
| 4 | Maximum 10% |
| 5 | Maximum 5% |
| 6 | Don't know / hard to tell |

Table 5.3 Willingness to pay extra for SE products/services

- h. For the other 306 respondents who indicated they would not purchase SE products/services or they were not sure if they would purchase SE products/services in the coming six months. There were numerous reasons that led them to come up with the “non-buying” decision. One dominant reason is that they do not know about the available sales channels (43.6%). Other factors include uncertainty about SEs’ social impact (16.6%), not enough SE outlets (14.7%) and the lack of confidence in the SE brands (13.2%) (for further details see Q13 at Appendix IV).

Becoming Accustomed to Supporting SEs

- i. To encourage a greater portion of the general public to practice “swap for good” and to turn SE consumption into a habit, the availability of multiple and conveniently located sales channels would be a key factor. As shown in table 5.4, of the 419 respondents who indicated their willingness to pay extra for buying SE products/services, over half of them considered the local shopping malls (53.2%) and ordinary convenient stores and supermarkets (61.5%) as convenient sales channels for SE products/services. Specialised SE bazaars (32.1%) and SE outlets (42.5%) established in various districts were also welcome by the potential SE customers. Yet only around one-quarter of the respondents (25.2%) considered direct sales/Internet portals as convenient sales channel for SE products/services (Q12 at Appendix IV).

| | Sales channels that are convenient to you (no. of valid responses: 419; can choose multiple options) |
|---|--|
| 1 | Local mall at your housing estate |
| 2 | Ordinary convenient stores and supermarkets |
| 3 | Direct sales or Internet portals |
| 4 | Specialised SE bazaars to be established in all districts |
| 5 | Specialised shops/outlets for SE products to be established in all districts |
| 6 | Others |

Table 5.4 Sales channels for SE products/services

- j. Another way to encourage more people to continue to support SEs is to make available more SE products and services (to be delivered near the living areas of the customers) that could address the specific needs of the potential SE customers. The final question of the poll

thus asked the respondents if they would find interests in utilising a range of new SE products and services if there are SE operators providing those products/services in the local communities. As detailed in table 5.5, good percentages of the potential SE customers would be interested in a wide range of products and services, including organic food and locally produced farm products (53.6%), eateries hiring elderly people (41.8%), household cleaning and maintenance services (37.1%), interest classes and guided tours promoting local culture (34.7%), and secondhand or environmentally friendly household products (32.7%) (Q14 at Appendix IV).

| | SE products/services that would interest you if they're provided near your community (no. of valid responses: 1,001; can choose multiple options) |
|----|--|
| 1 | Organic food and locally produced farm products |
| 2 | Eateries hiring and with services provided by elderly |
| 3 | Household cleaning and maintenance services |
| 4 | Interest classes and guided tours promoting local culture |
| 5 | Secondhand or environmentally friendly household products |
| 6 | Craft products produced by women |
| 7 | Day nurseries |
| 8 | Others |
| 9 | No interest in all potential services |
| 10 | Don't know / hard to tell |

Table 5.5 Attractiveness of new SE products/services

- 5.7 In addition to the above poll findings examining the issues of public recognition and expectation of SEs, the issues of social value creation and sector-wide brand-building were also examined in the SE case interviews.

Social Value Creation and SE Brand-building

- a. The core research findings of the SE case studies in relation to the processes of social value creation in SEs were discussed earlier in Chapter 2. In those same interviews with the exemplary SE cases, we asked the SE practitioners (i) the ways they themselves conceived of their social missions and values, and (ii) how they produce social impacts via the processes of production,

service delivery and value appropriation.

- b. All of the SEs interviewed have thoroughly examined the issue about what constitute “social impacts” in their respective operations, which is in fact an indispensable part of the strategic planning process of the SEs. Many of the SEs have indeed gone through a “soul searching” process to revamp or sharpen their social missions, which in essence are an integral part of the respective SE’s brand value and brand content.
- c. In other words, the case findings have revealed that the branding of an SE is inherently linked to its missions and the social impacts it produces. Although many of the SEs that we have interviewed have not formally undertaken a “branding exercise”, they all have critically examined their social missions (and thus their brand values) as part of their ongoing strategic planning. Given the increasing diversity and plurality in the social missions being pursued by the SEs in Hong Kong, the task of identifying and agreeing on a unified image for SEs would only become harder and harder to do even if our understanding on SEs has grown deeper over the years.

III. Interpretation of Findings

- 5.8 The poll and case study findings detailed above are not at all surprising. Taken as a whole, it conforms to the development trends of the SE sector as seen in recent years.
 - a. The poll finding reveals that nearly 80% of the Hong Kong public are now aware of the emergence of SEs. It signals significant progress in public recognition since comparable poll finding indicated less than 60% of the Hong Kong people knew about SEs just around five years ago. However, given that SEs in Hong Kong emerged in the late 1990’s/early 2000’s mainly as a reaction of the Government and the NGO sector to address the lingering unemployment problems of disadvantaged groups, most of the public still associate the “SE label” with themes like “work-integration” and “NGO-run commercial undertakings”.
 - b. So despite a high degree of public awareness, there in fact exists a “perception gap” between the plurality of social missions being pursued by different kinds of SEs nowadays and the rather superficial and outdated image of the SE sector as perceived by the public. This observation is valid even in the case of WISEs – while many WISEs were originally established as a response to government funding policies to create employment for the disadvantaged, of the more successful operators (including the three WISEs covered in our SE case studies), they have moved beyond merely creating employment and that significant social values and

impacts have been created by many of the market-leading WISEs.

- c. On the other hand, the research team also noticed that some SEs (including some of the SE cases we studied) have been discouraged to highlight their SE identity in promoting their activities, as increasingly they found out that the popular SE image in fact does not fit in well with the corporate image and brand identity they are working to build for their enterprises. For these SEs, they would rather put emphasis on the particular social values and social impacts that they seek to promote and create, and some also choose to invoke the more trendy labels such as “social innovation” and “social entrepreneurship” instead of emphasising their identity as SEs.
- 5.9 To further reflect on the related issues, the research team presented the summary poll and case study findings to participants of four focus group meetings, and asked the participants to share their views on issues relating to sector-wide brand-building and market promotion of SEs. The key arguments gathered from the focus group discussions are as follows.

Sector-wide Brand-building and Re-branding

- a. Given one of the objectives of the research is to come up with recommendations to facilitate the brand-building of SEs, the question about the need to undertake a sector-wide re-branding exercise was posed to the focus group participants. It was highlighted that one key component of the “brand content” of the SE sector is the social values and impacts our SEs are producing – but then how to effectively communicate to the public the multiplicity of social values being produced by the SEs, with more SEs are now moving beyond merely serving the disadvantaged and towards other equally worthy and significant social causes?
- b. Both comments in support of and against a sector-wide brand-building exercise were raised in the focus groups. In consideration of the research findings showing the existence of a “perception gap” on the public’s understanding of SEs, more than a few SE practitioners supported the idea to undertake a re-branding exercise and to develop a sector-wide “corporate communication plan” to convey a new SE image (and the accompanying brand messages – whatever that means) to the public. While acknowledging it would not be easy to conduct such an exercise, the proponents emphasised the potential benefits of the stakeholder engagement process that would need to be undertaken if we are to undertake a re-branding exercise, and practitioners coming from different “SE categories” and operating in diverse service fields could exchange views and identify

their commonalities while at the same time recognise and celebrate their pluralities and diversities.

- c. Offering the counter-arguments, other informants believed a re-branding exercise at the sector-wide level is impractical and unrealistic at the present stage. If the sector already found it too difficult to come up with a generally accepted SE definition, taking up the task to build a new brand identify for all categories of SEs could only be a futile exercise. There would also be potential risks associated with a sector-wide brand-building exercise: some fragments of the vast SE space would likely be excluded, and the effort to build a unified SE brand would be like to bind one in a strait-jacket and it would only curtail imagination and growth. Finally, some informants also noted that re-branding should be done by the SEs on an individual basis according to their own circumstances, not at the sector-wide level.

SE Definition, Sub-branding and Branding on an Individual Level

- d. Time and again a familiar debate re-emerged as the focus group participants lamented the need for and the usefulness of a unified SE definition (see paragraph 1.9 of Chapter 1), or alternatively, should the SE sector accommodates for multiple characterizations for serving multiple purposes.¹⁵ In this connection, the idea of developing sub-branding for different SE categories has gotten some traction from the SE practitioners. Some informants believed it would be a more practical approach to make the distinction among different SE categories, despite caveats that the public could easily get confused and it may not bring tangible benefits to the SE sector as a whole.
- e. It appeared that there were also confusions between brand-building and effort of the SE sector to come up with certain threshold criteria for recognising SEs (e.g. attempts to develop certification systems).¹⁶ The

development of certification criteria in itself help incentivise upgrading and promotion of SEs, yet effective branding of SEs is important in its own right as it helps link up different groups of SEs with the theme-based social issues. Given the increasing diversity of SEs, it is necessary to use a sub-branding strategy to relate different SE categories with related social issues and concerns.

- f. Lastly, informants seemed to agree that brand-building would need to be undertaken by the SEs on an individual level. For many SEs, it would indeed be more meaningful for them to build their brand value through the continued improvement in pricing and quality of their products like that of any ordinary business, and the value-add of the “SE brand” is only secondary (though not of lesser significance) to other brand contents projected by the SEs. This has been the actual stories of some existing SEs that would now de-emphasise its SE identify but in turn it would bolster its overall brand identity because of the social good they produce while running a truly competitive business operation.

- 5.10 The debates on sector-wide brand-building were inconclusive and the descriptions as presented above are abridged accounts summarising the essence of the debate as recorded in the focus groups. We learned that there are pros and cons in launching a sector-wide brand-building/re-branding exercise, and so is the attempt to adopt sub-branding for different SE categories. However, if the sector decides that it should undertake a re-branding exercise, it has to be done in an inclusive manner to provide for the fact that there are many different kinds of SEs addressing very different social issues. The desire to come up with a new brand and a new sector identify should not in any way preclude plurality and diversity of the sector.

IV. Implications

- 5.11 This chapter investigates the issues of SE brand-building and market promotion. Both topics address the demand-side of the SE market the development of which is fundamental to growing the ethical consumption movement and supporting the long-term progression of the SE sector. To cultivate a strong SE market, the related tasks would entail brand-building, effective marketing communication, and the building of sales channels and markets.
- 5.12 The research findings on SE brand-building and market promotion have significant implications. Relevant recommendations will be proposed and deliberated in the next chapter, with a focus on the following themes:

15. The SE Directory compiled by the HKCSS-HSBC SEBC is a widely recognised listing of social enterprises in Hong Kong; in deciding if an applicant could be included in the SE Directory, the SEBC undertakes basic vetting by way of reviewing a self-administered reporting form. The Ethical Consumption Movement has maintained a list of SE vendors that participate in its annual campaign. Other support service providers that have maintained name lists or directories of SEs (or certain sub-groups of SEs) include the Fair Trade Hong Kong Foundation (fair trade organisations), the loosely organised Association of Co-operatives (producers/workers’ co-operatives), and the Hong Kong Social Economy Alliance (which covers the broader social economy movement and includes some SEs).

16. At the moment of this research, the Hong Kong General Chamber of Social Enterprises and Project Flame of the City University of Hong Kong are working together on a “Social Enterprise Endorsement (SEE) System” project. Similarly, the Ethical Consumption Movement also prepares to launch in 2014 an “ECM Q-Mark” for SEs that produce good quality products or services to the ethical consumers. Also, international certification systems like the B Corp could also be used by local SEs to obtain certification (at present there is one certified B Corp in Hong Kong).

- a. Bridging Awareness and Action: Quite a lot of Hong Kong people have already tried using SE products or services (accounted for 17.9% of the poll respondents). However, comparing to the overall level of public recognition of SE, there has ample room for making progress in growing the SE market. The key is to convert awareness into action, and measures to strengthen consumer engagement and induce consumer action should be explored.
- b. Creation of Sales Channels and Market Space: The poll has examined the potential use of alternative sales channels and the provision of new SE products and services at the local community level. At this moment, the lack of conveniently located sales channels is a major obstacle for the marketing and distribution of SE products/services. Establishing new sales channels and creating the alternative market space would be two areas of work that could contribute to bridging consumer awareness and action.
- c. Effective Marketing Communication: Many SE operators are small in scale and lack the capacity to undertake meaningful sales and marketing campaigns. This is the main reason why the Government needs to assume a prominent role in marketing and promotion, and it should continue to play a role in assisting the SE sector to launch sector-wide marketing and media campaigns. Given the unique nature of SE and its emphasis on social value creation, the sector should strengthen its use of both “social media” and “social change media” in the future marketing campaigns.
- d. Sector-wide Brand-building: The focus group discussions on the need to undertake a sector-wide brand building exercise are inconclusive. At the same time, the research findings also suggest that there are widespread public misconceptions on SEs, as the public still holds a rather superficial and outdated image of SE. In its effort to further promote the development of the SE sector, the Government has to address the issue of brand-building and SE identify-building, regardless of whether a formal branding exercise is to be undertaken. The viability of alternative strategies in branding and sub-branding should be explored.

Chapter 6

Recommendations and Way Forward

Overview of the Chapter

- I. Strategic Vision and Policy Priorities in SE Promotion
 - II. Recommendations
 - III. Way Forward: SE Development in the coming years
-

I. Strategic Vision and Policy Priorities in SE Promotion

- 6.1 The Hong Kong Government's strategic vision and policy objectives in promoting SE development are as follows:

The Government is committed to promoting the development of social enterprises to create employment opportunities for the disadvantaged to help them to be self-reliant, and to provide a new channel for different sectors and organisations to meet the needs of different community groups with innovative approaches, so as to foster a new caring culture and enhance social harmony.¹⁷

- 6.2 The above policy statement covers different dimensions of social value creation (which were thoroughly examined in Chapter 2). They include the following five areas: (i) promoting work-integration through the SE's production process; (ii) meeting the needs of different community groups through service delivery; (iii) applying innovative approaches to address previously unmet social needs; (iv)

providing a new platform for different sectors and organisations to work together; and (v) promoting a new caring culture and enhancing social harmony as the ultimate goal.

- 6.3 Given the historical context under which SEs have been developed in Hong Kong, it is understandable that at present we have a relatively strong group of WISEs as compared with those SEs serving other kinds of social objectives. The general public still see poverty alleviation and job creation for the disadvantaged being the chief functions served by the SEs. While there is increasing awareness of SEs, we have yet to have wide recognition in the community of the distinctive features of SE as a new platform for different sectors and organisations to meet the needs of community groups with "innovative approaches".

- 6.4 Moving to the next stage of SE development, the SE sector will grow in diversities of its organisation formats and social objectives, and enhanced innovativeness and entrepreneurial capacity.¹⁸ Given the Government's role in

17. <http://www.social-enterprises.gov.hk/en/introduction/policy.html>, by Home Affairs Department.

18. A pluralistic SE sector has three different features: new market entrants with more diverse orientations and backgrounds; a wider range of innovative approaches to address social problems; and SEs having the capability to address a

creating an enabling environment for the SE sector to develop, the aforesaid new platform would actively engage different sectors and community segments to participate in the growth of the SE movement.

- 6.5 At present, various bureaux and departments support SE development under their respective programmes, which serve different primary purposes.¹⁹ The HAB has been responsible for formulating policies supporting SE development and promotion, and providing support for various initiatives on SE promotion. To leap forward, the Government could as a first step take stock of the progress and outcome of the efforts made by relevant bureaux and departments and provide coordinated information on Government support services that could benefit SEs. After that, the Government together with other stakeholders, such as business associations, academics, and NGOs can work together more easily in terms of sharing information, coordinating efforts, promoting best practices, and identifying service gaps as well as creating synergies.
- 6.6 In the light of the emergence of new breeds of SEs and their increasing organisational diversity, promotion across sectors will yield better results if there are clear and common themes. In this connection, this research inquiry - in particular the case research findings as discussed in Chapter 2 -- suggests that *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* (協助衆多持份者參與社企發展) should be the themes when the Government supports development of the SE sector in Hong Kong.
- 6.7 The Government has been supporting multi-stakeholder collaboration in SE development through its various schemes.²⁰ Regardless of the specific social problems to be tackled, such strategic role should be continued, and the SE development policy should try to seek common grounds and drive collaboration amongst SE stakeholders of different background, including citizens, businesses, SEs, communities and business organisations. While they have understandably different views or interests, through creating new platforms and institutional means to collaborate they can achieve better outcomes and maximise the impact.
- 6.8 Our recommendations, grouped under five headings, are outlined in detail in the following paragraphs. First, to provide for an overall policy vision, the research team

suggests that the Government *takes stock of its present programmes in its continuous efforts to develop SE*. Two sets of recommendations on *enhancing innovation and entrepreneurship* and *strengthening the sector's implementation capability* are also recommended to address the capacity building needs of the SE sector. The fourth set of recommendations discussed the need of *sector-wide brand-building and market promotion*. Finally, *connecting SE promotion with local community building* is proposed as a means of solving social problems at district and neighborhood levels.

II. Recommendations

- 6.9 To understand the recommendations in full, this section should be read in conjunction with the research findings in previous chapters:

- [R1] Promote continuous development of SE (Chapter 2)
- [R2] Enhance training and entrepreneurship (Chapter 3)
- [R3] Strengthen implementation capability (Chapter 4)
- [R4] Sector-wide branding and enhance public awareness of SEs (Chapter 5)
- [R5] Connect SE promotion with local community building (Chapter 2)

- [R1] Promote continuous development of SE

- R1.1 Taking stock of past efforts, the research team finds that the SE sector and the Government can put emphasis on two new directions of work, that are, *encouraging social innovation for public problem-solving* and *facilitating multi-stakeholder participation in SE development*. Emphasising these two areas, the operation of SE could address a wide variety of social issues ranging from poverty alleviation and job creation for the disadvantaged to numerous other social problems.²¹

(a) The research team considers that the Government's major role is to formulate strategies to facilitate SE development and promotion. Such a role is supplemented by its provision of funding support for SE initiatives.

(b) We recommend that the HAB, in furthering its existing roles to promote development of SEs and coordinate with stakeholders across all community segments, should reaffirm the importance of *social innovation* and *multi-stakeholder participation* as two major directions of work in its continuing effort to support SEs.

wider range of emerging social problems.

19. See paragraphs 4.1-4.4 in Chapter 4.

20. SE Award Scheme, Friends of SE, Hong Kong Social Enterprise Challenge, Revitalising Historic Buildings Through Partnership Scheme, etc.

21. For some practical examples, please see case studies at Chapter 2, including the NAAC Alternative HR Market, Dialogue in the Dark, and Happy Veggies, etc.

R1.2 Moving to the next stage of SE development, it is apparent that working towards building a more pluralistic SE sector could promote social innovation. Thus, while the Government should leverage past successes and continue to promote the development of WISEs, harnessing the creative energies of the newly emerged or new categories of SEs is needed, if not more important for the future.

(a) We recommend that the Government should encourage innovation and diversity in SE operations and/or their ownership forms. Specifically, more support measures for start-ups with diverse orientations and backgrounds, as well as support for nonconventional, privately-funded SEs to attempt innovative approaches to and address a wider range of social issues are needed (thus going beyond work integration and poverty alleviation).

(b) To encourage diversity and promoting social entrepreneurship, relevant government units should consider enhancing and better promoting its funding support for privately-founded SEs that are not registered as charitable organisations under Section 88 of the Inland Revenue Ordinance. Complementary policy measures should be introduced to assist different stakeholder groups to establish new SEs (see paragraphs R2.3 and R2.4 below on related policy recommendations).

R1.3 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. As regards some suggestions of SE registration/certification, the research team has noticed that at present there are various non-government initiatives that work independently to support SE entities, and together these initiatives would jointly define the landscape of the broader SE/social economy movement.²² It is useful for supporting further development of the sector that more sophisticated systems of training, endorsement, certification and accreditation schemes would be developed by support service providers locally and overseas.²³ Furthermore, with the proliferation of new SE forms, it is likely that new schemes to boost recognition of certain sub-categories of

SEs may also emerge.²⁴ Taking into consideration all these developments, it is recommended that the HAB should continue to encourage market-led efforts in developing credible registration and certification systems that address the needs of the particular SE sub-sectors.

R1.4 With regard to supporting the creation of new SE legal forms with diverse ownership arrangements, while it is common in some countries to come up with new legislation for facilitating the proliferation of new SE legal structures,²⁵ it is the view of the research team that the legislative route would unlikely be successful to achieve the desired policy outcomes as it did overseas.²⁶ In consulting legal experts who study nonprofits and SEs, we believe that individuals and organisations interested in SEs with more sophisticated ownership structures could make use of existing company law provisions to achieve institutional innovation and promote good governance. In particular, the legal experts explained that the Companies Ordinance could already allow for the establishment of new SE forms, such as CIC, multi-stakeholder social co-operatives, and community-owned enterprises, etc. Promoting ready-to-use legal templates together with training to people can be more effective.²⁷

R1.5 HAB, with the support of the Home Affairs Department, has assumed the policy for supporting development of SEs. 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

24. Some overseas examples of sub-categories of SEs include social firms in the UK, CIC in the UK, multi-stakeholder social co-operatives in Italy, consumer cooperatives in Japan and Korea, recognised sharing companies in Seoul, etc. In the cases of CIC, social co-operatives and consumer co-operatives, specific legislation was enacted in the respective locations to support the development of the new SE forms.

25. Some examples include CIC in the UK, consumer co-operatives in Japan and South Korea, multi-stakeholder social co-operatives in Italy and Quebec (important local operators of childcare and elderly care in the two places), etc.

26. See paragraph 1.9 in Chapter 1.

27. To lower the costs involved, the service providers offering help to the new market entrants could engage legal experts to develop ready-to-use legal templates. These legal templates contain standard memorandum and articles of association for various SE ownership forms, so that SE advocates could easily set up various kinds of SEs according to their own preference and ownership/governance needs. Furthermore, while other existing legal vehicles like the Limited Partnerships Ordinance may also be used to structure complicated legal arrangements for the establishment of the new kinds of SEs, the Companies Ordinance is considered the best option given its familiarity to most people and its flexibility in defining the relationships between various stakeholders in the memorandum and articles of association. The vehicle of limited company in the Companies Ordinance flexibly allows participating members to define their rights between each other, and hence can suit different forms of organisational structures of social enterprises.

