Asia's social entrepreneurs and inclusive growth: Do well, do good... do sustainably

Sheetal (Mittal) Bhardwaj, Havovi Joshi and **Howard Thomas** explain how social entrepreneurship creates both economic and social value, driving inclusive growth in Asia

Inclusive Growth is about ensuring that the benefits of a growing economy are distributed equitably to all segments of its society. The logic of inclusive growth (Global Focus, 13 (1), 2019: 36-39) involves using its enabling models to democratise productivity and reduce societal inequality. This article draws on a book '*Asia's Social Entrepreneurs*' which contains case studies written by Singapore Management University's Centre for Management Practice that illustrate the journeys of ten social enterprises across Asia's emerging market economies to outline and explain how social entrepreneurship is an essential catalyst for driving inclusive growth in the region.

Social entrepreneurship and entrepreneurs

There are many definitions of Social Entrepreneurship, and two of the most useful follow.

According to Muhammad Yunus, founder of Bangladesh's Grameen Bank:

'Social entrepreneurship' relates to a person. It describes an initiative of social consequences created by an entrepreneur with a social vision. This initiative may be a non-economic initiative, a charity initiative, or a business initiative with or without personal profit. Some social entrepreneurs house their projects within traditional nongovernmental organizations (NGOs), while others are involved in for-profit activities.

Roger L. Martin and Sally Osberg also point out:

"It is tempting to think that social entrepreneurs are extraordinary individuals who are capable of connecting all the dots in a flash of insight or a killer strategy, people who were born with the talent for solutions or the perseverance to see them through, but in real life, it is not as straightforward as that. Each story involves a journey, often these begin with the recognition of injustice or suffering."

The case studies under consideration in this article not only support the above descriptions of social entrepreneurs, but also demonstrate that different enterprises may adopt and pursue different models and individual paths of evolution. However, according to Yuwa Hedrick-Wong and Howard Thomas, their core objective remains the same – driving inclusive growth (especially for those at the bottom of the pyramid) – and this comprises the following three elements:

- *"Identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalisation, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own;*
- *Identifying an opportunity in this unjust equilibrium; developing a social value proposition; and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony;*
- *Forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group and, through imitation and the creation of a stable ecosystem around the new equilibrium, ensures a better future for the targeted group and even society at large."*

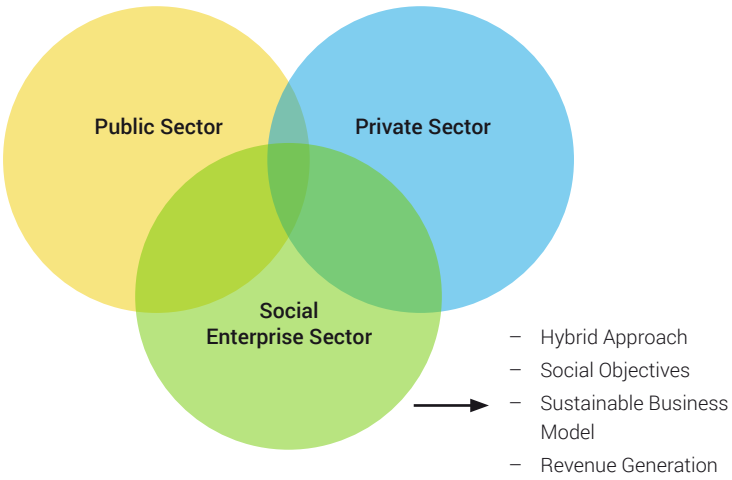

Figure 1: Social enterprise sector

Source: Adapted from The World Bank (2017, May). Emerging social enterprise ecosystems in east and south African countries. https://openknowledge.worldbank.org/bitstream/handle/10986/26672/115052-WP-P152203-PUBLIC-AfricaSEEcosystemMay.pdf?sequence=1

Categorisation of social enterprises

A social enterprise delivers by creating both social and economic value. It is akin to a not-for-profit firm in terms of its goals and impact, and is similar to a for-profit firm in terms of its resource management, operational efficiency, and risk taking. Thus, non-profit organisations that become entrepreneurial by setting up revenue generating business units to earn income towards supporting their social mission, and also for-profit ventures that adopt social goals and integrate greater levels of social responsibility into their operations, are both social enterprises (see Figure 1).

To understand this idea better, social enterprises can be categorised using a framework drawn from Kim Alter's 'hybrid spectrum' model.

Hybrid spectrum: Socio-economic dimension

An adaptation of Kim Alter's hybrid spectrum model helps highlight and illustrate the fact that the key difference among social enterprises lies in their primary purpose of existence, and hence they occupy either the left hand side or the right hand side on the socio-economic dimension (see Figure 2).