22. See the footnote of paragraph 5.9d in Chapter 5.

23. See the footnote of paragraph 5.9e in Chapter 5.

different departments has its advantages and 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. For this purpose, efforts should be made to facilitate the articulation and understanding of the social values of SEs and to suitably encourage their participation for the overall public interest. In the longer run, the Government should consider funding the provision of one-stop services for serving the SE community.

[R2] Enhance Training and entrepreneurship

R2.1 The SE landscape survey examines the business entrepreneurial orientation (i.e. innovativeness, risk-taking and proactiveness) of the existing SEs. The findings suggest that SEs that have no sponsoring organisation and receiving initial funding in the form of private investment tend to show a greater tendency for business entrepreneurial orientation. But the findings should not be interpreted readily as bearing any causal relationship (see findings in Chapter 3).

R2.2 The focus group discussions shed more light on the survey findings. First, some of the more innovative applicants might believe that government funding schemes, which require prudence in spending public resources, understandably would evaluate more positively SE applications in which the business ideas have some track record and chose to switch to do ordinary businesses to increase the chance of success in applying for funding. Second, the business entrepreneurship orientation of this survey might not capture best the “entrepreneurial” nature of the existing SEs, which are mostly WISEs. WISEs overcome constraints in institutions, mindsets, and resources, and their effort and specific creativity in doing so is commendable. But for many WISEs, their founders and operators may not need to be very strong in terms of innovativeness and risk-taking. Instead, their success may need to rely more on their implementation capability to adapt, fine-tune, and implement existing best-practices under the constraints of the social welfare sector.

R2.3 Keeping in mind the dual emphasis on *enhancing social innovation* and *strengthening multi-stakeholder participation*, it is recommended that the Government works with the community to provide the incentives for SEs to innovate, and lower the entry barrier for various community groups to join the SE movement.

(a) The SME sector could become an important actor to scale SE development by way of instigating both organic and inorganic growth (i.e. facilitating SMEs to establish

new SE business units or to convert some of its existing business units into SEs). The Government should consider collaborating with a few support service providers to offer advisory and support services to SMEs interested in venturing into the SE sector. The HAB, in consultation with the Trade and Industry Department as well as other government offices dealing with SMEs, should also explore the possibility in deploying the existing SME Funding Schemes to facilitate SMEs to set up SEs (and if so the TID and the Trade Development Council may as well offer consultation services to SMEs on matters related to SE development). Additionally, the newly established Social Innovation and Entrepreneurship Development Fund (SIE Fund) certainly could also support innovative initiatives to be carried out by the SMEs that address Hong Kong’s poverty issues.

(b) Other community segments that could become important new SE market entrants include the youths, young and mid-age professionals, and early retirees. There are already support service providers and education institutions targeting these various groups with the provision of public education, training, and support and advisory services. The HAB has also been funding projects such as the Hong Kong Social Enterprise Challenge targeting at promoting participation in SEs by the college students. Similar to the above recommendation for involving SMEs, the HAB should continue to involve a broader spectrum of supportive groups, such as the academics and NGOs. These parties together can offer comprehensive support to these potential market participants, and help develop a one-stop shop that consolidates existing as well as new support services.

R2.4 Three other lingering issues affecting market entry include: i) the availability of seed funding for piloting social innovations, ii) how the new SE proponents could get themselves deeply in touch with the local communities and learn about the community needs, and iii) how to enhance the survival rate of the new start-ups. With regard to seed funding, apart from reviewing the operation of the existing funding schemes, new social financing resources would also need to be identified. On the question on cross-sector partnership, it entails more than enticing the new market participants to join the SE movement but also finding ways for allowing all the stakeholders, particularly the end service users residing in different local communities, to have intense interactions among one another and build a sense of shared ownership when they try to develop SE ventures. Finally, support and advisory services on business model generation and start-up consultancy should also be provided.

(a) With regard to seed funding, the newly established SIE Fund administered by the Efficiency Unit shall partner with support service providers to launch new funding schemes. The research team supports these new schemes to encourage and help trigger social innovation but recommends that the scope of the new funding scheme should not be limited to poverty relief and prevention only. Recognising that the SIE Fund has scope limitation, this research team recommends that applicable outside resources should be deployed from other SE-supporting funding schemes (such as the CIF and the Environment and Conservation Fund, for example) or even outside of the Government to support worthwhile projects that go beyond the domain of poverty alleviation.

(b) Concerning the enhancement of stakeholder and user participation in SE development (an important policy objective of SE promotion repeatedly highlighted in this report), we recommend that the HAB should consider supporting the development of a one-stop shop that facilitates cross-sector exchanges and collaboration for SE development. These include discussions on strategies and support measures for SE development; putting together different stakeholders and resources to facilitate the development of SE projects or encourage participation in the work of SEs; providing more showcases and sharing of best practices and good SE projects. These should be carried out both territory-wide and at local community level (see also recommendations R1.2 and R5). Another facilitative policy initiative would be to assist the formation of new categories of SEs with new ownership arrangements that could help engender user participation and co-production (see paragraph R1.4 concerning the development of legal templates for facilitating new SE creation).

(c) As to providing support services to SE start-ups, Hong Kong has an emerging eco-system in supporting ICT, technology-based and other kinds of business start-ups. Establishing a similar eco-system for SEs should benefit the sector. For the for-profit SEs engaging in the sharing economy movement, many of them in fact have interacted with existing incubation centres and angel investors. Yet we also need to recognise the unique challenges faced by the SE start-ups due to the needs to address double or triple bottom-line. It is thus recommended that tailor-made support services and unique models should be promoted to enhance the success rate of the new social ventures.²⁸

[R3] Strengthen implementation capability

R3.1 Many existing SEs started with the mission to implement their targeted business model effectively. Viewed this way SE operators naturally may put more emphasis on their implementation capability as compared with their innovation capability.

R3.2 Our research thus sets out to examine the training and capacity building needs of the SE sector and pays special attention to two major topics: i) different levels through which capacity building support could be provided to the SEs, and ii) different capacity building models that could be employed by the SEs to undertake needs assessment and achieve knowledge transfer (see relevant research findings as examined in Chapter 4). With regard to the former, there are three levels of capacity building interventions, namely individual, organisational and sector-wide levels. Concerning the latter, it was noted that different SEs have employed the Buy, Build and/or Borrow models (the 3B's Model) in various ways for acquiring needed talents and human resources.²⁹

R3.3 Our survey research findings suggest that there are discrepancies between the kinds of capacity building supports being provided at present as compared to what are needed and desired by the SE practitioners. For example, while many SE operators long for more peer learning and exchange opportunities at sector-wide (the entire SE community) and sub-sector (trade or industry) levels, most training opportunities are structured courses or ad-hoc seminars addressing SE practitioners at the individual level. Hand-holding and ushering services are needed to get implementation on the ground.

R3.4 In view of the high demand for knowledge sharing at the sector and sub-sector levels, we recommend that the HAB should collaborate with or provide funding to training providers and other support service providers to conduct both trade-specific and generic SE sector sharing workshops for different levels of employees. Moreover, to better gauge the training demands of the existing SE practitioners, the HAB may provide resources to facilitate better understanding of SE 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. The universities and SE platform organisations have been playing an important role in capacity building and knowledge sharing, as well as providing development of

28. For example, the Lean Startup is a new approach and methodology for enhancing the chances of success of new startups of various sorts, including new

projects, new products and new enterprises (see www.leanimpact.org).

29. As discussed in Chapter 4, SEs have utilised a three-pronged approach to addressing management talent deficits: i) Buy: hiring from outside; ii) Build: developing from within; and iii) Borrow: seeking external capacity building help.

SEs with a cross-disciplinary perspective and latest trends of development of overseas SEs e.g. lean start-up, etc. They should continue playing such roles and the Government should continue its support for these areas of work.

- R3.5 With regard to the 3B's models, considering that not all SEs would have the needed financial resources or internal capability to employ the "buy" and "build" options, "borrow" would likely continue to be the main approach for many SEs to acquire knowledge and strengthen their management capability. Yet there are major deficiencies at present: i) there are insufficient resources (money and time) being devoted to undertaking needs assessment; and ii) most of the capacity building providers (e.g. volunteered professionals from the commercial sector) are not trained well in consulting and mentoring skills.

(a) We recommend that more vigorous matching services should be provided by one or more support service providers which should be given adequate resources to do the basic groundwork research to understand the needs of the particular SEs on the one hand, and to find and enlist corporate volunteers with the needed knowledge and passion on the other hand. This could be done by the industry or SE support organisations with funding support from the Government.

(b) Assisting the volunteered professionals to acquire the necessary consulting skills is difficult and costly. It is thus advised that efforts to link professional volunteers with SEs should focus on developing an effective mentorship programme. The HAB and other service providers could make reference to the highly successful Pilotlight model in the UK to enhance the effectiveness of the existing mentorship programmes for SEs.

(c) For those SEs that have genuine needs for consulting services, the research team believes they should engage professional management consultants to undertake formal consultancy projects (subsidised or pro-bono services). At present many government schemes do not support expenditures on consultancy services. The research team recommends that while maintaining prudent use of public resources, the secretariats of the various funding schemes should be more flexible in allowing successful applicants including SEs to apply, as part of their budget, funding for consultancy services. The management of the SEs should justify its need. Professional consultants should also develop their services for the SE sector given its potential demand.

- R3.6 The research team also observed that the lack of sufficient human resources at the leadership and management level – particularly shortage in management talents in running

new SE units (e.g. new shop managers) – in some cases could be one of the hurdles hindering even the leading SEs to achieve scaling-up. In the situations, the SEs in fact have already developed a replicable business model and even have raised expansion capital, but they are very cautious in launching the new business units. It is because they found it difficult to train up management talents for the SEs to meet the mission of double bottle-line.

- R3.7 For more SEs, difficulties in recruitment have even extended to the disadvantaged groups they aim to serve. A significant contribution of the WISE is its ability to identify the neglected qualities of the disadvantaged groups and convert those qualities into assets for realising employment integration. But in the more successful WISE operations, usually there would be a third-party NGO (or in some cases the sponsoring NGO of the WISE) who would offer support and basic training to the disadvantaged people before they join the WISE as formal employees.

- R3.8 At this moment, at least in some service sub-sectors and disability fields (e.g. employment for deaf people in F&B industry), this function is still not adequately served by the existing nonprofits and we found that there are demands not only from WISEs but also from some market sector employers who are also looking into recruiting the disadvantaged.

- R3.9 In view of the management talent and human resource shortages in some of the WISE service fields, we recommend that the Government should consider providing seed money to fund the operation of one or more support platforms for facilitating the recruitment, qualification assessment, training, and deployment of employees at the management level and more at the operation level. It is envisaged that the HR supporting platform(s) could itself or themselves be organised as SEs which should strive to achieve financial sustainability in the longer term.

- [R4] Sector-wide brand-building and enhance public awareness of SEs

- R4.1 Apart from strengthening the innovation and implementation capabilities of the SE sector, we need to cultivate the demand-side and activate/expand the SE market simultaneously so as to meet the supply from any scaled-up SEs of the social economy. The related tasks would include brand-building, effective marketing communication, and the building of marketing and sales channels.

- R4.2 The SE sector's overall brand identity should be connected with the plurality of values that are being produced by the different kinds of SEs currently in operation. It is thus of great importance that the SE sector, despite its increasing

complexity and diversity, should be able to articulate and communicate the sector's common values to the wider public.

(a) We recommend using a sector-wide brand-building exercise to explain and communicate common misconceptions and highlight commonalities among the different categories of SEs. Practitioners should deliberate on the core brand values of the SE sector, e.g. plurality, innovativeness, citizen participation and cross-sector partnership, etc. This exercise is helpful for developing a sector-wide marketing communication plan.

(b) The HAB could, in the proposed sector-wide brand-building exercise, highlight the Government's reaffirmed policy directives of SE promotion in *encouraging social innovation for public problem-solving* and *facilitating multi-stakeholder participation in SE development*, while the broadening range of social issues being addressed by SE practitioners should also be highlighted. Both the social and entrepreneurial/innovation values of SEs should be emphasized, e.g. that SEs, while achieving social missions, can be successful entrepreneurs.

(c) In view of the increasing plurality of the SE sector, the research team also recommends adopting a "sub-branding" strategy for highlighting the increasing specialization in certain sectors or service types of SEs in Hong Kong (e.g. WISE, SEs addressing shunned markets, the newly emerged "sharing companies", etc.). Such a sub-branding strategy could highlight the emerging new categories of SEs in Hong Kong, and help publicise the new categories of SEs to the public.

R4.3 In view of the limited capacity most existing SEs possess in marketing and media communication, the Government should continue to play a role in assisting the SE sector to launch sector-wide marketing and media campaigns. In this connection, HAB has in the past supported the organisation of SE market fairs in various districts, promotion of SEs and successful cases through the media, and in the past two years it has also provided support to the organisation of the territory-wide Ethical Consumption Movement, SE Summit and other campaigns.

(a) In addition to its existing funding for promotional activities, it is recommended that the HAB considers funding the establishment of a shared marketing and corporate communication office which would serve as a one-stop shop to help eligible SEs to undertake marketing and PR functions.

(b) It is recommended that the HAB continue to provide financial resources for allowing selected SEs to launch media and marketing campaigns. To further enhance

their presence in social media, the HAB could also consider incorporating into the SE Award competition the category on the best social innovations of the year. There could be a budget for hiring PR professionals to implement the social media campaign to help SEs or SE winners who want to publicise the social innovations to the target service users and the wider public.

(c) As a complementary initiative, the HAB could also consider sponsoring a series of low-budget "social change media" campaigns in which media experts, documentary producers and groups practicing "solution journalism" would be invited to examine and help expose the root causes of social problems affecting different communities, with a call for potential social entrepreneurs to come up with innovative solutions to address the problems.

R4.4 The findings indicate the lack of conveniently located sales channels is a major factor hindering potential SE consumers to purchase and use SE products/services. In an effort to help expand the space of the SE market, the Government should devise policies to address two dimensions of "space" including physical space and policy space.

(a) With regard to physical space, the Government could take the lead to encourage use or co-use of Government premises or partnership with other organisations to use space they could make available for SEs, especially for the start-up SEs. The Government should explore with other stakeholders (e.g. other departments, public service organisations, commercial sector) the feasibility of providing SE product sales channels at the district level with the introduction of innovative solutions such as "pop-up stores" and monthly bazaars and even flea markets.

(b) As to policy space, it is recommended that the Government not only continues to promote ethical consumption in public procurement, but also facilitates provision of information on SEs to other public institutions and subsidised organisations. Providing such information could encourage their use of SE's services and products. Additionally, the Government can model other forward-looking Asian Cities to work towards obtaining, say, the status of Fair Trade City (Kumamoto City in Japan is the first city in Asia to gain the Fair Trade Town title)³⁰ and to make Hong Kong a harmonious Sharing City (the Metropolitan Government of Seoul is spearheading the effort to turn Seoul into Asia's most

30. See <http://www.fairtradetowns.org/> on information on the Fairtrade Town movement.

prominent Sharing City).³¹

[R5] Connect SE promotion with local community building

- R5.1 In the same spirit as the HAB's SE policy statement in promoting a "new channel" for participatory and community-based problem-solving, the research team strongly believes that the development of SEs at the local community level could make significant contribution to community building and revitalization, henceforth to foster a new caring culture in the society. At its best, the SE sector could function as a fertile breeding ground nurturing bottom-up innovations for tackling many social problems. In addition, the sector can also offer a policy platform for facilitating cross-sector dialogues and staging citizen co-production initiatives.
- R5.2 This strong belief notwithstanding, the findings suggest that the SE sector lacks enough engagement with the local communities. Only about half of the survey respondents indicated they have made contribution to supporting/improving their localities, and less than 10% regarded "community" as one of the "top two stakeholder groups" that were considered the most consequential on the SE's operation. Perhaps not surprisingly, customers (87.3%) and employees (79.7%) were perceived as the top two stakeholder groups instead.
- R5.3 While not entirely unexpected, the survey findings indicate some room for further Government efforts in promoting SE development at the local community level. For example, the ESR funding scheme has been successful in enhancing social inclusion and in augmenting the scope of social issues being attended to by the SE sector. Yet the further development of district partnership and cross-sector partnership through SEs' operations requires continued and enhanced support. Emphasising on the need for building social capital, the CIIF has the explicit policy objective to engender civic participation. But – according to the comments of some applicants of CIIF funding – the Fund's nearly exclusive emphasis on volunteer support and mutual help has for a long time precluded the Fund from considering supporting socially-oriented economic activities. In both of these cases, the potential of promoting community economic development through SE promotion could be further developed as one of the objectives of the schemes if considered suitable.
- R5.4 Realising the apparent and vast opportunity to promote community development and encourage joint efforts in solving social problems at the district level through SEs, we recommend that the Government implement explicit and purposive policy initiatives to link up SE promotion with

both the conventional district-based economic development initiatives *and* the emerging Internet-based communities engaging in the sharing economy.

(a) The research team recommends joint efforts in establishing a network of innovation hubs, future centres, and co-working spaces across different districts, to be designed with specific themes in reference to local community needs and characteristics, e.g. elderly support, youth employment, design and upcycling centre, craftsmanship restoration, heritage and local culture, etc. In support of these initiatives, complementary community needs assessment projects should be undertaken using available public resources such as relevant funding schemes made available by the District Council. Business and local associations should participate in this effort.

(b) The Government should also consider providing seed funding for the creation of a territory-wide social economy cum sharing economy map (similar to say, finding restaurants on food portals) that would allow users to easily locate not only SEs but other kinds of local community economic development initiatives.³² Such a platform, say an online portal, would allow for the production of highly interactive user-produced contents on customers' comments on quality of products or services provided by the SEs, as well as sharing of stories on social values created by the grassroots economic activities. The sharing economy map so produced could also facilitate the sales and marketing efforts of SEs at the local community level (e.g. the provision of routes of walking tours of SEs and other district-based local attractions).

- R5.5 As discussed in paragraph R1.4 above, by developing ready-to-use legal templates for facilitating the formation of new kinds of SEs in local communities (e.g. social firms, multi-stakeholder social co-operatives, community-owned enterprises, etc.), the measure could help different locally-based groups to launch new SEs and address unmet social needs at the local level. By way of introducing new market entrants originating from the local grassroots level, such a policy would help induce innovations with respect to modes of service delivery in various service industries.

(a) The research team recommends that the Government assist to promote its values to specific industries desperately needing service innovations, such as community-based child care, neighborhood-level elderly home care, and community-based health-care

31. See information website of the Metropolitan City of Seoul on "Seoul, the Sharing City" Project at <http://english.sharehub.kr/>

32. See paragraph 2.15c in Chapter 2 for a discussion of the collaborative consumption and sharing economy movement. Sharing economy maps may be similar to food portals, such as Openrice, Foodspotting, etc.).

services, etc. With the new market entrants, it could alter the existing firm-composition of specific industries and help catalyze changes in industry structure and industrial practices.

(b) For the purpose of identifying underutilised “hidden” human resources at the local communities, we recommend that the HAB to consult with the LWB and other service providers to find ways to provide targeted vocational training opportunities to relevant community groups and social segments who are unable to join the mainstream labor market due to the existing HR practices of many service industries (e.g. extremely long working hours). By combining the new HR model of the new categories of SEs with the vocational training opportunities for the targeted community groups, this policy could release the idle manpower available at the local communities and enhance the agility and mobility of the existing labor force.

R5.6 Lastly, to engender a spirit of local cooperation, a change in the culture in service provision is also needed for both the community-based service providers and the government officials administering the publicly funded programmes running at the district level. Other than focusing on trying to maximise each organisation’s individual impact, a new mindset on “collective impact” should be instituted for considering the overall well-being of the community.³³ In so doing, the Government can work with groups of SEs, NGOs and other community organisations to pursue common goals in the same locality. The HAB should consult with the local players and the relevant stakeholders at the district-level and put in place the conditions for the realization of collective impact.

III. Way Forward: SE Development in the coming years

6.10 SE development has taken hold in Hong Kong. On the basis of this foundation, we see Hong Kong entering a new stage with new breeds of SEs. As this develops, the SE community and other stakeholders should welcome and prepare for broader changes and benefits to Hong Kong:

a. Hong Kong as a world city could serve people and make impact beyond the borders of Hong Kong.³⁴ Some SEs can even serve only communities outside using Hong Kong as a base. When new breeds of SEs develop the vision and ability to serve multiple communities or markets - thus making big social impact, more talents and technology will come and reside in Hong Kong. This will create a positive feedback, so-called winning breeds more winning, to the SE ecology of Hong Kong.

b. The benefits could spill over from the SE sector into the education and business sectors. A case in point is impact investing which has developed into an asset class in the finance sector.³⁵ Hong Kong can develop into an impact investing hub where social innovators, impact investors, family foundations, and social entrepreneurs flock to work together, better jobs, lively communities, and exciting living could be the results. When this happens, Hong Kong can become a regional hub of SEs and acquire a new kind of competitiveness beyond its infrastructure and legal institutions.

6.11 This study and the recommendations are based on investigating the current SE landscape and existing stakeholders. Understanding the present allows us to take a glimpse into the future. Surely there is no way we can predict the future. Hong Kong could still take to heart the adage for innovators as we move forward,

“The only way to predict the future is to create it.”

33. Kania, John; Kramer, Mark. (2011). *Collective Impact*. Stanford Social Innovation Review, Winter, 36-41.

34. While many SEs use Hong Kong as a base, they could take the advantage of being here (infra-structure, competitive environment, talent pool, information, funding) to serve both local communities and communities beyond the borders. Hong Kong is a small market and small place.

35. Kaplan, Robert S. and Grossman, Allen S. (2010, October 1). *The Emerging Capital Market for Nonprofits*. Harvard Business Review.

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List of Appendices

Appendix I Research Methods

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Appendix I

Research Methods

1. Core Research Components of the SEs Study

- 1.1 The research employs multiple methods so as to address the full scope of the SES Study. The research methodology comprises the following four main research components:
 - a. **SE Questionnaire Survey.** A questionnaire to examine the current landscape of the SE sector was sent to over 400 social enterprises and SE units. Key findings of the landscape study are given at Appendix II, while additional survey findings in relation to the entrepreneurial orientation of SEs and their capacity building needs are discussed at length at Chapter 3 and Chapter 4 respectively.
 - b. **Public Opinion Poll.** To ascertain public receptiveness and expectation of SEs, a telephone poll was conducted in September 2013 with the use of conventional random sampling method. The summary poll findings as compiled by the Telephone Survey Research Laboratory of the Hong Kong Institute of Asia-Pacific Studies at CUHK are given at Appendix IV. The important poll findings are examined in detail in Chapter 5.
 - c. **Exemplary SE Case Studies.** To understand the value creation process of different types of social enterprises, the research team identified ten exemplary SE cases and conducted interviews and in-depth case analyses. The core findings on the value creation process of SEs are discussed at length in Chapter 2, while case summaries of the ten social enterprises are separately given at **Appendix III** for readers' easy reference.
 - d. **Focus Groups with SE Practitioners.** Four focus group meetings were also organised in which participants were asked to comment on selected research findings and deliberate on actions to be undertaken to address the development needs of the SE sector. The findings of the focus group discussions have been incorporated in the main body of the

research report and in particular from Chapter 3 to Chapter 5.

- 1.2 Key methodological considerations in relation to the four research components and further information on research activities conducted during the research period are detailed in the following discussions.

2. SE Questionnaire Survey

2.1 Design of the Survey and Data Collection

- a. To review and map the existing landscape of SEs in Hong Kong, a full population survey was conducted using a self-administered survey instrument. The questionnaire comprises three sections including (i) background information, (ii) organisation characteristics, and (iii) managerial and operational effectiveness of the social enterprise.
- b. The survey period was between July 22 and September 21, 2013. The questionnaire was delivered to each social enterprise unit in two separate ways: (i) a unique e-survey form was developed using CUHK's e-research platform "Qualtrics" – informants were asked to fill in the e-questionnaire through the unique link provided by the e-platform; and (ii) reply by mail, e-mail or fax was also allowed.
- c. Based on the databases of the HKCSS SE Directory and Hong Kong Social Enterprise Challenge, and with additional information from the projects under Enhancing Self-Reliance Through District Partnership Programme (ESR Programme) as well as other sources, a total of 419 invitations were sent. Follow-up actions (e-mails and calls) were made throughout the survey period. A hotline was also set up to answer SEs' enquiries and provide technical support. The research team closely monitored the progress of the survey.
- d. By the end of the survey period, 187 completed questionnaires were collected, of which 174 were valid

questionnaires. Of the 174 completed questionnaires, 80 of them were collected by the e-research platform and 94 of them were collected by mail, e-mail or fax. The valid response rate is 41.5%.

2.2 Quality Control

- a. From the start respondents were encouraged to use the e-research platform which allows for real-time data capture to avoid errors arising from manual data input. For the questionnaires collected by mail, e-mail or fax, a double data entry system was set up to make sure the survey data was accurately recorded.
- b. Follow-up phone calls were made to contact all respondents to remind and encourage them to complete all survey questions. Survey data gathered from both hard-copy and online questionnaires were further verified with the respondents throughout the data cleaning process. Data completeness, accuracy and validity were ensured.

3. SE Case Studies

3.1 Case Selection and Analytical Framework

- a. With an aim to understand the value creation process of different types of social enterprises, the research team identified a number of exemplary SE cases for undertaking case analyses in reference to the value chain/value creation framework as adopted by the research (see paragraph 2.2 in Chapter 2). The case selection rationales are deliberated at paragraphs 2.6-2.8 in Chapter 2.
- b. Moreover, a supplementary case analysis framework (the case interview questioning frame) has also been developed which encompasses five areas, namely (I) history of organisational development, (II) innovation and the entrepreneurship process, (III) process of value creation, (IV) information on stakeholder engagement, and (V) marketing, branding and public promotion.

3.2 Case Interviews

- a. With the exception of one social enterprise (the case of L Plus H), in-person face-to-face interview was conducted during the period from late July 29 to end of October 2013 to gather firsthand research findings from the SEs (see Table 1). The interviewees are either the CEO/chief executive of the SE, or they are a key member of the SE's board supervising the management of the SE (the cases of Happy Veggies and Fullness Salon).

Table 1

| Name of SE | Main Interviewee | Date of Interview |
|--|--------------------|--------------------|
| NAAC Alternative HR Market | Mr Chiu Ka Cheung | July 29, 2013 |
| Senior Citizens Home Safety Association | Ms Irene Leung | August 16, 2013 |
| Happy Veggies | Mr Howard Ling | August 19, 2013 |
| MentalCare Connect | Mr Chung Wai Shing | August 21, 2013 |
| Dialogue in the Dark Hong Kong | Mr Antony Pang | September 24, 2013 |
| Diamond Cab | Ms Doris Leung | September 24, 2013 |
| Light Be (Social Realty) Co. Ltd | Mr Ricky Yu | September 24, 2013 |
| Fullness Salon | Mr Ted Kwan | September 27, 2013 |
| Ground Works | Ms Dora Cheng | October 31, 2013 |

- b. Normally, CFE-SEBC would send a three-member research team to conduct the interview, with one facilitator and two assistants. On average, an interview would take about a bit over one and a half hour. All interviews were audiotape-recorded, while all information is kept confidential and for research purpose only.
- c. In the case of L Plus H, the research team mainly drew reference to the multi-media teaching case on the social enterprise developed by the HKU ExCEL3 research team, which is available for public use at the HKU ExCEL3 online learning platform. Prior to conducting the SES Study, a researcher from the CFE-SEBC research team had conducted research interviews with the SE (for a separate research project unrelated to the SES Study), and for the purpose of the current study, the CFE-SEBC research team only collected and updated the case information through publicly available information and had not conducted a separate case interview.

4. Public Opinion Poll and Marketing Survey of SE Customers

4.1 Questionnaire Design

- a. To ascertain public receptiveness and public expectation of SEs, the research team engaged the Telephone Survey Research Laboratory of the Hong Kong Institute of Asia-Pacific Studies (HKIAPS) at the Chinese University of Hong Kong to conduct a public opinion poll.
- b. The survey instrument of the poll contains fourteen questions that aim to solicit the opinions of the respondents over different aspects of SE operations in Hong Kong, plus additional questions gathering the demographic information of the respondents. More specifically, the questionnaire adopts the “Five A’s Framework” to examine the respondents’ receptiveness to SEs over five areas including (i) awareness; (ii) appreciation; (iii) acceptance; (iv) action; and (v) be accustomed (to supporting SE) – see further explanation given at paragraph 5.3 in Chapter 5 on the framework. With the use of conventional random sampling method for telephone poll, valid responses from 1005 citizens at the age of 18 or above were successfully gathered.

4.2 Data Collection by the Telephone Survey Research Laboratory

- a. The telephone survey was conducted by trained telephone interviewers at the Telephone Survey Research Laboratory of HKIAPS using a Computer Assisted Telephone Interview (CATI) system during the period September 9–18, 2013. The sampling frame was based on the latest Hong Kong residential directories (both Chinese and English versions), and a batch of residential telephone numbers was selected randomly.
- b. To make sure the sampling frame covered the residential telephone numbers both in and out of the Directories, the last two digits of the selected telephone numbers were deleted, and replaced by two random computer-generated digits. The target population of the survey is Hong Kong residents who can speak Cantonese or Mandarin, and aged 18 or above.
- c. The household was first selected by random sampling through the computer system, and the one who had his or her birthday next was selected for telephone interview. 1005 interviews were completed, and the response rate is 44.3%. The maximum sampling error for percentage is less than $\pm 3.09\%$ at the 95% confidence level.

4.3 Marketing Survey of SE Customers (independently conducted by SEE Network Ltd.)

- a. To complement the telephone poll research findings, the CFE-SEBC research team also commissioned an independent marketing research consultant SEE Network Ltd. to conduct additional marketing surveys of SE customers so as to learn more about their consumption behavior and to gain further insights on future strategies to attract more people to support social enterprises and join the ethical consumption movement.
- b. The Consultant worked directly with the Ethical Consumption Movement Organizing Committee to gather contacts and get in touch with both existing and potential SE customers. Using the questionnaire of the telephone survey as reference, the Consultant developed a list of questions for conducting semi-structured interviews with individual customers as well as for running focus group discussions with the SE customers. Informants were invited to share their experience in purchasing SE products and services and to what extent they undertook and were committed to supporting the ethical consumption movement.
- c. Using a combination of purposive sampling and snowball sampling methods, the Consultant interviewed 24 informants (conducting nine individual interviews and four focus group discussions). The Consultant has separately compiled a “Focus Group Study Report” the findings of which are largely in consistent with the conclusion of the public opinion poll. Where appropriate, the insights gathered from the SE consumer marketing survey are incorporated in the discussion of public perception and expectation of SEs as given in Chapter 5 of the main report.

5. Focus Groups with SE Practitioners

5.1 Planning for the Focus Group Meetings

- a. Four focus group meetings with SE stakeholders were organised after the research team had gathered preliminary research findings from the other research components. The participants were asked to comment on the preliminary research findings and deliberate on actions to be undertaken to address the development needs of the sector as a whole.
- b. The research team briefed the focus group participants of preliminary research findings in relation to four separate themes: (i) entrepreneurial orientation of social enterprises; (ii) public perception and the need of a rebranding exercise for the SE sector; (iii) training and capacity building needs of the SE sector; and (iv)

building of an ecosystem for promoting SE development.

5.2 Data Collection

- a. The four focus group sessions were conducted during the period between October 3 and October 12, 2013, and each session lasted for about two hours. The number of participants ranged from 7 to 9 (a total of 31 participants joined the focus groups). Of the participants, more than half of them were SE operators, while representatives from the business sector, the academia, and media and public were also present (see Table 2). In order to encourage interaction and stimulate discussion across sectors, the informants from different backgrounds were mixed together in each focus group.

Table 2

| Types of Informants | No. of participants |
|-------------------------|---------------------|
| Academia | 4 |
| Business sector | 9 |
| SE practitioner | 16 |
| Media and public | 2 |

- b. All four focus groups were conducted at the HKCSS-HSBC Social Enterprise Business Centre at Wanchai. Facilitators would first provide background information about the thematic topics and informants were then asked to comment on the preliminary research findings. Discussions were audiotape-recorded, while all information is kept confidential and for research purpose only.

Findings on the SE Questionnaire Survey

1. Key Survey Findings

1.1 General

- a. The first HAB sponsored Social Enterprise Survey was conducted during the period from July 22 to September 21, 2013 using a self-administered questionnaire distributed to local SEs in Hong Kong.
- b. A total of 419 SEs (encompassing standalone entities as well as projects affiliated to existing organisations) were identified and invited to participate in the Survey. By the end of the survey, 187 completed questionnaires were collected, among which 174 were valid responses. The valid response rate is 41.5%.
- c. Of these 174 SEs, they are of various stages of development. Around 64% of the SEs considered themselves to be in the 'growing stage', 18.4% reported to be in the 'start-up stage', 12.6% replied that they were 'struggling and declining'. Only 5.2% of the SEs reported themselves in the stage of 'scaling up' (Figure 1).
- d. Most SEs in Hong Kong (89.1%) were founded with the support of a sponsoring organisation, while just over 10% are independent entities without organisational affiliation (Figure 2). The sponsoring organisations can be further divided into two categories: charities registered under Section 88 of the Inland Revenue Ordinance (75.3%) and those that are not registered as charity organisations (13.8%).

1.2 Legal Form and Governance Structure

- a. As for legal form, just over 60% of the SEs reported themselves as a department/ project under a registered charity, and 37.6% of the SEs were in the form of registered company. There were only four SEs registered as unincorporated society or cooperative society (1.2% or only two each). The findings suggest that charitable organisations play a pivotal role in incubating and supporting social enterprises (Figure 3).

- b. The governance arrangements of SEs are more complicated. After some investigation, we found it useful to develop another categorisation based on an SE's relationship with its sponsoring organisation. As shown in Figure 4, the four types of SE include (a) stand-alone SEs, (b) SEs developed by incubators and/or impact investors, (c) SEs supported by private, for-profit enterprises, and (d) SEs supported by NGOs.
- c. The level of engagement of the sponsoring organisations varies among these four types of arrangements. Type (a) has no sponsoring organisation. Type (b) has an incubator-like or impact-investor-like sponsor. The sponsor usually supports the SEs at early stage but normally does not involve much in the SE governance. Lastly for Types (c) and (d), the sponsor is either a private company or a NGO, and they usually take the SEs under their shelter. Accordingly, they would involve intensively in the governance and provide various kinds of support.

1.3 Social Missions and Target Beneficiaries

- a. Most SEs (145 out of 174 respondents, or 83.3%) belong to the category of work-integration social enterprise (WISE) (Figure 5). Among those that have hired the disadvantaged, a majority of them (60.6%) have a workforce with over 60% disadvantaged employees (Table 1).
- b. For social objectives of SEs, "job creation for the disadvantaged" (83.3%), "enhancing social inclusion" (79.9%) and "fulfilling unmet social needs with new services" (64.4%) were the top three social objectives of the respondent SEs (Table 2). The overwhelming percentage of employment creation for the disadvantaged reflects the dominance of WISE in the existing SE space. The survey findings also suggest that most SEs aim to fulfill more than a single social objective in their operation.

1.4 Business Nature and Mode of Operation

- a. Business nature of SE is very diverse. The top three categories are "food and catering related business

(30.5%)”, followed by “lifestyle” (28.7%) and “education and training” (21.3%). SEs working on business support, medical care, and eco-living amount to 14.4%, 13.8%, and 12.1% respectively (Table 3).

- b. With regard to mode of business operation, most SEs still relied on traditional sales channels. Over half of the respondents mentioned their major sales channel was self-operating retail or service spots (55.2%), while 47.7% of the SEs reported that they sold their products or services through internal promotion in organisations and companies (Table 4). Yet, as consistent with the case of ordinary businesses, the mode of operation would vary according to the nature of trades and industries (Table 5).
- c. Also, as online purchase became popular, 37.9% of SEs reported that online sales was a key sales channel, being the fourth major sales channel utilised by the SEs. A few SEs (2.3%) also pointed out their mode of business relied on media or online social networks (Table 4).

1.5 Scale and Funding Model

- a. Most SEs are small in size, as 60% of the responded SEs employed 10 or less people. Only 2.9% of the responded SEs hired more than 100 employees (Figure 6).
- b. As for start-up funding, according to the survey findings, almost half of the responded SEs indicated that they began with HKD500,000 or less (Figure 7). The findings reveal that three-quarters of the responded SEs (73.6%) relied on a single start-up funding source, and the remaining were supported by multiple funding sources (Figure 8).
- c. The majority of the responded SEs raised their initial capital with “grant and donation” (74.7%). In addition, 43.1% of them reported acquiring the capital through “self investment or private investment”. Loan, however, was not a popular financing option for SE startups (10.9%) (Figure 9).
- d. Among the responded SEs who gained their start-up capital from grant and donation, 57.5% got their funding through government’s various funding schemes. This figure was far more significant compared to other potential funding options such as seed funding from charitable organisations and foundations (10.3 %) or from business donation (7.5%) (Figure 10).
- e. Over 80% of the responded SEs reported a turnover of less than HKD5 million, and 35.5% of the responded SEs had an annual sales turnover between HKD1 million to 3 million (Figure 11). With regard to the financial performance of the responded SEs, more than half of them (62.9%) reported that they had achieved break-even or had been making a profit (Figure 12).

2. Noteworthy Features and Observable Trends

2.1 Growth of WISEs and the Emergence of Non-WISE and Non-S88 SEs

- a. The history of SEs dated back three decades ago and WISE has been playing a leading role in the sector all along. The first social enterprise, Lily Vale Cafe, was established in 1982. Over the past 10-15 years, with start-up financial support made available by various funding schemes including the “Enhancing Employment of People with Disabilities through Small Enterprise” Project (3E’s Project), and the Enhancing Self-Reliance through District Partnership Programme (ESR Programme), significant growth of WISE was observed over the past decade. Yet, despite the significance and the continued growth of WISE, in recent years we also witnessed the emergence of SEs that are not WISE (Figure 5).
- b. Also, SEs that are not affiliated with registered charities (the so-called “non-Section 88” SEs) are emerging and increased in number in recent years. Among the survey respondents, there are 19 “standalone SEs” established since 2007, while another 25 SEs were established by private, for-profit sponsoring organisations since 2002 (Figure 13). Over the past five years (from 2009 to 2013), 31 “non-Section 88” SEs were established, compared to 66 “Section 88” SEs.

2.2 Interactions with Local Communities

- a. In order to undertake a more thorough analysis of the geographical distribution of the existing SEs, the research team also drew reference to information contained in the Social Enterprise Directory 2013 as compiled by the HKCSS-HSBC SEBC.
- b. For the service coverage of SEs, information contained in the Directory indicates that just over 50% of the 407 SEs contained in the Directory have been providing territory-wide services, while the remaining SEs operate in particular districts. Among those reported that they served a specific district, most of them were clustered in Tuen Mun and Yau Tsim Mong, while only few offered service in Outlying Islands and Sai Kung (Table 6).
- c. Two more questions in the survey questionnaire touched upon the notion of the SE’s relationship with the local community. Only about half of the survey respondents indicated they have made contribution to supporting/improving their localities (Table 2), and about 12% regarded “community” as one of the “top two stakeholder groups” that were considered the most consequential on the SE’s operation (Table 7). Customers (87.4%) and employees (78.2%) were perceived as the top two stakeholder groups instead.

2.3 Scaling-up vs. Struggling/Declining SEs

- On the question regarding the stages of development of the local SEs, it was noted that around 5% of the respondents consider they are in the process of scaling-up, while a bit over 10% believe they are struggling or declining (Figure 1). As we are interested in identifying the possible growth areas of the SE sector as well as to know about what segments are declining or struggling, we further scrutinised the lists of the self-identified scaling as well as the struggling/declining SEs.
- Of the nine SEs who reported that they were reaching the stage of scaling-up, three of them are WISEs in food and catering businesses and all three of them were established by NGOs in the rehabilitation field. The remaining six SEs have diverse backgrounds and operations. Three are startups or incubatees linked to social investing. Two are community economic development initiatives working at the local communities. The remaining one is an independent start-up established by young college graduates in the education field.
- There are 22 enterprises on the list of the struggling/declining SEs. Around two-thirds of these

struggling businesses are WISEs, while the remaining one-third include a mix of small sized SEs working in various fields including fair-trade, lifestyle, education, retail and even information technology. While the high proportion of WISE is unsurprising (as over 80% of the survey respondents are WISEs), we find the following common features of the struggling enterprises: (i) they are operating in some highly competitive market environments; (ii) it seemed these SEs lack innovations in their operation; and (iii) it seemed they also lack strong community network to ground their operation.

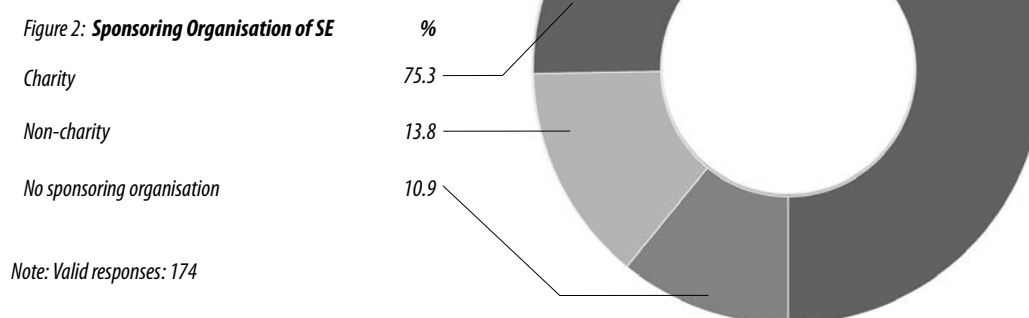
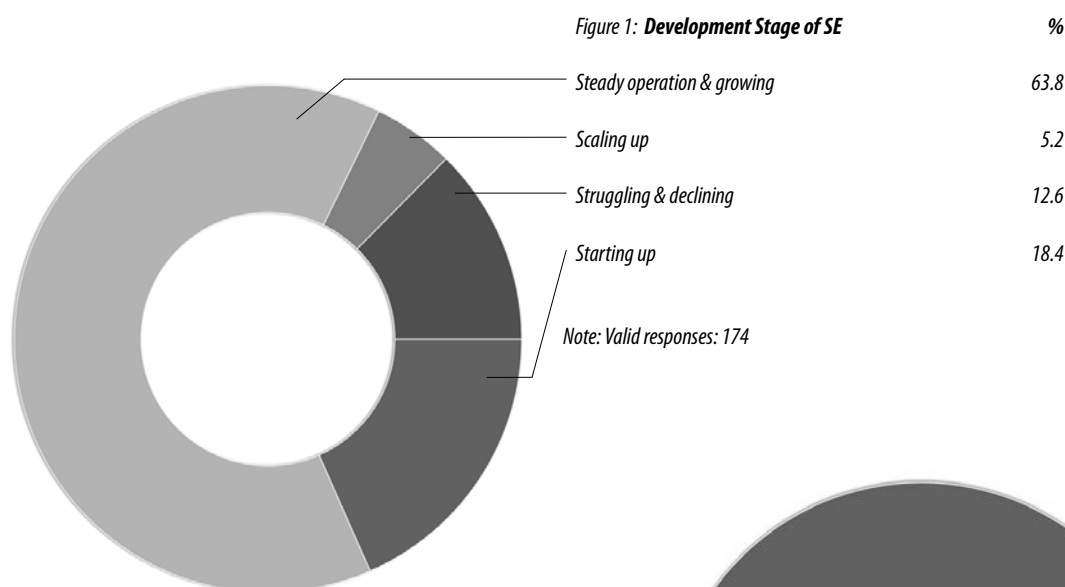
3. Survey Findings on SE's Entrepreneurial Orientation

Relevant findings are presented and discussed in Chapter 3 of the main report.

4. Survey Findings on SE's Training and Capacity Building Needs

Relevant findings are presented and discussed in Chapter 4 of the main report.