Organisations whose social mission is the primary purpose, with the commercial operations as the means to achieve sustainability, occupy the left-hand side of the continuum. An example of such an enterprise, showcased in the case studies, is ECHOsi, a non-profit foundation that works to empower women micro-entrepreneurs in the Philippines. Yangon Bakehouse is another case in point – an organisation that helps disadvantaged women in Myanmar develop employability and life skills, and supports its social goal by running a commercial restaurant and catering business. Like Yangon Bakehouse, Bettr Barista in Singapore also helps disadvantaged women and youth in Singapore by teaching them barista skills for employability and emotional and physical training for their psychological well-being, and runs many for-profit businesses to sustain the social endeavour.

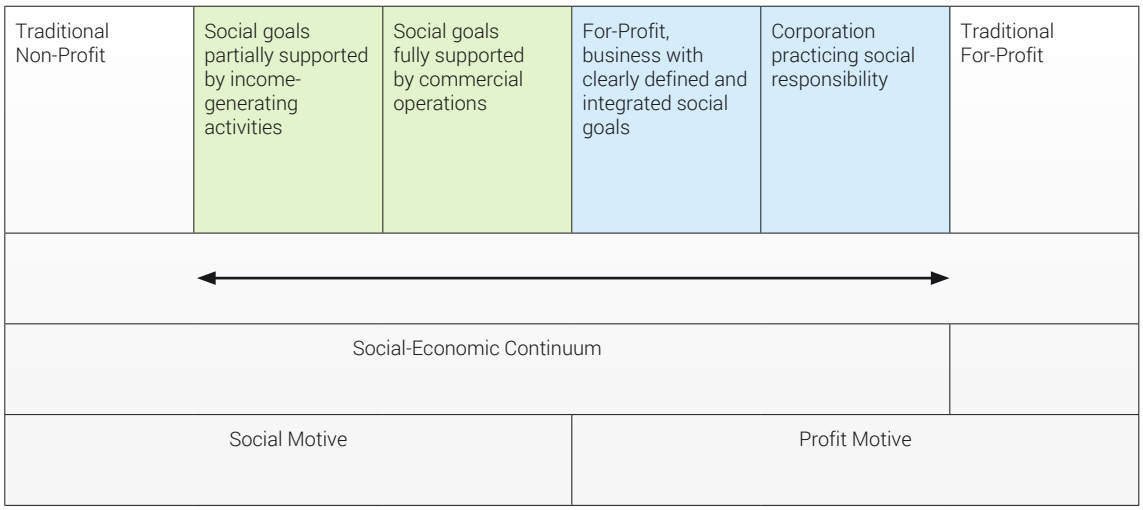

Figure 2: Social enterprise spectrum

Source: Adapted from Alter, K. Social Enterprise Typology, Virtue Ventures. http://www.4lenses.org/setypology/hybrid-spectrum.

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On the other hand, enterprises that pursue social value creation to support their primary purpose of profit-making occupy the right-hand side of the dimension. Case studies on social enterprises like iCare Benefits, Fullerton, SureCash, Veriown, and Homage highlight how the creation of social capital and social networks is critical to driving business growth and demand. iCare creates social value for migrant workers in Vietnam by providing them with zero-interest financial services and thus facilitates availability of a productive and loyal workforce for their employers. Fullerton and SureCash are microfinance enterprises catering to the financial needs of the rural poor in Myanmar and Bangladesh, respectively, and in the process benefit from additional revenue and cost savings. Veriown, through its technologically advanced, three-in-one product, provides rural households in India with easy access to electricity, the Internet, and financial services at low prices with its flexible usage-based payment model. This has enabled the company to tap into the huge unmet demand of a large consumer segment that was hitherto inaccessible. Homage, a tech start-up in Singapore, addresses the healthcare challenge faced by the country's ageing population by connecting the elderly with caregivers for on-demand home care services.

Pure forms of engagement

It should be noted that there are other similarities and differences in the business models of social enterprises. The case studies on iCare, Fullerton, Yangon Bakehouse, Bettr Barista, SureCash, and Veriown, for example, illustrate how these organisations cater directly to the needs of their respective local communities. However, the case studies on Great Women, Homage, Juntos Global, and BoP Hub show how these organisations indirectly help the poor, unbanked, or elderly through the provision of a messaging platform, client-matching services, or intermediary marketplaces. While Great Women and Homage highlight the work of social entrepreneurs within their local communities (the Philippines and Singapore, respectively), the impact of Juntos Global and BoP Hub is further reaching, as their scope extends to the whole of Southeast Asia.

Key insights and takeaways

Social capital

One of the key learnings that shines through the journeys of these social ventures is the role of social capital in driving social inclusion and financial empowerment of disadvantaged groups in a society. Building social capital, and hence a supportive social network, is a fundamental step for a social enterprise to gain the acceptance and trust not only of the target segment and their families but also the community at large.

One of the most effective strategies is to identify social ecosystems and use the social capital within them to drive the shared goal. Increasingly viewed as a critical asset for individuals and households at the bottom of the pyramid, in the early 2000s, leading social organisations such as the World Bank and Ashoka Foundation decided to focus on the role of social capital in delivering community welfare and alleviating poverty. However, close to two decades later, research in the domain still falls short of fully understanding how social capital is developed, deployed, and managed by social enterprises in underdeveloped, resource-constrained regions and communities.