Figures and Tables



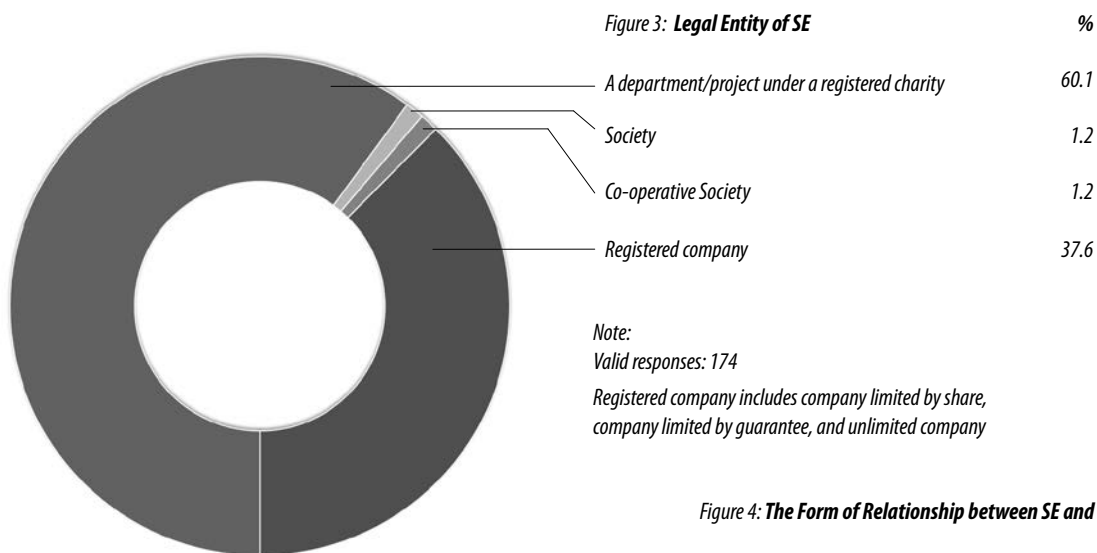


Figure 4: The Form of Relationship between SE and its Incubator

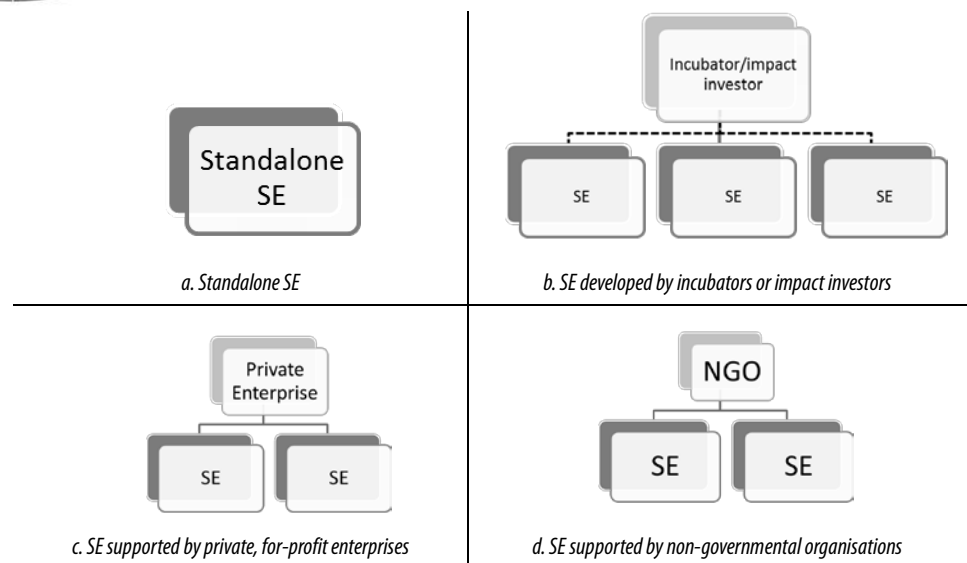


Figure 5: Type of SE (WISEs vs Non-WISEs) by Founding Year

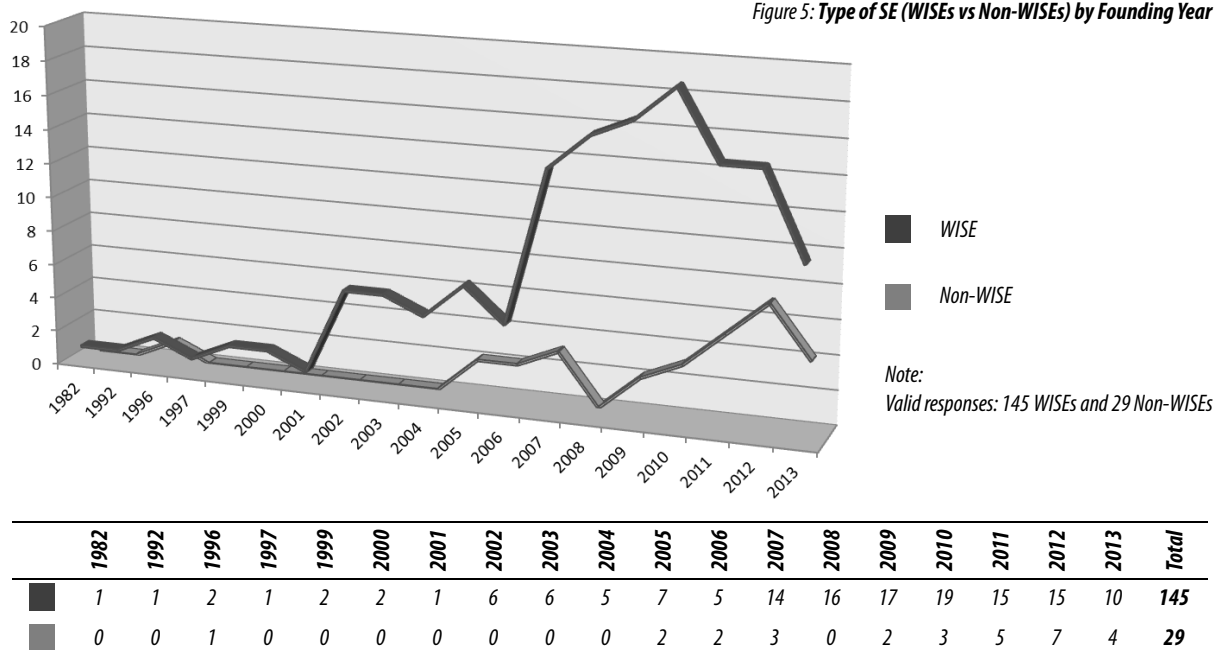


Table 1: *Percentage of the Disadvantaged Employees in SE*

| % of the disadvantaged Employees | Frequency (%) |
|----------------------------------|---------------|
| None | 31 |
| 1%to 20% | 11 (7.7) |
| 21%to 60% | 45 (31.7) |
| Above 60% | 86 (60.6) |
| Missing Data | 1 |

Notes:

1. The disadvantaged includes elderly, disables, unemployed, low income group (includes the recipients of the Comprehensive Social Security Assistance (CSSA), low educated and unskilled workers, minority groups, immigrants and ex-offenders, etc.).

2. Valid responses: 174

Table 2: *Social Objectives of SE*

| Social objectives (Multiple options) | Frequency (%) |
|---|---------------|
| Job creation for the disadvantaged | 145 (83.3) |
| Enhancing social inclusion | 139 (79.9) |
| Fulfilling unmet social needs with new services/service models | 112 (64.4) |
| Advocate fair trade & ethical consumption | 104 (59.8) |
| Support/improve community or regional service (E.g., Community baby-sitter) | 95 (54.6) |
| Promote environment protection | 95 (54.6) |
| Promote educational development & support learning platform | 88 (50.9) |
| Provide health improvement services | 78 (44.8) |
| Promote creative arts and culture | 58 (33.3) |
| Others | 3 (1.7) |

Note: Except "Promoting educational development & supporting learning platforms" (valid responses: 173), the valid responses of each social objective were 174.

Table 3: *Business Nature of SE*

| Business Nature (Multiple options) | Frequency (%) |
|------------------------------------|---------------|
| Catering & food manufacturing | 53 (30.5) |
| Lifestyle | 50 (28.7) |
| Education & training | 37 (21.3) |
| Business support | 25 (14.4) |
| Medical care | 24 (13.8) |
| Eco product & recycling | 21 (12.1) |
| Creativity and scientific study | 14 (8.0) |
| Domestic cleaning & renovation | 12 (6.9) |
| Fashion & accessories | 9 (5.2) |
| Logistic & auto services | 8 (4.6) |
| Others | 8 (4.6) |

Note: Valid responses of each category: 174

Table 4: *Major Sales Channels of SE*

| Sales channels (Multiple options) | Frequency (%) |
|---|---------------|
| Self-operating retail or service spots | 96 (55.2) |
| Through intermediaries | 37 (21.3) |
| Consignment sale | 30 (17.2) |
| Membership subscription | 37 (21.3) |
| Internal promotion | 83 (47.7) |
| Trade fairs | 67 (38.5) |
| Online Sales | 66 (37.9) |
| Mutual sale with other partners | 57 (32.8) |
| Word of Mouth | 9 (5.2) |
| Media or online social media attracting potential customers | 4 (2.3) |
| Others | 2 (1.1) |

Note: Valid responses of each option: 174

Table 5. Sales Channels by Business Nature of SE

| | Fashion & accessories | Catering & food manufacturing | Domestic cleaning & renovation | Logistic & auto services | Lifestyle | Eco product & recycling | Medical care | Business support | Education & training | Creativity & scientific study | Others |
|--|-----------------------|-------------------------------|--------------------------------|--------------------------|-----------|-------------------------|--------------|------------------|----------------------|-------------------------------|----------|
| Self-operating retail or service spots | 7 (77.8) | 42 (79.2) | 6 (50.0) | 3 (37.5) | 34 (68.0) | 11 (52.4) | 15 (62.5) | 6 (24.0) | 13 (35.1) | 5 (35.7) | 4 (50.0) |
| Through intermediaries | 3 (33.3) | 13 (24.5) | 4 (33.3) | 1 (12.5) | 14 (28.0) | 6 (28.6) | 3 (12.5) | 6 (24.0) | 8 (21.6) | 3 (21.4) | 3 (37.5) |
| Consignment sale | 6 (66.7) | 11 (20.8) | 1 (8.3) | 1 (12.5) | 15 (30.0) | 5 (23.8) | 2 (8.3) | 4 (16.0) | 10 (27.0) | 1 (7.1) | 2 (25.0) |
| Membership subscription | 2 (22.2) | 10 (18.9) | 2 (16.7) | 1 (12.5) | 18 (36.0) | 5 (23.8) | 5 (20.8) | 1 (4.0) | 9 (24.3) | 4 (28.6) | 2 (25.0) |
| Internal promotion | 1 (11.1) | 27 (50.9) | 8 (66.7) | 4 (50.0) | 25 (50.0) | 7 (33.3) | 9 (37.5) | 15 (60.0) | 17 (45.9) | 7 (50.0) | 4 (50.0) |
| Trade fairs | 3 (33.3) | 19 (35.8) | 7 (58.3) | 3 (37.5) | 26 (52.0) | 9 (42.9) | 11 (45.8) | 9 (36.0) | 14 (37.8) | 5 (35.7) | 3 (37.5) |
| Online Sales | 5 (55.6) | 22 (41.5) | 5 (41.7) | 0 (0.0) | 23 (46.0) | 8 (38.1) | 15 (62.5) | 12 (48.0) | 17 (45.9) | 7 (50.0) | 4 (50.0) |
| Mutual sale with other partners | 4 (44.4) | 18 (34.0) | 6 (50.0) | 1 (12.5) | 21 (42.0) | 4 (19.0) | 10 (41.7) | 8 (32.0) | 18 (48.6) | 6 (42.9) | 3 (37.5) |
| Word of Mouth | 0 (0.0) | 0 (0.0) | 1 (8.3) | 0 (0.0) | 1 (2.0) | 0 (0.0) | 4 (16.7) | 2 (8.0) | 2 (5.4) | 0 (0.0) | 0 (0.0) |
| Media or online social media attracting potential customers | 0 (0.0) | 0 (0.0) | 0 (0.0) | 1 (12.5) | 1 (2.0) | 0 (0.0) | 0 (0.0) | 0 (0.0) | 2 (5.4) | 0 (0.0) | 1 (12.5) |
| Others | 1 (11.1) | 0 (0.0) | 0 (0.0) | 0 (0.0) | 2 (4.0) | 0 (0.0) | 0 (0.0) | 0 (0.0) | 1 (2.7) | 0 (0.0) | 0 (0.0) |

Notes:

1. Valid responses of each business nature: Fashion & accessories: 9, Catering & food manufacturing: 53, Domestic cleaning & renovation: 12, Logistic & auto services: 8, Lifestyle: 50, Eco product & recycling: 21, Medical care: 24, Business support: 25, Education & training: 37, Creativity & scientific study: 14, Others: 8

2. Major sales channels and business nature of SE are both allowed to have multiple answers.

3. Number of SE (%)

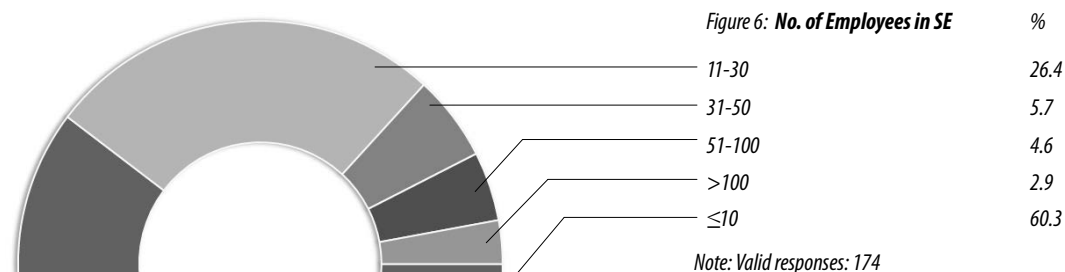


Figure 7: Initial Capital of SE (HKD)

≤500,000

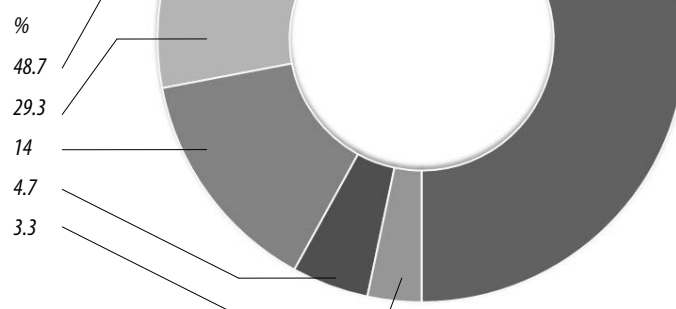
510,000 - 1,000,000

1,010,000 - 2,000,000

2,010,000 - 5,000,000

> 5,000,000

Note: Valid responses: 150



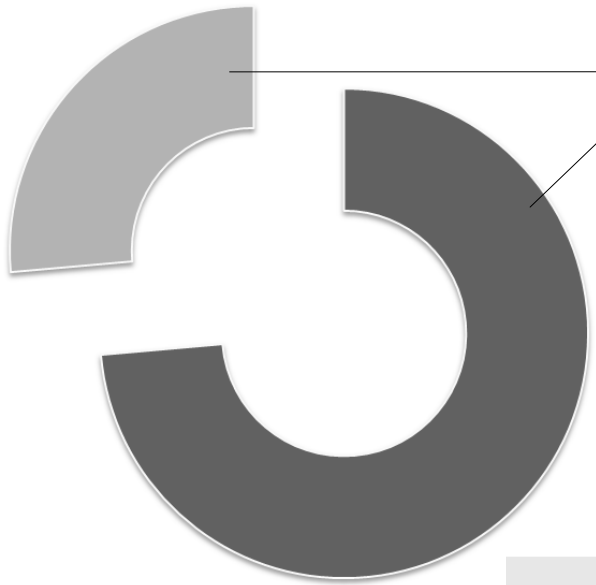


Figure 8: Diversity of SE Initial Capital

| | % |
|------------------|------|
| Multiple sources | 26.4 |
| Single source | 73.6 |

Note: There are 3 sources of initial capital, funding and donation, self-investment and investment, and loan
Valid responses: 174

Figure 9: Type of SE Initial Capital

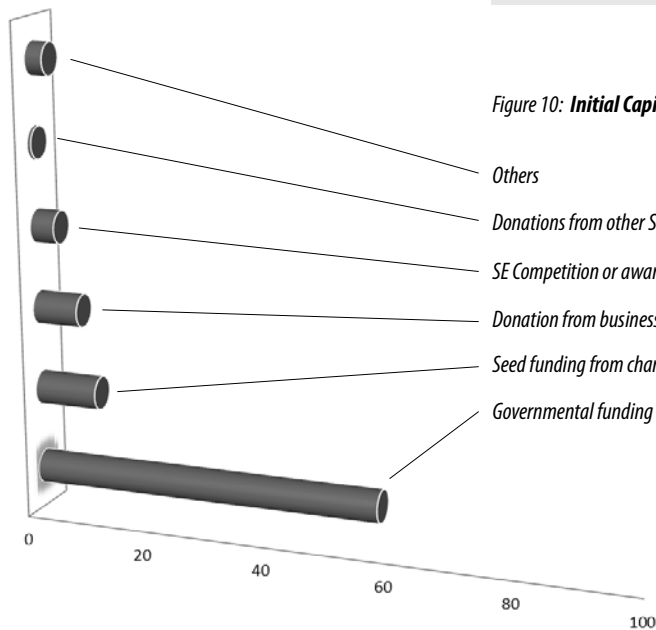
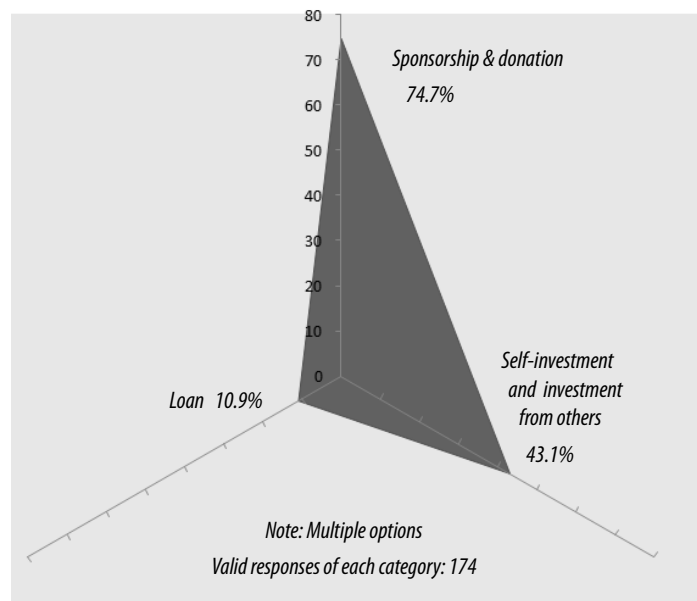
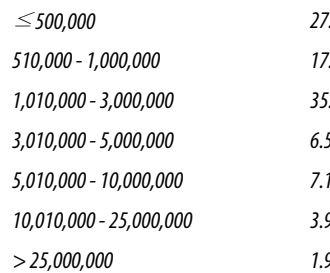


Figure 10: Initial Capital from Funding or Donation

| | % |
|--|------|
| Others | 2.9 |
| Donations from other SEs | 0.6 |
| SE Competition or award scheme | 4 |
| Donation from businesses | 7.5 |
| Seed funding from charitable organisations & foundations | 10.3 |
| Governmental funding schemes | 57.5 |

Note: Multiple options
Valid responses of each option: 174

Figure 11: **The Total Turnover of SE in the past financial year (HKD)**



Note: Valid responses: 155

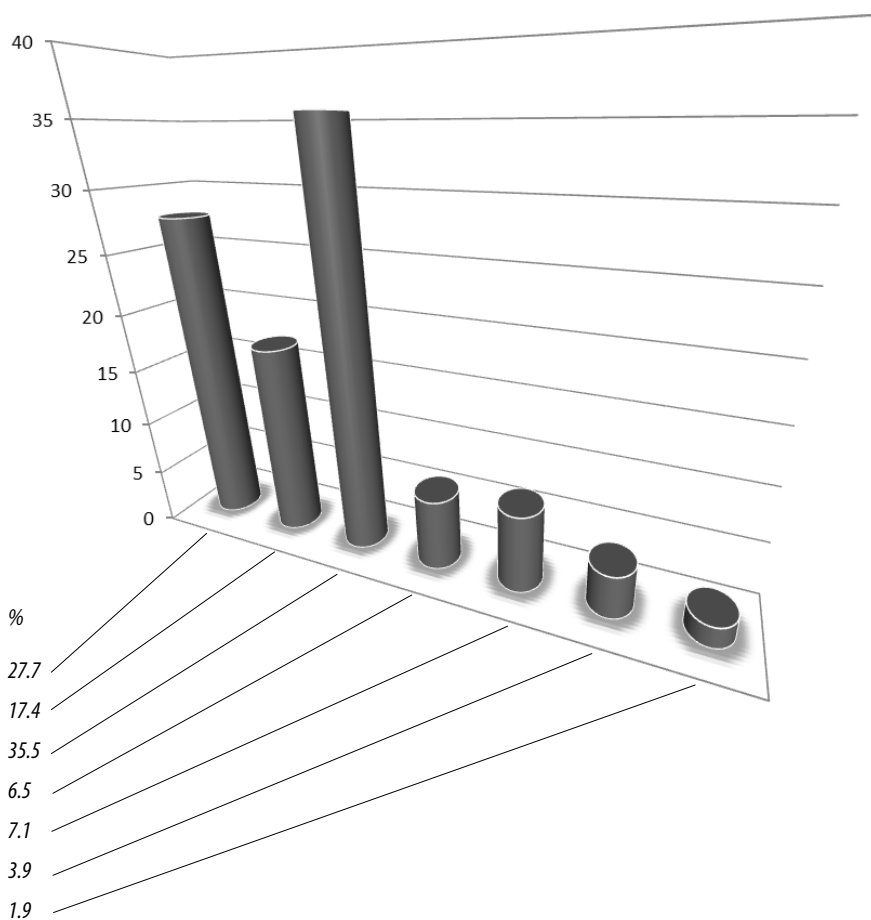
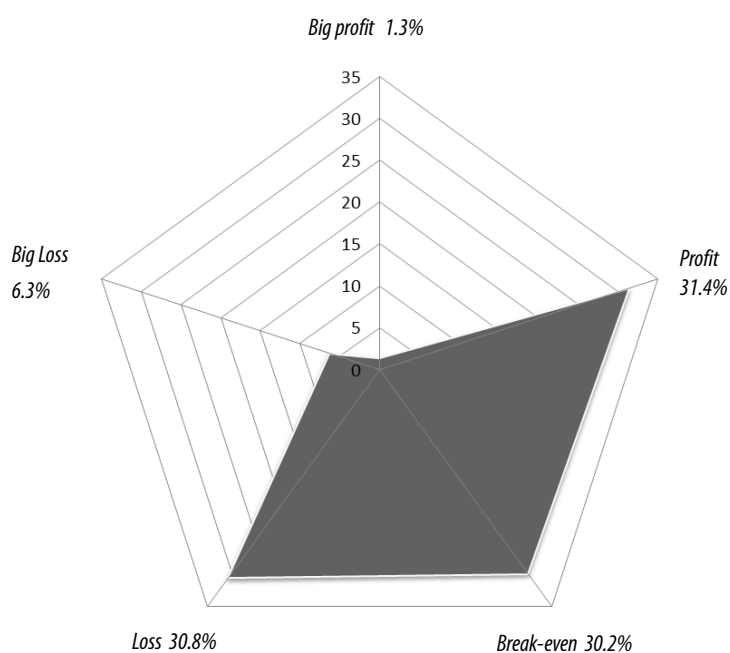


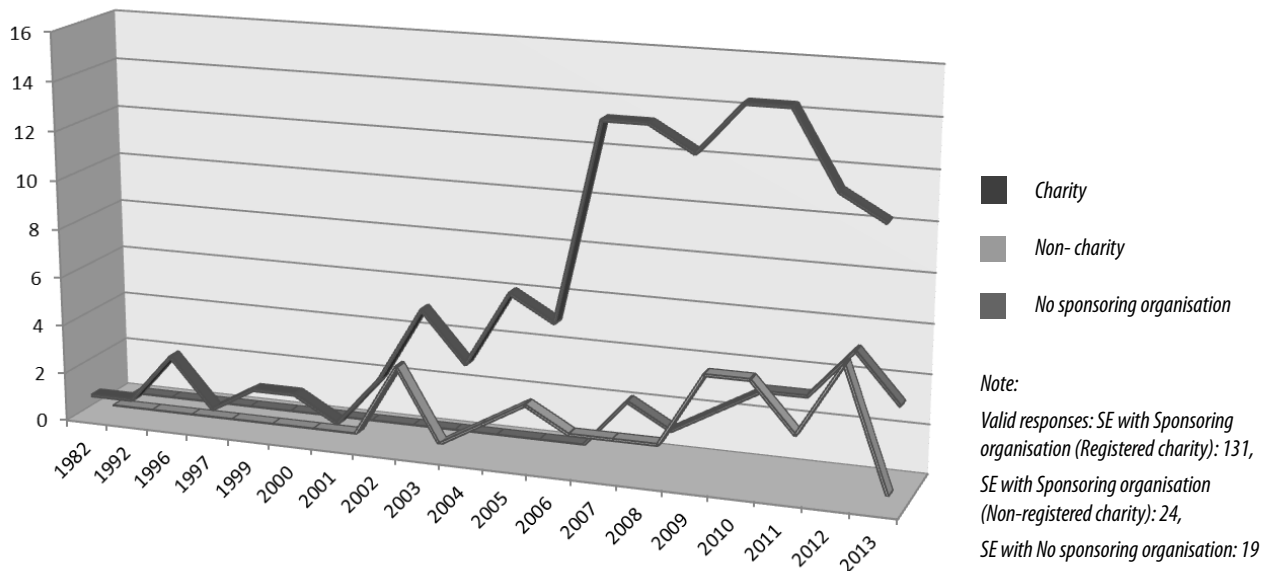
Figure 12: **Financial Performance in the past financial year**



Note:
Financial performance after deducting all the subsidies (e.g., subsidies from the government, sponsoring organisation or other organisation)

Valid responses: 159

Figure 13: Distribution of SEs: Types of Sponsoring Organisation and Founding year



| | 1982 | 1992 | 1996 | 1997 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|----------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|
| Charity | 1 | 1 | 3 | 1 | 2 | 2 | 1 | 3 | 6 | 4 | 7 | 6 | 14 | 14 | 13 | 15 | 15 | 12 | 11 | 131 |
| Non-charity | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 1 | 2 | 1 | 1 | 1 | 4 | 4 | 2 | 5 | 0 | 24 |
| No sponsoring organisation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 2 | 3 | 3 | 5 | 3 | 19 |

Table 6: Distribution of Service Area

| | | | |
|-------------------|-----|------------------------------|----|
| HK-wide | 208 | Overseas | 4 |
| Islands | 2 | Central & Western | 18 |
| Kwai Tsing | 5 | Eastern | 6 |
| North | 5 | Southern | 5 |
| Sai Kung | 2 | Wan Chai | 16 |
| Sha Tin | 19 | Kowloon City | 4 |
| Tai Po | 18 | Kwun Tong | 18 |
| Tsuen Wan | 8 | Sam Shui Po | 15 |
| Tuen Mun | 20 | Yau Tsim Mong | 20 |
| Yuen Long | 10 | Wong Tai Sin | 4 |

Note: Valid response: 407

Source: HKCSS – HSBC Social Enterprise Business Centre (SEBC).
(2013). Social Enterprise Directory.

Table 7: Most Important Stakeholders of SE (Maximum 2 options)

| Stakeholders | Frequency (%) |
|---------------------|---------------|
| Shareholders | 10 (5.7) |
| Employees | 136 (78.2) |
| Customers | 152 (87.4) |
| Government | 20 (11.5) |
| Community | 21 (12.1) |

Note: Valid responses of each option: 174

Appendix III Summary Findings of SE Case Studies

CASE 1: MentalCare Connect 明途聯繫

FACTS

Year founded

1996

Sponsoring organisation

The Mental Health Association of Hong Kong

Brief background

MentalCare Connect is one of the earliest Work Integration Social Enterprises (WISEs) established in Hong Kong. It runs a wide range of businesses including the Cheers Gallery Rehab Shops Retail Network, Rehab Express Magazine, Rehab Express Online Shopping Platform, Cheers Café & Bakery, Cheers Point (collective purchasing service for staff unions of a few sizable organisations), etc.

Starting from running convenience stores, MentalCare Connect over the years has adopted the Blue Ocean Strategy to develop new markets, venturing into areas that other competitors didn't notice. It actively worked to expand the market for rehabilitation, selling rehab products to patients at public hospital premises. Later, facing intense competition, the SE saw the need to expand and start other new businesses. Its innovativeness and the service expansion strategy are crucial for organisational survival and achieving financial sustainability. To have a good staff mix, MentalCare Connect is open to recruiting employees from the business sector, offering competitive employment package and a career ladder for personal development.

VALUE CREATION

Production

Ex-mentally ill persons account for nearly 70% of total manpower of MentalCare Connect's rehab stores. The SE helped transform the lives of numerous ex-mentally ill persons by offering them dignity and financial independence. MentalCare Connect also procures from other social enterprises and NGOs, henceforth contributing to the development of a wider social economy network.

Consumption

The SE has enriched market information in the rehab field and makes the purchase of rehab products more convenient. It does not only operate retail shops inside hospitals, its rehab magazine and the online shopping platform are also very popular among customers in the rehab field.

Value appropriation

MentalCare Connect provides performance bonus to its employees and also reinvests in business development.

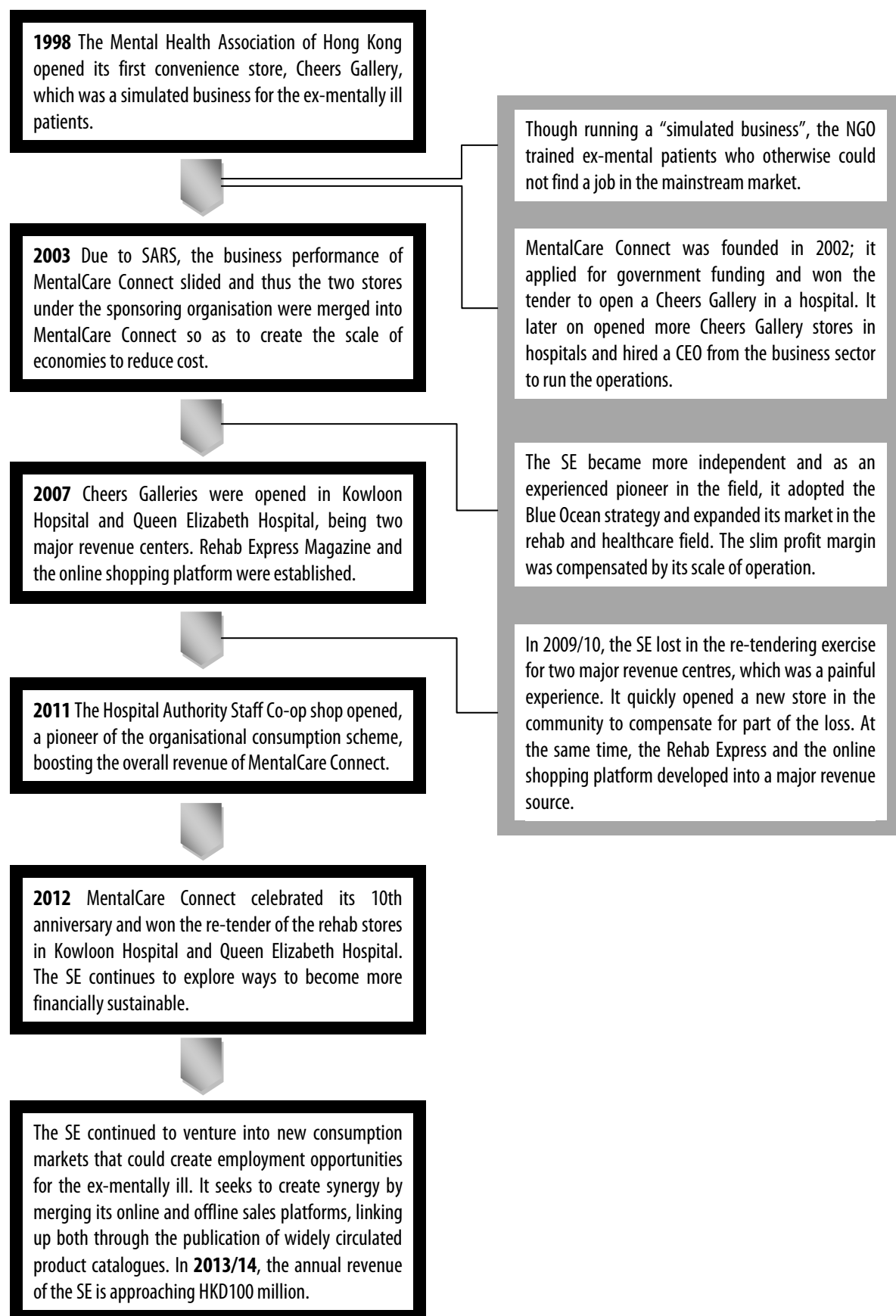
MentalCare Connect serves as a testimony to other businesses of the viability of hiring ex-mental patients in normal businesses.

104 of 150
EX-MENTALLY ILL PERSONS

79,268,485 HKD
REVENUE OF 2012 - 2013

21
SUBSIDIARY SOCIAL
ENTERPRISES

TIMELINE OF DEVELOPMENT



CASE 2: Fullness Hair Salon 豐盛髮廊

FACTS

Year founded

2001

Brief background

Fullness Salon is a Work Integration Social Enterprise where young ex-offenders and marginalised youths work as juniors. Its goal is to assist these youngsters to re-integrate into the society and be able to find jobs to support themselves instead of taking the path of degeneration and crime. Fullness Salon adopts the apprenticeship model in which the senior stylists are also the life coaches of the juniors and the senior stylists must have a loving and patient heart in leading the juniors. The Salon's social mission is not to turn the juniors into senior stylists; instead, it aims to support the juniors for two years so that they could return to the mainstream labour market and spare their training places for other newcomers.

It is like the public transit, where people get on and off. This transformative train of life has been running for 13 years and has gained valuable experience throughout this journey. The SE has been sharing its valuable experience in management, personnel development, and corporate governance and so on to other likeminded WISEs.

VALUE CREATION

Production

Fullness offers training opportunities to the marginalised youths so that they can have a stable and regular life schedule and thus become more disciplined. Fullness also encourages the young apprentices to pursue more advanced techniques and skills, and to help them build confidence, self-esteem and more importantly, hope and determination to seek a better life.

Inside Fullness, the employees have developed family-like relationships. The juniors are able to develop true friendships and find a supportive network inside Fullness. Even after they left Fullness, they still came back often. And the feelings are reciprocal. The senior stylists and the board members also got a sense of fulfilment by helping the juniors and seeing them follow a good path.

Consumption

Fullness also provides hair-cut service to the needy like the elderly and the disabled.

Value appropriation

16% of Fullness' revenue goes to the junior's salaries; thus far 100% of the profit is reinvested into the chain salons to produce more social good.

OVER 50

*JUNIORS TRAINED IN
THE LAST 4 YEARS*

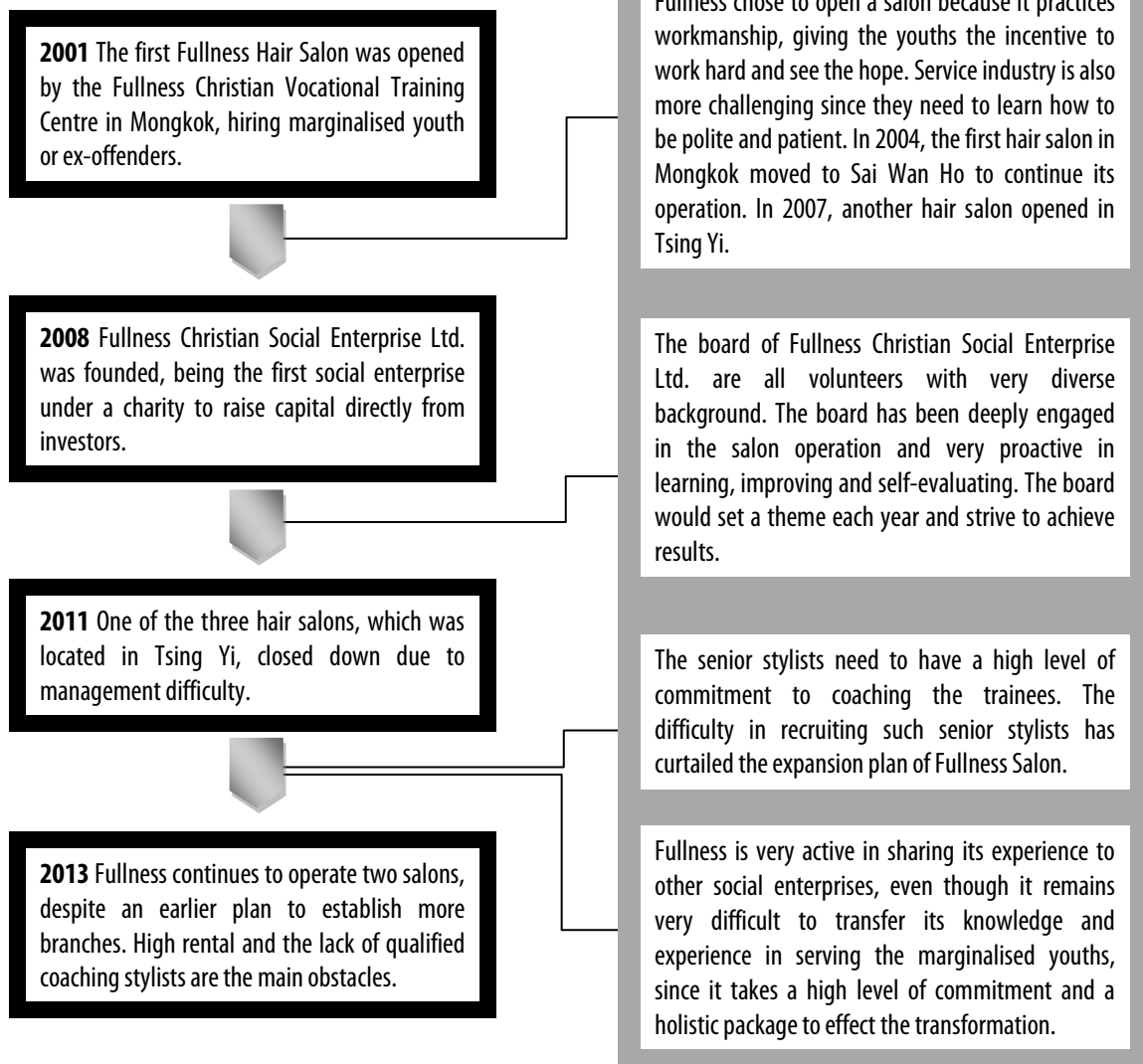
13

YEARS OF OPERATING HISTORY

16

*SHAREHOLDERS WITH VERY
DIVERSE BACKGROUND*

TIMELINE OF DEVELOPMENT



CASE 3: Happy Veggies 樂農

FACTS

Year founded

2009

Sponsoring organisation

Hong Kong Movie Star Sports Association Charities Limited

Brief background

Happy Veggies is a vegetarian restaurant employing the hearing impaired, with 50% of its staff members having hearing disability. Not only does it provide healthy vegetarian food to its customers, it also promotes social inclusion through interactions of its disabled employees and the customers. In Happy Veggies, you can find waiters wearing green and yellow uniforms, which is to differentiate the hearing impaired and the able-bodied employees respectively. The shop managers have paid a lot of attention in managing staff relationships, and as a result the SE has created a family-like culture. The turnover rate of hearing impaired employees is zero percent. Working to debunk a common misconception in restaurant businesses, Happy Veggies has demonstrated that the hearing impaired can also serve at the front line of service with outstanding performance.

The SE has achieved operational excellence and has been self-sustainable in its first year of operation.

VALUE CREATION

Production

Happy Veggies is a WISE. However, the SE does not see hearing impairment as a weakness but instead, they consider it a strength and work hard to help the hearing impaired realise their full potential. The SE enables the hearing impaired people to achieve economic independence and self-confidence. It also creates a supportive social network for its hearing impaired employees.

Consumption

Happy Veggies promotes healthy vegetarian diet through its exquisitely designed menu.

Value appropriation

Happy Veggies' profit goes to the bonus of its employees and also a reserve for service expansion and development.

Creating jobs for the hearing impaired helps improve their financial situation and their family relationships.

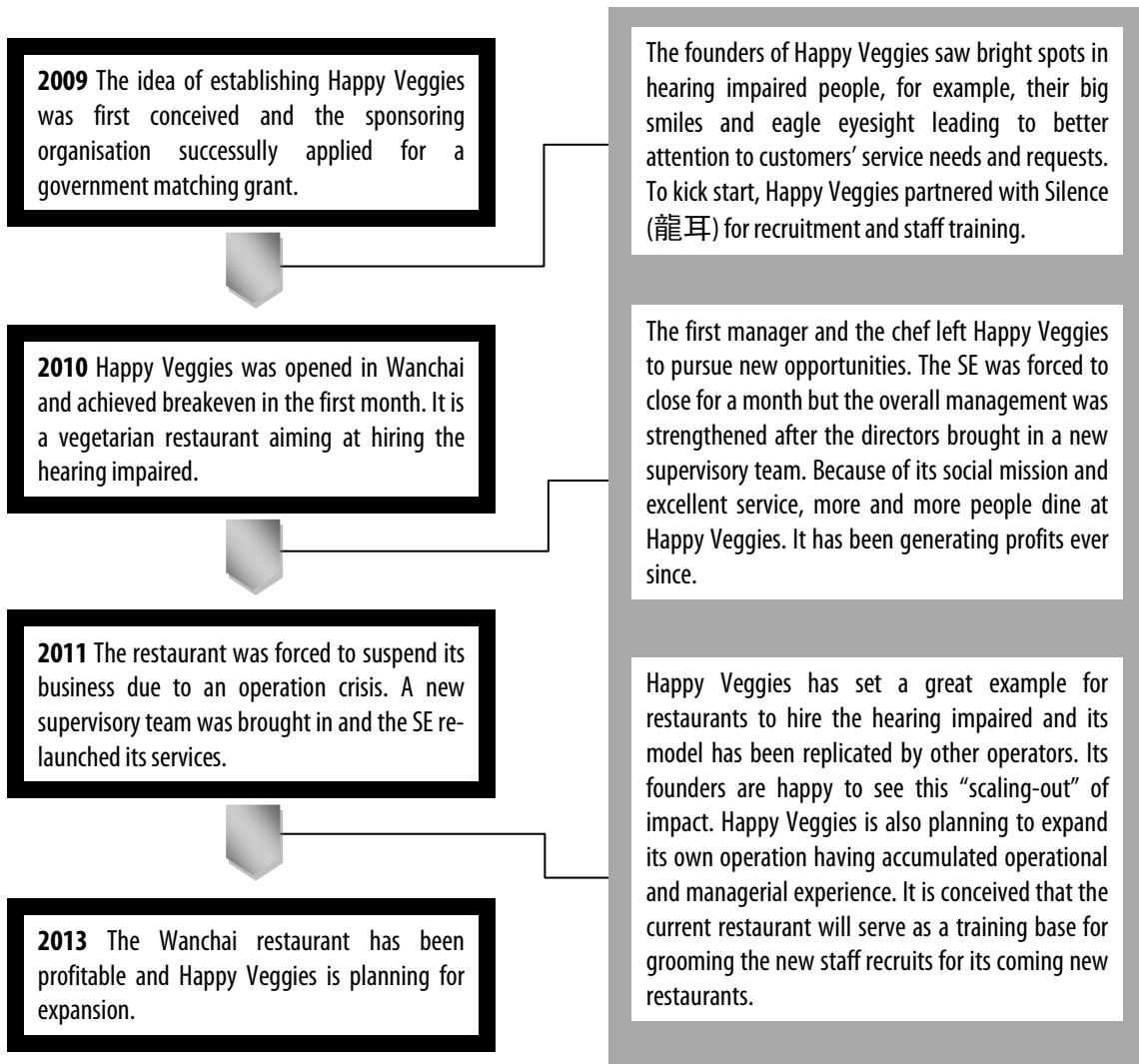
The SE embraces a sharing culture and openly shares its experience with other restaurant operators. It has successfully changed the mindset of other restaurant owners and led them to hire the hearing impaired.