Social Value

Another critical element for any social enterprise model is its ability to effectively create social value. The case studies featured here highlight how these social entities strive to provide their target markets access to the supportive inputs necessary for driving inclusive growth and raising productivity. While these inputs may vary based on a region's extent of development (or lack thereof), they can be broadly classified as basic inputs, such as electricity, water, transportation, health, education, and infrastructure networks; enabling inputs that enhance productivity, such as financial services networks, logistic systems, and legal and property rights; and complementary inputs, such as professional and training networks, knowledge, and social networks. Take the examples of Bettr Barista in Singapore and Yangon Bakehouse in Myanmar: two similar business models but with widely different economies and cultures, particularly in relation to their state of development, legal acceptance of the concept of a social enterprise, and involvement of government agencies in the social sector. Despite these differences in context, both organisations cater to marginalised groups that are devoid of similar basic inputs: physical and psychological well-being, education, rights awareness, and vocational skills for employability.

Social enterprises such as iCare and SureCash provide their target markets with enabling inputs, such as access to financial service networks, to help them become more productive and participate actively and consistently in the labour force. Veriown strives to offer both basic and higher-level inputs by providing access to energy, the Internet, and financial services. However, lack of a complementary input – a social network –

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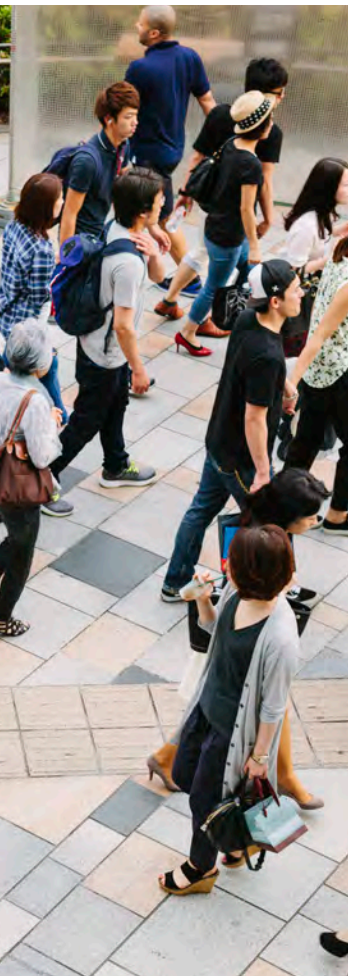


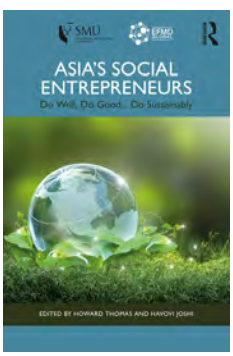
hinders its ability to access last-mile consumers. On the other hand, enterprises such as Homage and BoP Hub have used technology to overcome value chain constraints. They have created social, professional, and training networks that provide their target individuals and groups with the opportunities to collaborate, access skills and knowhow, and use and render services.

Striking the balance

It is important to appreciate that a social enterprise creates both economic and social value as it works for the betterment of society by supporting it through its for-profit operations. The challenge is maintaining the balance between these two goals, as such an enterprises often finds itself at a crossroads when its limited resources can support either its social mission or financial goals. The dilemma is evaluating what the organisation should focus more on in situations of conflict of interest. If it prioritises revenues, it is no different from a 'for-profit' business. On the other hand, if it uses its resources for its social mission at the cost of productivity and profitability, it may not continue to be financially sustainable. Thus, a social enterprise must ensure that the value added at each touch point corresponds to the organisation's dual mission and is not overly inclined towards one, since both missions play a pivotal role while complementing each other. The social role accords the enterprise a differentiated position in the industry and hence a competitive advantage in the market. This enables it to be a preferred partner among stakeholders and generate economic value, which in turn is used to sustain and grow the social impact.

The solution probably lies in understanding that a social enterprise's return on investment comprises a mix of social impact and financial revenues. It is wrong to assess an organisation's performance and the ability to raise funds only in terms of the economic return it generates. Even charitable donations that offer no financial return may be an attractive investment opportunity for those who seek only social impact.

In summary, it is important to understand the differences in vision, strategy, resources, and business model of a social enterprise vis-à-vis a purely for-profit venture or NGO. For a social enterprise to sustain or scale up its operations, it must, first, practice a bottom-up social capital-based approach, second, ensure efficiencies in its whole value chain and create and capture value at each touch point, and, third, adopt innovative financial restructuring and enter into social impact partnerships.



Book available from:
https://www.routledge.com/Asias-Social-Entrepreneurs-Do-Well-Do-Good-Do-Sustainably/Thomas-Joshi/p/book/9781032067315

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