6,000,000 HKD
INCOME GENERATED IN 2012

200,000
ACCUMULATED NUMBER
OF CUSTOMERS

Over 10%
SALARY INCREASE ANNUALLY

TIMELINE OF DEVELOPMENT



CASE 4: Senior Citizen Home Safety Association (SCHSA) 長者安居協會

FACTS

Year founded

1996

Brief background

The Senior Citizen Home Safety Association (SCHSA) has been providing safety as well as other assistance services, including the Personal Emergency Link Service (PE Link), the Mobile Link Service, Safety Phone (with special features tailored for elderly), EasyHome Service etc., to its elderly users. Its history is a testimony on how the SE has managed to address the evolving needs of the elderly population in Hong Kong, from attending to the emergency needs of single elders, to providing emotional support, to developing smartphones and mobile apps in helping elderly people better connect with their family members. Over the years, it has expanded the community of target service users from solitary elders to the wider elderly population and beyond. Along the way, innovative products and services have been developed using appropriate technology. The success of SCHSA is the result of its strong network of community support and its sensitivity to the needs of the elderly. Being a Section 88 charity, SCHSA is committed to offering help to those elderly who cannot afford the PE Link service and it has garnered strong support from donors and volunteers throughout all these years.

VALUE CREATION

Production

SCHSA has developed a one-of-a-kind, highly professionalised team of service professionals addressing the multifaceted needs of the elderly. It also serves as a unique platform allowing different community segments to contribute their resource inputs (technology firms, CSR teams of businesses, volunteers, government) to develop services that otherwise could not be produced by a single sector.

Consumption

The PE Link is a much needed emergency service that SCHSA has been successfully delivering at scale, making it affordable to solitary elders in poverty (with the support of donations and government indirect subsidies).

In recent years, SCHSA draws its attention to developing innovative products to meet the changing needs of the “new generation seniors”, addressing the all-round well-being of the elders.

Value appropriation

SCHSA is a surplus generating but non-profit organisation. All of the profits go back to the organisation for reinvestment into services.

SCHSA is also developing educational projects like the Life Journey Centre to educate the public on appreciation and respect to the elderly, so as to promote a caring culture in our society.

6,902,816

**ACCUMULATED NUMBER OF
CALLS SEEKING FOR CARE OR
SUPPORT SERVICES**

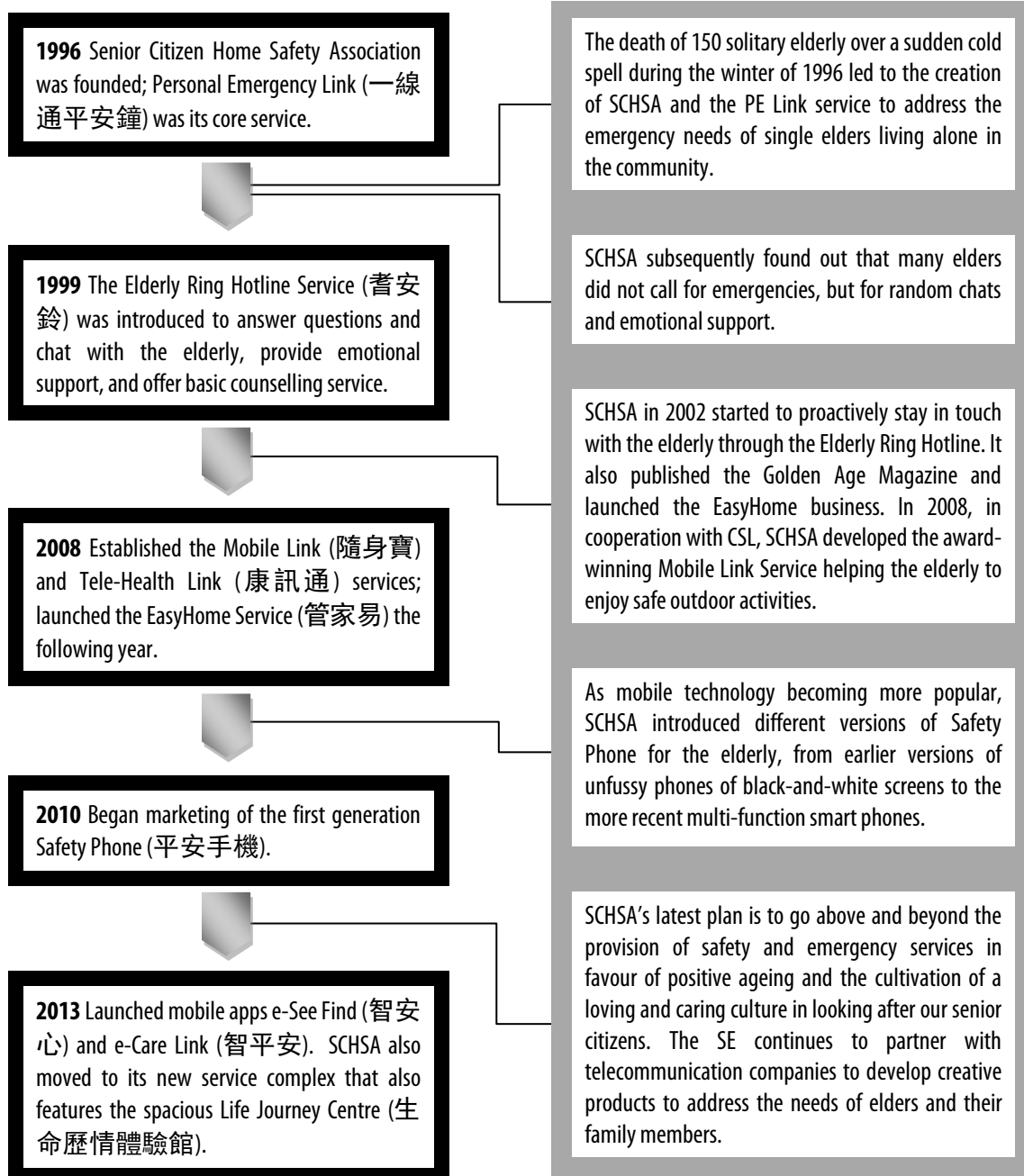
21,708

**ACCUMULATED NUMBER OF PE
LINK CHARITABLE PROGRAMME
BENEFICIARIES**

66,911

**ACCUMULATED VOLUNTEER
SERVICE HOURS**

TIMELINE OF DEVELOPMENT



CASE 5: Diamond Cab 鑽的

FACTS

Year founded

2010

Brief background

Diamond Cab operates wheelchair friendly taxi service, addressing an existing service gap for high quality point-to-point public transportation for wheelchair users.

The social enterprise pooled the initial capital to purchase 5 vehicles from Japan and collaborated with a taxi license holder to launch the special taxi service. It rented out the five cabs to self-employed taxi drivers, who were given special training before the launch of the service. Running a centralised call centre, Diamond Cab receives pre-orders and dispatches the orders to the taxi drivers. High operating cost means that at present only the middle class or above can afford hiring the wheelchair taxis. Yet, the SE works proactively to leverage resources from foundations and the business sector to sponsor low-income wheelchair users to use the taxi service in special occasions.

In 2013, the sixth Diamond Cab was brought in by a social investor who looked for both social and financial returns in investing in the social enterprise. Currently, 97% of the bookings are made by wheelchair users and passengers with over-size luggage.

VALUE CREATION

Consumption

Diamond Cab provides high-quality point-to-point transportation service at a reasonable price for wheelchair users. It provides a means of public transportation for the disabled that is safe and convenient and thus increases their mobility and allows them to have a more active social life.

Value appropriation

Diamond Cab is an active advocate for the creation of a barrier-free environment for wheelchair users. It shares information with and urges relevant government departments to develop more barrier-free passages. It also sets an example for other transportation providers to improve barrier-free devices.

36,000

*ACCUMULATED PERSON-TIMES
OF SERVICES*

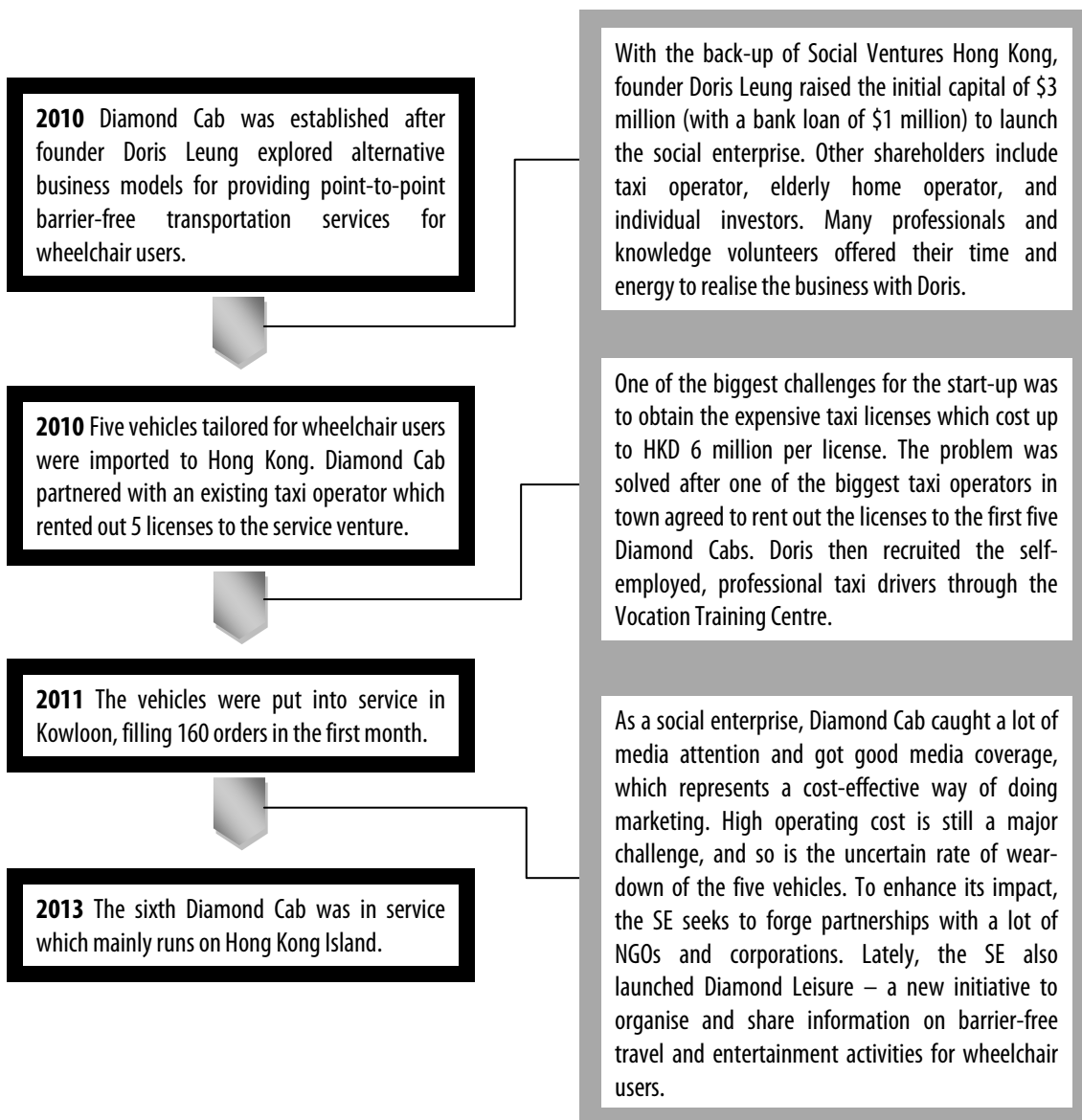
30,000

ORDERS IN 24 MONTHS

80%

*INCOME FROM
WHEELCHAIR USERS*

TIMELINE OF DEVELOPMENT



CASE 6: Light Be (Social Realty)

要有光（社會地產）

FACTS

Year founded

2010

Brief background

Light Be aspires to break new ground in the fight against poverty by way of providing secure and low-cost alternative housing to the needy families. Founder Ricky Yu believes that righting the housing problem of the low income families can help them alleviate stress and allow the poor to find the way to get out of poverty.

Light Be considers that many residential flats are left idle in Hong Kong and there are owners who would be willing to lease their apartments to the needy families if there is a trustworthy agent who could serve as the middleman to do the matching. Light Be proves that this belief is a reality.

At its first stage of development, Light Be focused on helping single-parent families and it identified such families with the help of some NGOs. Under this model, around 2 to 3 families would share one Light Home (normally apartments with 2 to 3 bedrooms). Light Homes serve as transitional housing for these families and the tenancy period is 3 years maximum. During this time period, Light Be will not only manage the tenancy on behalf of the landlords, but it would also offer support to each family, addressing their immediate needs and helping them develop a plan so that they can leave the Light House and become independent in three years' time.

VALUE CREATION

Production

Light Be provides the property owners with guaranteed rental income. Though it is only about half of the market-level rent, the owner can get a financial return rather than just leaving the property idle. It puts the residential units into productive use and in the process generates social returns to the landlords.

Consumption

On the consumption side, the low-income families certainly benefit a lot since the Light Houses would provide them with a much better living condition compared to what they can afford in the market.

The improvement in living condition helps relieve their anxiety and other negative psychological impacts, and allows them to develop a more positive attitude in dealing with their poverty situation. It is also beneficial to the children's growth. What's more, since the Light Houses are shared by 2 to 3 families, mutual support and social capital could be developed amongst the families. Other support services have also been organised by the social enterprise.

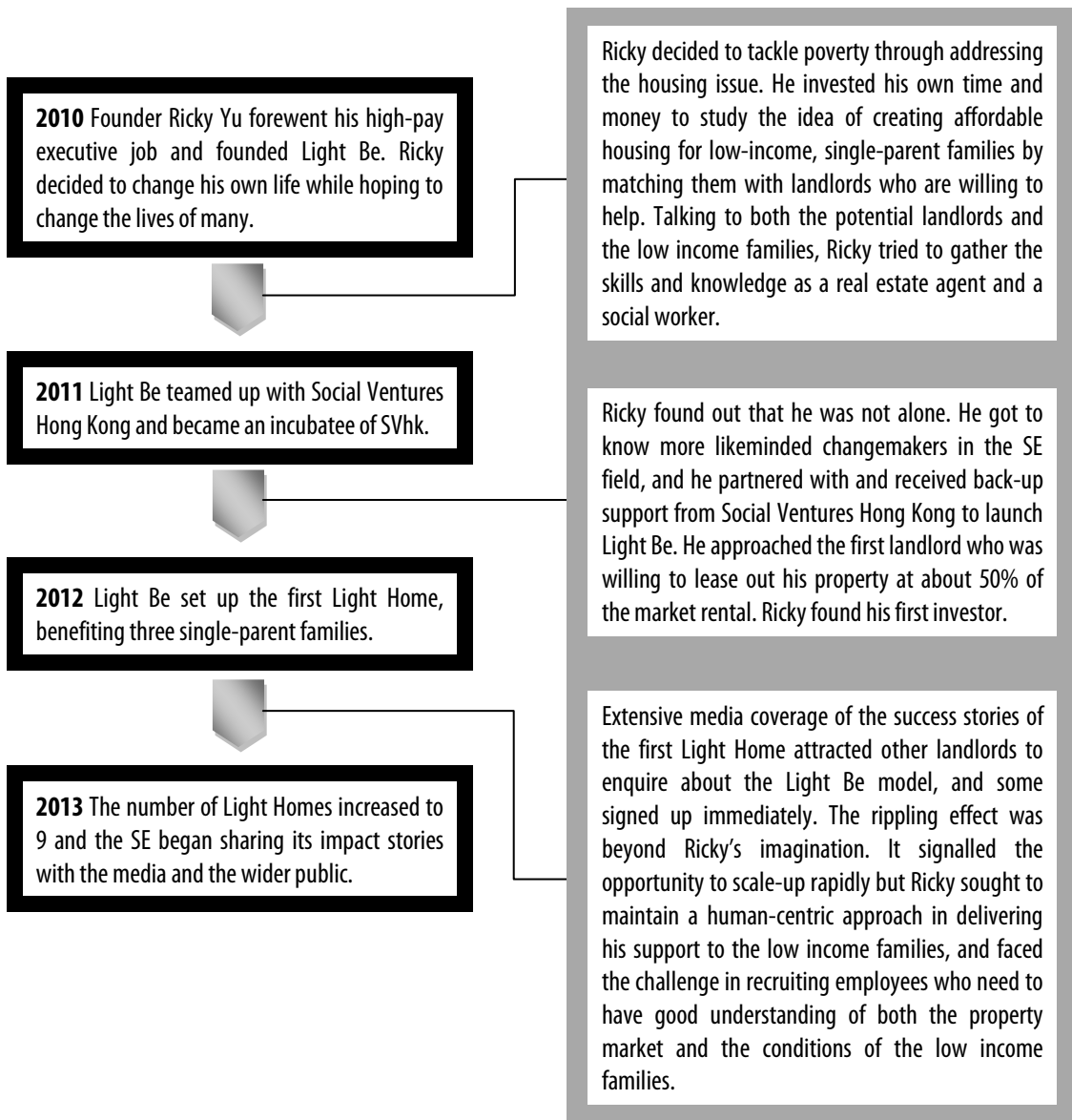
9

LIGHT HOMES IN 2013

21

FAMILIES LIVING AT LIGHT HOMES IN 2013

TIMELINE OF DEVELOPMENT



CASE 7: Dialogue in the Dark (DiD HK)

黑暗中對話

FACTS

Year founded

2008

Brief background

Dialogue in the Dark (DiD HK) is a franchisee of the Dialogue Social Enterprise in Germany. It provides edutainment (a combination of education and entertainment) to its customers. The two co-founders Patrick Cheung and KK Tse travelled to Germany to learn about the model and brought it back to Hong Kong. DiD HK is now one of the most successful social enterprises, attracting a large number of visitors and workshop participants every year.

From the start, the two co-founders envisioned making DiD HK a local demonstration case of an investor-owned social enterprise that is impactful and financially sustainable. It did not seek government grant or donation funding, but instead raised its start-up capital from a network of social investors. As a learning organisation, DiD HK encourages its staff to experiment and to learn from their mistakes, while maintaining open communication channels within the organisation. It practices shared leadership and continues to promote new innovations every year. It has built not only a strong SE brand but also a bottom-up development model that continuously drives organisational innovations.

VALUE CREATION

Production

DiD HK utilises the strengths of the visually impaired people so as to empower them and improve their self-esteem. Lately, it is pondering a new move to go beyond employment integration to supporting the disabled people to develop their own social ventures in merchandizing as well as exploring new opportunities in “non-visual creation”.

Consumption

DiD HK enhances people’s understanding and empathy towards the visually/hearing impaired. It has inspired numerous visitors and workshop participants in appreciating the strengths of the disadvantaged people and changing their long-held misperceptions towards deaf and blindness.

Value appropriation

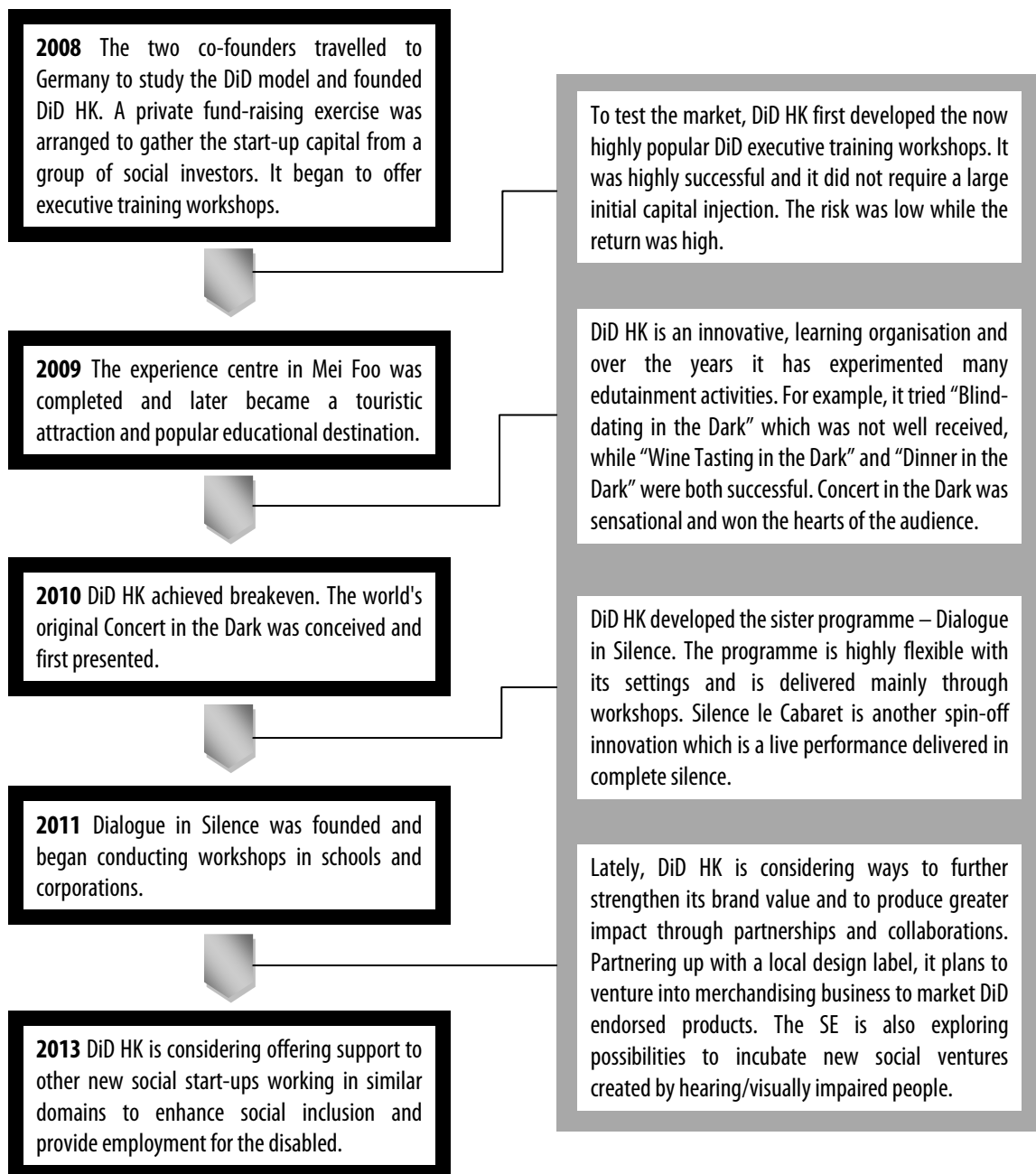
DiD HK pays dividends to its social investors after surplus revenues are set aside for reinvestment into services (DiD HK internal reserve fund for service development) and for doing social good (via the separate charity vehicle DiD Foundation). DiD Foundation would apply the surplus revenue to help disabled people to realise their personal goals. DiD HK also has formed its own corporate volunteer team which serves other disadvantaged groups like the elderly.

16,000,000 HKD
REVENUE IN 2012

170,000
ACCUMULATED VISITS FROM
2010 TO 2013

54
HEARING/VISUAL IMPAIRED
EMPLOYEES

TIMELINE OF DEVELOPMENT



CASE 8: L Plus H Fashion Limited

FACTS

Year founded

2010

Brief background

The corporate slogan of L Plus H Fashion Limited is “With the Community, For the Community”. The name “L plus H” embodies the belief that love and hope can have a positive impact on its employees and customers. The founders of the company adopted the Community Interest Company (CIC) model originating in the UK to set up the company, and it aspires to produce both social and financial returns for its investors.

L Plus H employs middle-aged women who used to work in knitting factories in the past but were laid off when the manufacturing industry moved north to mainland China during the 1980’s. Unable to compete over price, L Plus H targets the high-end knitwear market which has a higher profit margin while at the same time also demands for better quality skills, techniques and craftsmanship.

L Plus H follows the rules of CIC in implementing dividend cap and asset lock: (a) Dividend cap means the SE could only distribute up to 35% of its net revenue as dividends to its shareholders while the rest must be applied for serving community interests; (b) In asset lock, it means corporate assets must be retained by the company (and not to be appropriated by the shareholders), with the exception that the assets being transferred to other CICs or charities under special circumstances.

VALUE CREATION

Production

L Plus H helps the skilled workers who got laid off return to the manufacturing industry and in the process to gain dignity and a sense of self-actualisation. The mix of staff from different age groups (e.g. young designers and middle-aged workers) promotes inter-generational communication and integration. The SE also organises occasional educational talks during lunch time for the factory workers.

Consumption

L Plus H aims to revive the “Made in Hong Kong” brand and to add diversity to Hong Kong’s industry and economic development. The factory puts heavy emphasis over quality and technique. Customers would be invited to join open talks organised in its retail shop in Central and delivered by community figures supporting the mission of the SE. The customers would be able to learn about the stories behind the L Plus H brand.

Value appropriation

L Plus H also actively engages in community services. It distributed free sweaters to the underprivileged through the grassroots NGOs. The We R Family Foundation, set up by shareholders of the SE, supports some 700 children from low-income families to receive private tutoring.

In 2013, L Plus H Creations, a sister social enterprise, engaged underprivileged school students in the production of a musical play, helping the students realise their potential and enhance their self-confidence.

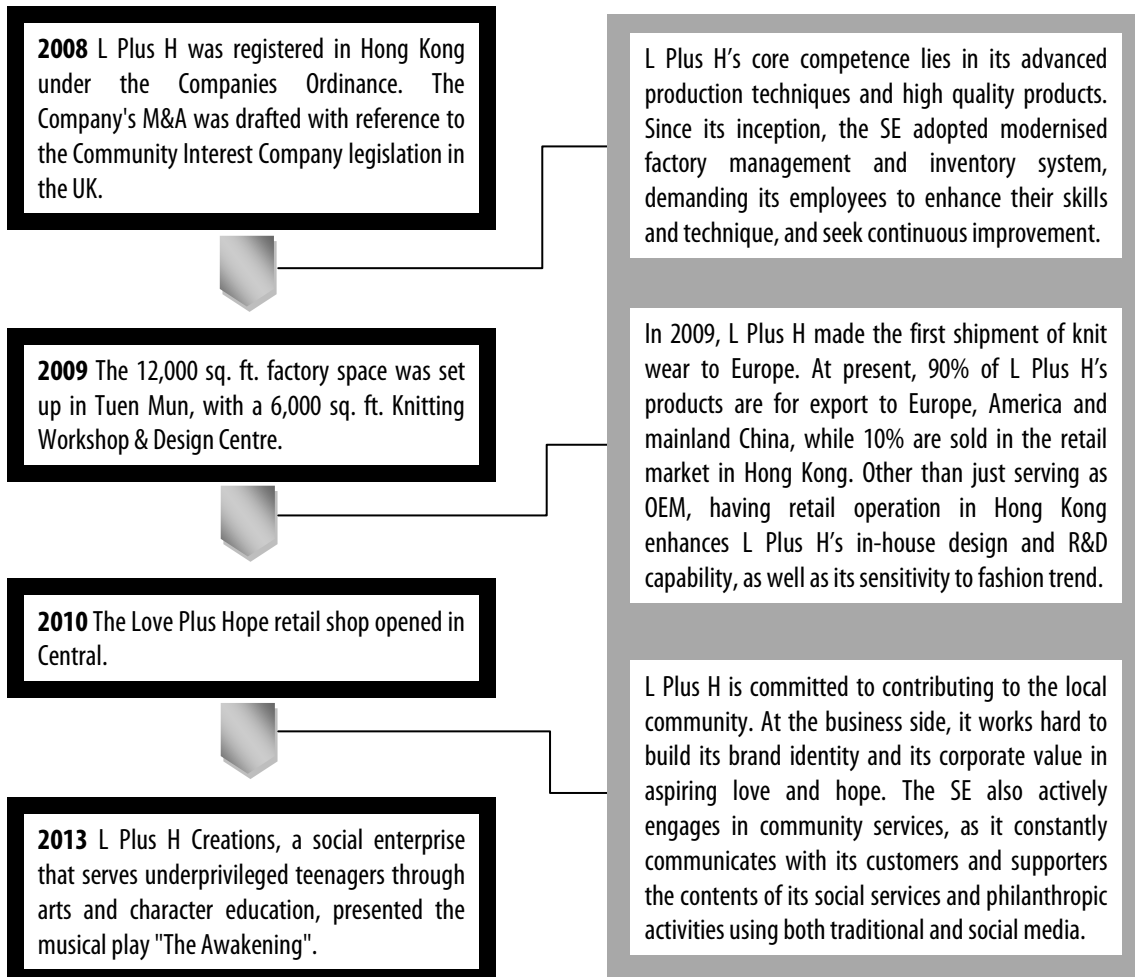
8,000 – 10,000

KNITWEARS PRODUCED PER MONTH

Over 70

EMPLOYEES IN DIFFERENT AGE GROUPS

TIMELINE OF DEVELOPMENT



CASE 9: Ground Works 土作坊

FACTS

Year founded

2007

Sponsoring organisation

St. James' Settlement

Brief background

Groundworks promotes local food production and connects consumers with food producers. The social enterprise sells organic vegetables grown by local farmers and processed food products made by the Wanchai kaifongs (the local residents). It also prepares traditional food for festive seasons using high quality ingredients and following traditional recipes.

Ground Works' processed food products are all hand-made, healthy, environmentally friendly and of very high quality. Its food processing unit is located in Wanchai and it hires the kaifongs living nearby who get paid by money and time currency. Its top sellers are the "three candies and three pastes", namely candies/pastes made by sesame, peanut and cashew nut. Residents and kaifongs can make their purchases using a combination of cash and time currency.

Ground Works is a project of community development and it helps consumers to rediscover their relationships with farmers and food producers, and as well the real tastes of traditional food products.

VALUE CREATION

Production

Ground Works mobilises kaifongs in the local community, especially women who could only work part-time in flexible hours, to earn extra income while at the same time still manage to take care of their families. The opportunity to work means not only empowerment, but also community support and an enriched social life.

The local farmers and other ingredient suppliers benefit from a fair procurement price and healthier farmlands without the use of pesticides and chemical fertilisers.

Distribution

Ground Works introduces the time currency (a kind of Local Exchange Trading System or LETS) to facilitate low income families to participate in alternative economic activities.

Consumption

Customers can enjoy high quality food products and get to know about where their foods come from and how their foods are produced. They need not worry about food safety issues.

Value appropriation

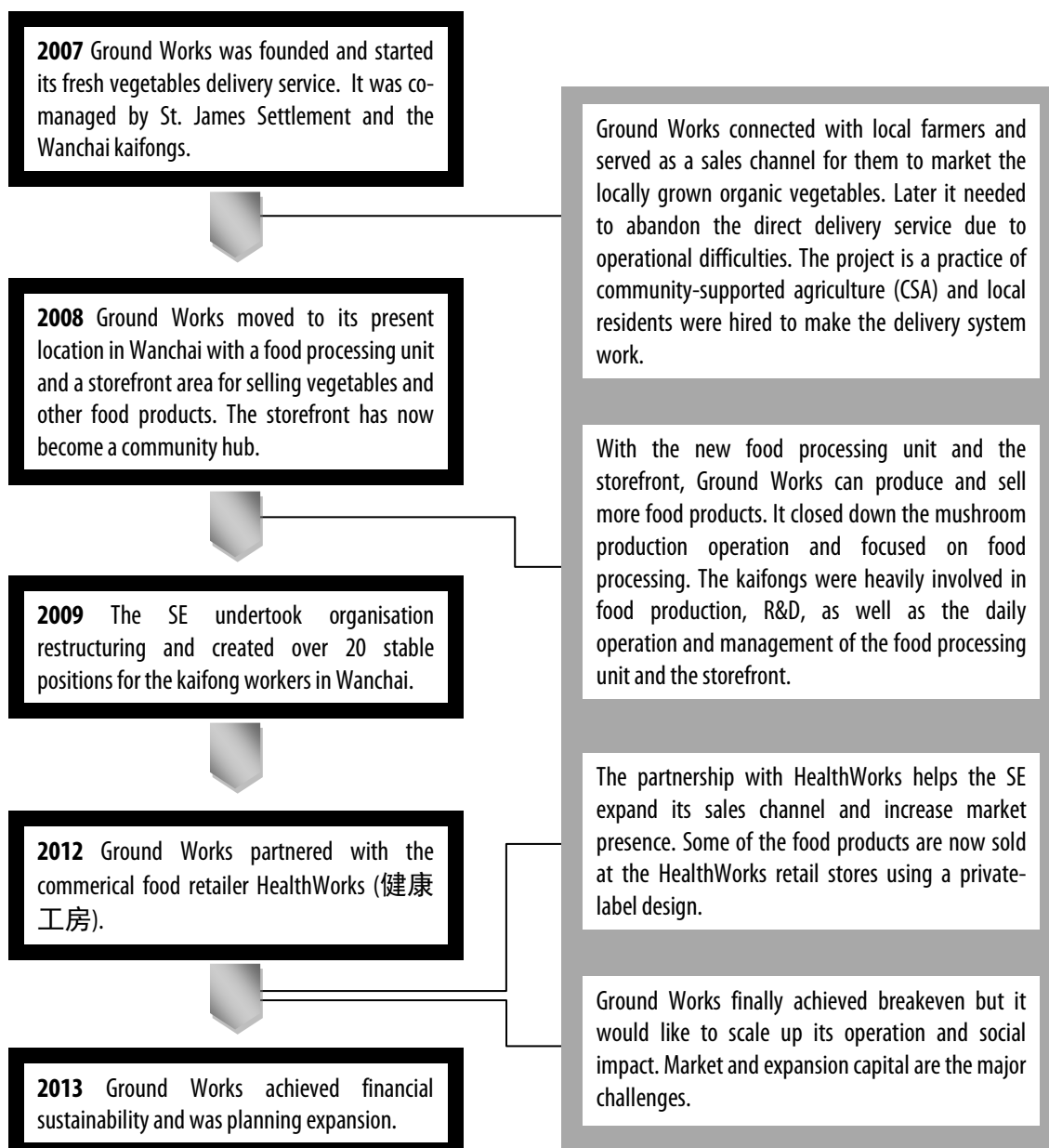
Profit generated is distributed evenly to the kaifong workers and for reinvestment into service. The SE builds a robust community by creating the economic and social occasions for the residents to get together and interact.

1,233,575 HKD
SALES REVENUE OF
2012-2013

8,869
LABOUR HOURS CONTRIBUTED
BY KAIFONGS IN THE
NEIGHBOURHOOD

54
PARTNERED
SHOPS/ORGANISATIONS

TIMELINE OF DEVELOPMENT



CASE 10: NAAC Alternative Human Resources Market

鄰舍輔導會互惠人才市場

FACTS

Year founded

2005

Sponsoring organisation

The Neighbourhood Advice-Action Council (NAAC) Shatin Service Centre

Brief background

The NAAC Alternative Human Resources Market aspires to create family-friendly work opportunities with flexible working hours that could better accommodate the situations of single parents who need to take care of their families and cannot take up the long-shift jobs that are more abundant in the labour market.

In collaboration with 50 organisations, the platform provides matching for 20 types of services including patient escort service, house cleaning service, haircut service, etc. The slogan of the Alternative HR Market is decent jobs, work with dignity, and community sharing (體面工作, 尊嚴勞動, 社群共享).

VALUE CREATION

Production

The Alternative HR Market creates job opportunities which are more flexible for the single mothers. They gain dignity and self-confidence through work integration. Members of different service groups are encouraged to form quasi-cooperatives and the single mothers were given opportunity to develop organisation and people skills.

Consumption

Service users could enjoy affordable personal social care services which could be very expensive in the open market. Since the services are local and community-based, service users also build good relationships with the caregivers.

Value appropriation

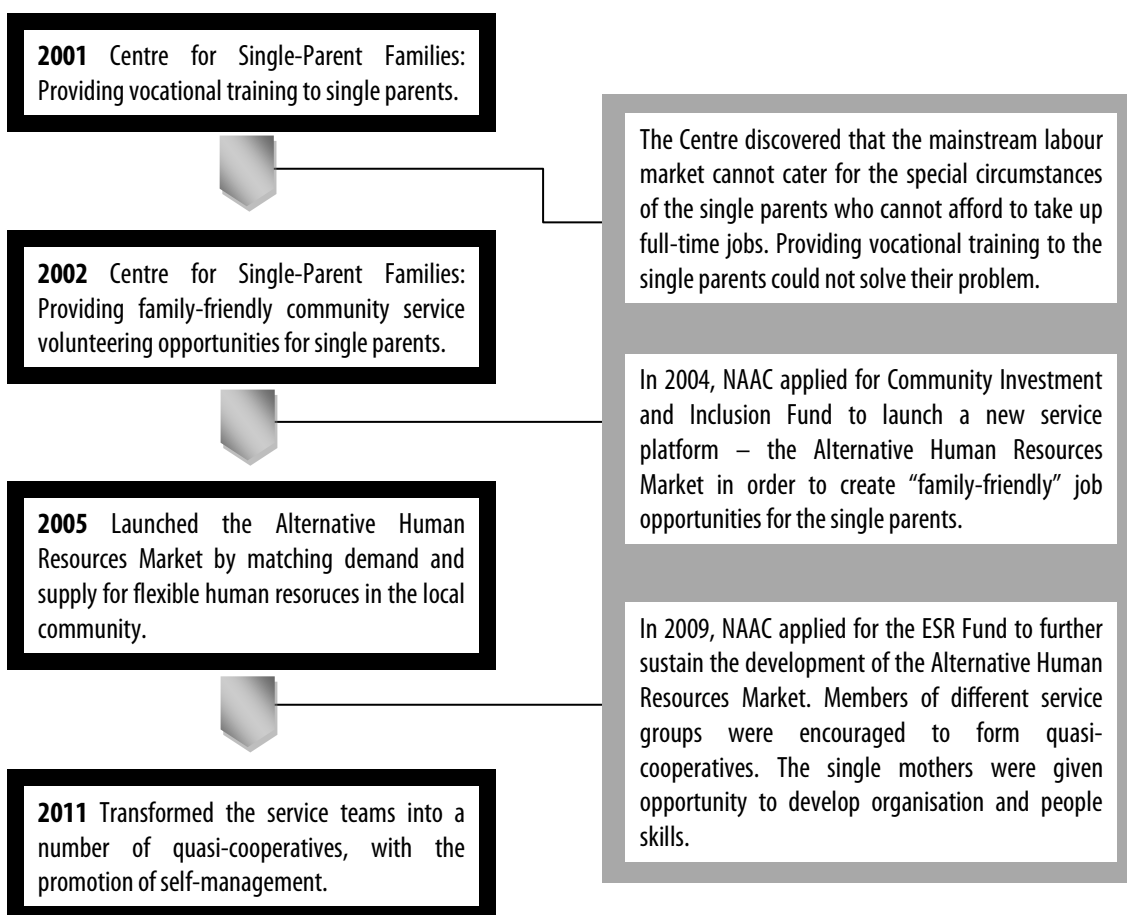
The Alternative HR Market charges a 5% administrative fee in providing the matching service. All surplus revenue goes to members. Working in the local community, the platform also helps strengthen the emotional bonds as well as the community support network for the low income families. The accumulation of social capital is substantial.

240,000 HKD
INCOME GENERATED MONTHLY

1,700
SERVICE USERS MONTHLY

120
SERVICE PROVIDERS MONTHLY

TIMELINE OF DEVELOPMENT



Appendix IV

Summary Findings of Public Opinion Poll

香港中文大學香港亞太研究所
電話調查研究室

香港市民對社會企業意見調查

二零一三年九月九日至十八日

(版權屬香港中文大學創業研究中心，
任何節錄或複印須經該中心授權)

抽樣方法及調查概況

| | | | |
|-------------------------------------|--|--|---------|
| 調查日期 | : 2013年9月9 日至18日（晚上6時15分至10時15分） | | |
| 調查對象 | : 十八歲或以上能操粵語或普通話的香港居民 | | |
| 調查方法 | : 電話隨機抽樣訪問 | | |
| 抽樣方法 | : 先從最新的香港住宅電話簿（中、英文版）中隨機抽出若干電話號碼；為了使未刊載之住宅電話號碼也有機會被選中，將已抽選的電話號碼最後的兩個數字刪去，再配上由電腦產生的隨機數字；當成功接觸住戶後，再以隨機方法（最快下個生日）選取其中一名符合調查資格的家庭成員作為訪問對象。 | | |
| 成功樣本數目 | : 1, 005 | | |
| 調查執行結果 | | | |
| 電話號碼總數 | | | 26, 000 |
| 未能成功接觸: | | | 19, 844 |
| 1無效電話 | 11, 751 | | |
| 2確定為非住宅 | 764 | | |
| 3傳真或密碼 | 2, 437 | | |
| 4線路繁忙 | 399 | | |
| 5沒有人接聽 | 4, 493 | | |
| 成功接觸: | | | 6, 156 |
| 6沒有合適受訪者 | 537 | | |
| 7其他問題（包括一接聽即掛線但未確定為住宅及未經抽樣） | 3, 350 | | |
| 8受其他家庭成員拒絕（已確定為住宅但未確定有合適受訪者居住及未經抽樣） | 887 | | |
| 9受合適受訪者拒絕（已經抽樣） | 321 | | |
| 10預約合適受訪者但最後未能接上（已經抽樣） | 56 | | |
| 11成功訪問 | 1, 005 | | |
| 成功回應率（包括受其他家庭成員拒絕） | 44. 3% [1, 005 / (1, 005 + 56 + 321 + 887)] | | |
| 抽樣誤差 | : 以 1, 005 這個成功樣本數對母體進行推論，假設受推論的變項為二項分配時，其樣本標準差為0. 0158；若將可信度（confidence level）設於 95%，推論百分比變項時最大可能樣本誤差為 ± 3. 09% 以內。 | | |

調查結果（頻數及百分比分佈）

Q1「喺呢個調查之前，你有冇聽過『社會企業』或『社企』呢個名稱呢？」

| | 頻數 | 百分比 | 有效百分比 |
|---------|------|-------|-------|
| 1. 有聽過 | 789 | 78.5 | 78.5 |
| 2. 沒有聽過 | 216 | 21.5 | 21.5 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q2「請問你係透過咩渠道認識『社企』呢？」【讀出1-6】（可選多項）

| | 頻數 | 以有效樣本數 為基數之百分比 |
|-----------------------------|------|-------------------|
| 1. 廣播媒體 | 578 | 73.3 |
| 2. 印刷媒體 | 312 | 39.6 |
| 3. 互聯網或手機 | 149 | 19.0 |
| 4. 戶外媒體 | 58 | 7.3 |
| 5. 親友介紹 / 子女曾參加有關活動得知 | 67 | 8.4 |
| 11. 其他：路過見到 / 屋企附近有 / 公司樓下 | 10 | 1.2 |
| 12. 其他：曾購買其產品或服務 | 5 | 0.6 |
| 13. 其他：工作關係認識 | 17 | 2.1 |
| 14. 其他：區議員 / 區議員辦事處 | 2 | 0.3 |
| 15. 其他：學校 / 通識課程 | 15 | 1.9 |
| 16. 其他：聽講座 | 3 | 0.4 |
| 17. 其他：社區中心 / 志願機構 / 基督教信義會 | 5 | 0.6 |
| 18. 其他：行工展會認識的 | 1 | 0.1 |
| 19. 其他：大廈活動由社企提供食物 | 1 | 0.1 |
| 20. 其他：去該店時店員講 | 1 | 0.1 |
| 21. 其他：住屋邨就會知 | 1 | 0.1 |
| 22. 其他：小冊子 / 書 | 1 | 0.1 |
| 88. 不知道 / 很難說 / 忘記 | 13 | 1.6 |
| 總計 | 1238 | 156.9 |

有效樣本 789 缺值樣本 216

註：由於答案多於一項，總計百分比

超過100%。

[表中的百分比依以有效樣本數（即789人）為基數計出]

Q3「請問你有冇聽過『銀杏館』、『豐盛髮廊』、『黑暗中對話』、『卓思廊』同埋『鑽的』呢啲機構呢？」

| | 頻數 | 百分比 | 有效百分比 |
|---------|------|-------|-------|
| 1. 有聽過 | 318 | 31.7 | 31.7 |
| 2. 沒有聽過 | 687 | 68.3 | 68.3 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q4「請問你係透過咩渠道認識佢哋呢？」【讀出1-5】（可選多項）
【只計聽過以上機構的受訪者】

| | 頻數 | 以有效樣本數 為基數之百分比 |
|--------------------------|-----|-------------------|
| 1. 廣播媒體 | 218 | 68.5 |
| 2. 印刷媒體 | 133 | 41.8 |
| 3. 互聯網或手機 | 85 | 26.8 |
| 4. 戶外媒體 | 34 | 10.7 |
| 5. 親友介紹 / 子女曾參加有關活動得知 | 38 | 12.0 |
| 11. 其他：路過見到/屋企附近有 / 公司樓下 | 6 | 1.8 |
| 12. 其他：曾購買其產品或服務 | 4 | 1.3 |
| 13. 其他：工作關係認識 | 14 | 4.5 |
| 15. 其他：學校 / 通識課程 | 12 | 3.7 |
| 16. 其他：聽講座 | 1 | 0.4 |
| 17. 其他：社區中心/志願機構/基督教信義會 | 1 | 0.4 |
| 20. 其他：去該店時店員講 | 1 | 0.3 |
| 22. 其他：小冊子 / 書 | 1 | 0.3 |
| 88. 不知道 / 很難說 | 4 | 1.4 |
| 總計 | 553 | 173.8 |

有效樣本 318 缺值樣本 687 註：由於答案多於一項，總計百分比超過100%。

[表中的百分比依以有效樣本數（即318人）為基數計出]

Q4R「請問你係透過咩渠道認識佢哋呢？」【讀出1-5】（可選多項）
【只計沒有聽過「社企」但有聽過以上機構的受訪者】

| | 頻數 | 以有效樣本數 為基數之百分比 |
|--------------------------|----|-------------------|
| 1. 廣播媒體 | 4 | 25.9 |
| 2. 印刷媒體 | 5 | 32.5 |
| 3. 互聯網或手機 | 5 | 33.5 |
| 4. 戶外媒體 | 2 | 15.9 |
| 5. 親友介紹 / 子女曾參加有關活動得知 | 4 | 27.3 |
| 11. 其他：路過見到/屋企附近有 / 公司樓下 | 2 | 15.2 |
| 12. 其他：曾購買其產品或服務 | 1 | 8.3 |
| 總計 | 24 | 158.4 |

有效樣本 15 缺值樣本 990 註：由於答案多於一項，總計百分比超過100%。

[表中的百分比依以有效樣本數（即15人）為基數計出]

Q5a「『社企』係非政府社會服務組織所經營嘅商業項目，請問你同唔同意呢啲講法呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------|------|-------|-------|
| 1. 同意 | 585 | 58.2 | 74.2 |
| 2. 不同意 | 117 | 11.6 | 14.8 |
| 8. 不知道 | 87 | 8.7 | 11.1 |
| 0. 不適用 | 216 | 21.5 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 789 缺值樣本 216

Q5b 「『社企』係利用創新嘅商業模式去提供社會服務，請問你同唔同意呢啲講法呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------|------|-------|-------|
| 1. 同意 | 478 | 47.5 | 60.6 |
| 2. 不同意 | 207 | 20.6 | 26.3 |
| 8. 不知道 | 104 | 10.3 | 13.2 |
| 0. 不適用 | 216 | 21.5 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 789 缺值樣本 216

Q5c 「『社企』係賺取利潤並同時追求公益目標嘅企業，請問你同唔同意呢啲講法呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------|------|-------|-------|
| 1. 同意 | 543 | 54.0 | 68.8 |
| 2. 不同意 | 163 | 16.3 | 20.7 |
| 8. 不知道 | 82 | 8.2 | 10.4 |
| 0. 不適用 | 216 | 21.5 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 789 缺值樣本 216

Q5d 「『社企』要為弱勢社群創造就業機會，請問你同唔同意呢啲講法呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------|------|-------|-------|
| 1. 同意 | 669 | 66.6 | 84.9 |
| 2. 不同意 | 78 | 7.8 | 9.9 |
| 8. 不知道 | 41 | 4.1 | 5.2 |
| 0. 不適用 | 216 | 21.5 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 789 缺值樣本 216

Q6「你認唔認同『社企』呢種兼顧賺錢，同時追求公益目標嘅經營模式呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 1. 非常認同 | 141 | 14.0 | 14.0 |
| 2. 認同 | 628 | 62.5 | 62.5 |
| 3. 不認同 | 129 | 12.8 | 12.8 |
| 4. 非常不認同 | 11 | 1.0 | 1.0 |
| 8. 不知道 / 很難說 | 96 | 9.6 | 9.6 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q7「你認為呢種要兼顧賺錢，同時追求公益目標嘅模式可唔可行呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 1. 非常可行 | 62 | 6.1 | 6.1 |
| 2. 可行 | 667 | 66.3 | 66.3 |
| 3. 不可行 | 146 | 14.6 | 14.6 |
| 4. 非常不可行 | 23 | 2.3 | 2.3 |
| 8. 不知道 / 很難說 | 107 | 10.7 | 10.7 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q8a「你喺過去半年有幾經常購買『社企』嘅產品或者服務呢？係經常、間中、好少，定係完全冇呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 1. 經常 | 20 | 2.0 | 2.0 |
| 2. 間中 | 160 | 15.9 | 15.9 |
| 3. 好少 | 219 | 21.8 | 21.8 |
| 4. 完全冇 | 545 | 54.3 | 54.3 |
| 8. 不知道 / 很難說 | 60 | 6.0 | 6.0 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q8b「你喺未來半年會唔會光顧『社企』呢？係一定會、可能會，定係唔會呢？」

| | 頻數 | 百分比 | 有效百分比 |
|---------------|------|-------|-------|
| 1. 一定會【續問Q9】 | 72 | 7.2 | 7.2 |
| 2. 可能會【續問Q9】 | 626 | 62.3 | 62.3 |
| 3. 不會【跳問Q13】 | 192 | 19.1 | 19.1 |
| 8. 不知道【跳問Q13】 | 114 | 11.4 | 11.4 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

Q9「你會考慮購買『社企』嘅產品同服務嘅原因係咩呢？」【讀出1-7】（可選多項）

| | 頻數 | 以有效樣本數 為基數之百分比 |
|----------------------------------|------|-------------------|
| 1. 希望自己的消費能夠回饋社會 | 407 | 58.2 |
| 2. 認同社會企業的營運模式或者社會目標 | 341 | 48.7 |
| 3. 對社企品牌有信心 | 125 | 17.9 |
| 4. 社企的產品或者服務的質素不差 | 208 | 29.8 |
| 5. 社企的產品或者服務的價錢不貴 | 209 | 29.9 |
| 6. 社企的位置夠方便 | 105 | 15.1 |
| 7. 社企的產品/服務的銷售渠道夠多 | 86 | 12.2 |
| 11. 其他：幫助到弱勢社群/能夠提供老人家服務 | 5 | 0.7 |
| 12. 其他：產品或服務適合自己 | 11 | 1.6 |
| 13. 其他：好奇心去知道何謂社企 | 3 | 0.4 |
| 14. 其他：社企的產品特別，在其他商品比較難搵 / 產品種類多 | 2 | 0.2 |
| 15. 其他：社會上每個人都會購買/有需要就買 | 5 | 0.7 |
| 16. 其他：希望社企能做得更好 | 1 | 0.1 |
| 17. 其他：社企形象比較正面 | 1 | 0.1 |
| 88. 不知道 / 很難說 | 24 | 3.5 |
| 總計 | 1532 | 219.2 |

有效樣本 699 缺值樣本 306

超過100%。

註：由於答案多於一項，總計百分比

[表中的百分比依以有效樣本數（即699人）為基數計出]

Q10「如果『社企』嘅產品或者服務比同類貴，你願唔願俾多啲錢去購買呢？」

| | 頻數 | 百分比 | 有效百分比 |
|---------------------|------|-------|-------|
| 1. 願意【續問Q11】 | 419 | 41.7 | 60.0 |
| 2. 不願意【跳問Q14】 | 183 | 18.2 | 26.2 |
| 8. 不知道 / 很難說【跳問Q14】 | 97 | 9.6 | 13.8 |
| 0. 不適用 | 306 | 30.5 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 699 缺值樣本 306

Q11「如果要俾多啲錢去購買『社企』嘅服務/產品，你願意俾多幾多錢呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 1. 最多5% | 103 | 10.3 | 24.7 |
| 2. 最多10% | 223 | 22.2 | 53.2 |
| 3. 最多15% | 33 | 3.3 | 7.9 |
| 4. 最多20% | 36 | 3.5 | 8.5 |
| 5. 多過20% | 17 | 1.7 | 4.0 |
| 8. 不知道 / 很難說 | 7 | 0.7 | 1.8 |
| 0. 不適用 | 586 | 58.3 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 419 缺值樣本 586

Q12「你認為下面嘅銷售渠道方唔方便你購買『社企』產品呢？」【讀出1-6】
(可選多項) 【此題完成後跳往Q14】

| | 頻數 | 以有效樣本數 為基數之百分比 |
|--------------------|-----|-------------------|
| 1. 屋村或屋苑商場 | 223 | 53.2 |
| 2. 一般便利店及超市 | 258 | 61.5 |
| 3. 直銷或網購 | 106 | 25.2 |
| 4. 喺各區設立社企墟市 | 135 | 32.1 |
| 5. 喺各區開設社企商品專門店 | 178 | 42.5 |
| 11. 其他：流動車 | 1 | 0.3 |
| 12. 其他：在地鐵站設outlet | 1 | 0.2 |
| 88. 不知道 / 很難說 | 3 | 0.8 |
| 總計 | 905 | 215.9 |

有效樣本 419 缺值樣本 586 註：由於答案多於一項，總計百分比超過100%。

[表中的百分比依以有效樣本數（即419人）為基數計出]

Q13「點解你唔會購買『社企』嘅產品或者服務呢？」【讀出1-8】（可選多項）
【此題只供在Q8b回答「不會」及「不知道」的受訪市民作答）】

| | 頻數 | 以有效樣本數 為基數之百分比 |
|---------------------------|-----|-------------------|
| 1. 不肯定社企點樣能夠幫到社會 | 51 | 16.6 |
| 2. 不認同社會企業的營運模式或社會目標 | 24 | 7.9 |
| 3. 對社企品牌沒信心 | 40 | 13.2 |
| 4. 社企的產品 / 服務質素比較差 | 11 | 3.6 |
| 5. 社企的產品 / 服務比較貴 | 24 | 7.9 |
| 6. 社企提供的產品 / 服務種類太少 | 16 | 5.1 |
| 7. 不清楚社企的產品 / 服務的銷售渠道 | 134 | 43.6 |
| 8. 社企店舖太少 | 45 | 14.7 |
| 11. 其他：不認識社企 / 宣傳不足 | 16 | 5.3 |
| 12. 其他：屋企附近無社企店舖 | 7 | 2.3 |
| 13. 其他：自己冇錢 / 經濟狀況不好 / 待業 | 11 | 3.6 |
| 14. 其他：不需要社企所提供的產品 / 服務 | 8 | 2.7 |
| 15. 其他：其他店舖都可以買到 | 1 | 0.2 |
| 16. 其他：好少買東西 | 2 | 0.8 |
| 77. 其他：將離開香港 | 2 | 0.5 |
| 88. 不知道 / 很難說 | 44 | 14.3 |
| 總計 | 436 | 142.3 |

有效樣本 306

缺值樣本 699

註：由於答案多於一項，總計百分比

超過100%。

[表中的百分比依以有效樣本數（即306人）為基數計出]

Q14「若然有社會企業喺你所住嘅社區推出新嘅服務，你會對以下邊啲類型嘅產品或服務感興趣？」【讀出1-7】（可選多項）

| | 頻數 | 以有效樣本數 為基數之百分比 |
|---------------------------|------|-------------------|
| 1. 售賣有機食品或本地農產品 | 537 | 53.6 |
| 2. 二手或環保家品店 | 327 | 32.7 |
| 3. 日間托兒服務 | 181 | 18.1 |
| 4. 由長者提供服務的食肆 | 419 | 41.8 |
| 5. 婦女手工藝 | 227 | 22.7 |
| 6. 家居清潔及維修服務 | 372 | 37.1 |
| 7. 推動本土文化的興趣班或導賞團 | 347 | 34.7 |
| 11. 其他：健康食品 | 1 | 0.1 |
| 12. 其他：文化服務興趣班 | 1 | 0.1 |
| 13. 其他：二手書店 / 二手教科書 | 2 | 0.2 |
| 14. 其他：日常用品 | 2 | 0.2 |
| 15. 其他：醃製醬油產品 | 1 | 0.1 |
| 16. 其他：單車維修 | 1 | 0.1 |
| 17. 其他：電腦產品 | 1 | 0.1 |
| 18. 其他：運動類型的商品 | 1 | 0.1 |
| 19. 其他：洗衣服務 | 1 | 0.1 |
| 20. 其他：由年青人辦的咖啡店 | 1 | 0.1 |
| 21. 其他：婦女經營的食肆 | 1 | 0.1 |
| 22. 其他：老人服務 | 2 | 0.2 |
| 23. 其他：遊戲機 | 1 | 0.0 |
| 24. 其他：由青少年（尤其是失業青年）創作的產品 | 1 | 0.1 |
| 25. 其他：生果 | 1 | 0.1 |
| 26. 其他：產品服務最緊要夠平 | 3 | 0.3 |
| 66. 其他：全部都不感興趣 | 19 | 1.9 |
| 88. 不知道 / 很難說 | 92 | 9.2 |
| 總計 | 2540 | 253.7 |

有效樣本 1001

缺值樣本 4

註：由於答案多於一項，總計百分比

超過100%。

[表中的百分比依以有效樣本數（即1,001人）為基數計出]

受訪者個人背景資料

SEX 受訪者性別

| | 頻數 | 百分比 | 有效百分比 |
|------|------|-------|-------|
| 1. 男 | 455 | 45.3 | 45.3 |
| 3. 女 | 550 | 54.7 | 54.7 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1005 缺值樣本 0

AGE 「請問你今年幾多歲呢？」

| | 頻數 | 百分比 | 有效百分比 |
|-----------|------|-------|-------|
| 1. 18-19歲 | 27 | 2.7 | 2.7 |
| 2. 20-29歲 | 174 | 17.3 | 17.5 |
| 3. 30-39歲 | 165 | 16.4 | 16.6 |
| 4. 40-49歲 | 193 | 19.2 | 19.3 |
| 5. 50-59歲 | 199 | 19.8 | 19.9 |
| 6. 60-69歲 | 119 | 11.9 | 12.0 |
| 7. 70歲或以上 | 118 | 11.8 | 11.9 |
| 9. 拒絕回答 | 9 | 0.9 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 996 缺值樣本 9

EDU 「請問你嘅教育程度去到邊呢？」

| | 頻數 | 百分比 | 有效百分比 |
|-----------------|------|-------|-------|
| 1. 無正式教育 | 27 | 2.7 | 2.7 |
| 2. 小學 | 117 | 11.6 | 11.7 |
| 3. 初中 | 158 | 15.7 | 15.8 |
| 4. 高中 / 預科 | 262 | 26.1 | 26.2 |
| 5. 專上：非學位課程 | 116 | 11.6 | 11.6 |
| 6. 專上：學士或以上學位課程 | 321 | 31.9 | 32.1 |
| 9. 拒絕回答 | 4 | 0.4 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1001 缺值樣本 4

WORK 「請問你而家有無做嘢呢？」 (包括全職及兼職)

| | 頻數 | 百分比 | 有效百分比 |
|-----------------------|------|-------|-------|
| 1. 有工作 | 544 | 54.1 | 54.3 |
| 2. 無工作：失業、待業【跳問HOUSE】 | 42 | 4.1 | 4.2 |
| 3. 無工作：學生【跳問HOUSE】 | 74 | 7.4 | 7.4 |
| 4. 無工作：主理家務【跳問HOUSE】 | 139 | 13.8 | 13.9 |
| 5. 無工作：退休【跳問HOUSE】 | 198 | 19.7 | 19.8 |
| 6. 其他（請註明）【跳問HOUSE】 | 5 | 0.5 | 0.5 |
| 9. 拒絕回答 | 3 | 0.3 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 1002 缺值樣本 3

OCCUP 「請問你嘅職業係乜嘢？」【此題只問有工作的受訪者】

| | 頻數 | 百分比 | 有效百分比 |
|-----------------|------|-------|-------|
| 1. 經理及行政人員 | 67 | 6.6 | 12.4 |
| 2. 專業人員 | 65 | 6.4 | 12.1 |
| 3. 輔助專業人員 | 88 | 8.7 | 16.3 |
| 4. 文員 | 109 | 10.9 | 20.4 |
| 5. 服務工作及商店銷售人員 | 95 | 9.5 | 17.7 |
| 6. 漁農業工人 | 1 | 0.1 | 0.2 |
| 7. 工藝及有關人員 | 44 | 4.4 | 8.3 |
| 8. 機台及機械操作員及裝配員 | 24 | 2.4 | 4.5 |
| 9. 非技術工人 | 43 | 4.2 | 8.0 |
| 99. 拒絕回答 | 9 | 0.9 | 缺值 |
| 0. 不適用 | 461 | 45.9 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 536 缺值樣本 469

HOUSE 「請問你依家住緊嘅單位係買嘅定係租嘅呢？係公營嘅、定係私人房屋呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 1. 租住公營房屋 | 313 | 31.1 | 31.5 |
| 2. 租住私人房屋 | 116 | 11.5 | 11.7 |
| 3. 自置公營房屋 | 159 | 15.8 | 16.0 |
| 4. 自置私人房屋 | 398 | 39.6 | 40.1 |
| 5. 其他，例如員工宿舍 | 5 | 0.5 | 0.5 |
| 8. 不知道 / 不清楚 | 2 | 0.2 | 0.2 |
| 9. 拒絕回答 | 12 | 1.2 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 993 缺值樣本 12

INCOME 「請問你全家每個月嘅收入大約有幾多呢？」

| | 頻數 | 百分比 | 有效百分比 |
|------------------------|------|-------|-------|
| 0. 沒有收入 | 40 | 4.0 | 4.2 |
| 1. 少於\$5,000 | 30 | 2.9 | 3.1 |
| 2. \$5,000至少於\$10,000 | 80 | 8.0 | 8.5 |
| 3. \$10,000至少於\$20,000 | 188 | 18.7 | 20.0 |
| 4. \$20,000至少於\$30,000 | 172 | 17.1 | 18.3 |
| 5. \$30,000至少於\$40,000 | 136 | 13.5 | 14.4 |
| 6. \$40,000至少於\$50,000 | 77 | 7.7 | 8.2 |
| 7. \$50,000至少於\$60,000 | 47 | 4.7 | 5.0 |
| 8. \$60,000至少於\$70,000 | 15 | 1.5 | 1.6 |
| 9. \$70,000 或以上 | 98 | 9.7 | 10.4 |
| 77. 不定 | 8 | 0.8 | 0.8 |
| 88. 不知道 | 50 | 5.0 | 5.3 |
| 99. 拒絕回答 | 64 | 6.4 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 941 缺值樣本 64

REL 「請問你有冇宗教信仰呢？如有，咁係乜嘢宗教呢？」

| | 頻數 | 百分比 | 有效百分比 |
|--------------|------|-------|-------|
| 0. 無宗教信仰 | 655 | 65.2 | 65.6 |
| 1. 拜神 / 拜祖先 | 50 | 4.9 | 5.0 |
| 2. 天主教 | 48 | 4.7 | 4.8 |
| 3. 基督教 | 162 | 16.1 | 16.2 |
| 4. 佛教 | 79 | 7.9 | 7.9 |
| 5. 回教 / 伊斯蘭教 | 1 | 0.1 | 0.1 |
| 6. 道教 | 4 | 0.4 | 0.4 |
| 99. 拒絕回答 | 7 | 0.7 | 缺值 |
| 總計 | 1005 | 100.0 | 100.0 |

有效樣本 998 缺值樣本 7

附錄一：有關調查資料加權的說明

為了調查資料更能反映香港人口分佈的真實情況，資料進行分析時都配以加權（weighting）處理。加權因子主要按香港政府統計處公布的2013年年18歲或以上性別及年齡分佈為基礎，將調查中所得的有關分佈與人口統計的分佈作比例性調整，以便使調查的性別及年齡分佈接近2013年年人口的分佈。有關資料表列如下：

| 年齡組 | 電話調查 (%) | | 2013年年人口分佈 (%) | | 加權因子 | |
|-------|-----------|------------|----------------|------------|------------|------------|
| | 男 (A) | 女 (B) | 男 (C) | 女 (D) | 男 (C÷A) | 女 (D÷B) |
| 18-19 | 3.0120482 | 3.2128514 | 1.4049774 | 1.3287258 | 0.4664525 | 0.4135659 |
| 20-29 | 6.9277108 | 6.0240964 | 7.9382848 | 9.5606606 | 1.1458742 | 1.5870697 |
| 30-39 | 7.3293173 | 7.9317269 | 6.7507057 | 9.8461988 | 0.9210552 | 1.2413689 |
| 40-49 | 8.0321285 | 11.8473896 | 8.3292774 | 11.0159317 | 1.0369950 | 0.9298193 |
| 50-59 | 8.5341365 | 13.5542169 | 9.7034297 | 10.2453032 | 1.1370137 | 0.7558757 |
| 60-69 | 7.2289157 | 8.0321285 | 5.9995457 | 5.9963010 | 0.8299372 | 0.7465395 |
| 70或以上 | 4.2168675 | 4.1164659 | 5.3635744 | 6.5170836 | 1.2719333 | 1.5831744 |
| 拒答* | | | | | 1.0046083 | 0.9961865 |

* 為了減少缺值個案，拒答年齡的受訪者其加權因子依整體人口統計分佈的性別比例加權。



ENCOURAGING SOCIAL INNOVATION FACILITATING STAKEHOLDERS' PARTICIPATION

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The individual recommendations and the findings of the research are set out in the executive summary and the full report which could be downloaded at:

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