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ACSEP

The Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) is an academic research centre at the National University of Singapore Business School which boasts an international multi-disciplinary research team. ACSEP came into formal existence in April 2011 with a geographic focus spanning 34 nations and special administrative regions across Asia.

The Centre aims to advance understanding of the impactful practice of social entrepreneurship and philanthropy in Asia through research and education. Its working papers are authored by academia and in-house researchers, providing thought leadership and offering insights into key issues and concerns confronting socially driven organisations.

For full details of ACSEP's work, see <http://bschool.nus.edu.sg/acsep>.

Foreword

Social enterprises and social entrepreneurs are paving the way for new and novel solutions to address the myriad of unmet social needs facing Asia and the world. The inaugural International Symposium on Social Entrepreneurship (ISSE) 2015, held on 22 May, brought together academics and practitioners to discuss the trends, success and impact of these initiatives in providing sustainable and long-term solutions for the social issues plaguing society. At the Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) under NUS Business School, we believe that the annual ISSE going forward will be an important part of the ongoing journey towards a vision to advance the understanding and the impactful practice of social entrepreneurship and philanthropy in Asia.

In the process of understanding social entrepreneurship, we would nevertheless come to grapple with the multifaceted contexts in which it develops. For example, they include local and regional socioeconomic and institutional contexts, and different political, legal and regulatory frameworks. Social enterprises can also be located within and across the people, public, and private sector.

The keynote address by Doyle-Bascom Professor of Law and Public Affairs Mark Sidel from University of Wisconsin-Madison provides insights on different approaches in regulating social enterprises in a comparative perspective. Moreover, a plenary session and six academic papers presented address interesting questions that are grounded in reality and are faced by social entrepreneurs, funders, and policymakers, such as:

- Is there a good way to make sense of social enterprises within a particular environmental context? Is there an approach to understand and analyse the social entrepreneurship ecosystem?
- What are the considerations to scale social enterprises, given a non-supportive institutional environment? What business models or social innovation would work?
- What are useful models of financing in such diverse environments?
- What are the boundaries of the social enterprise sector in Asia and how can we push them?

We hope that the proceedings of the ISSE 2015 will be a good reference to stimulate further study and research in this area.

We thank all authors and participants for their contributions.



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Regulation, Certification, Validation, or Other Approaches? Regulating Social Enterprise in Comparative Perspective

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Regulating Social Enterprise in Comparative Perspective

- The dramatic rise of social enterprise and the problem of social enterprise
- The regulatory problem of social enterprise: States, innovation, and social enterprise
- Why would states regulate social enterprise?
 - Regulating for overlap
 - Regulating for falling between the cracks – to keep track
 - Regulating for performance
 - Regulating for state dissatisfaction beyond performance (i.e., advocacy)
 - Regulating for revenue
 - To facilitate innovation
 - Other reasons to regulate

Regulating Social Enterprise in Comparative Perspective

- The conflict over regulation of social enterprise as a reflection of the different trends in corporate and nonprofit regulation
- The importance of thinking about why we regulate innovative activities like social enterprise
- What test shall we use? Returning to regulatory purposes
- As an informal test, is this enough? Or perhaps too much already?: *“To keep track of what’s happening, to facilitate innovation, to further revenue policy, and to prevent illegality?”*
- Does regulation really matter, unless it’s entirely too restrictive and/or entirely incoherent?

Regulating Social Enterprise in Comparative Perspective

- **The regulatory options – and the self-regulatory options**
 - Formal regulation – and as what form along the spectrum?
The corporate, hybrid and nonprofit models
 - Formal regulation in multiple forms
 - Lighter regulation but a harder certification process
 - Lighter regulation (perhaps) and a softer validation process
 - Other combinations of regulation and self-regulation
- **The characteristics and advantages of different regulatory options**
 - Corporate, hybrid, and nonprofit – what would, or should, be the social enterprise characteristics of each regulatory model?

Regulating Social Enterprise in Comparative Perspective

- The rise of self-regulation and the advantages and disadvantages of different self-regulatory options
- Borrowing self-regulation from either corporate or nonprofit self-regulatory models?
- Other problems to consider
- “Regulatory waves”: How do formal regulation and self-regulation really affect each other? Research underway in this area
- Should we regulate differently based on sources of funding and investment?: The “foreign funding” problem in nonprofit law (and certainly in Asia)
- The rise of the self-regulatory entrepreneurs

Regulating Social Enterprise in Comparative Perspective

- No regulation (or self-regulation) occurs in a vacuum: The importance of underlying debates, and efficacy of developing models, at the country level:
 - China and India
- Returning to fundamentals:
 - Thinking like a state
 - Thinking like a corporate//social enterprise
 - Thinking like a nonprofit//social enterprise
- The value of this conference and the research presented here – and for the problem of regulation and self-regulation

An Interdisciplinary Approach to Social Entrepreneurship Definition and Ecosystem Analysis

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Abstract

Social entrepreneurship has the potential to improve the livelihood opportunities of people at the base of the economic pyramid. Yet, until to date, a consistent definition of social entrepreneurship and the determinants that characterize its ecosystem stay indefinite. In order to contribute to the emerging research field of social entrepreneurship, this article pursues three objectives: Firstly, it outlines and structures the existing concepts and traditions of social entrepreneurship worldwide. Secondly, it provides an interdisciplinary framework to analyse the conditions for social entrepreneurship in a given country. Thirdly, it applies the framework to the case of Morocco to test its practicability and to identify priority fields of action to leverage social entrepreneurship in this North African Kingdom. The application of the framework results in a definition of social entrepreneurship for the Moroccan context considering several organizational forms as well building on existing structures of the social and solidary economy. Furthermore, recommendations for policy makers are derived in order to foster the promotion of social entrepreneurship.

Introduction

Due to enormous budget deficits and a global shift towards neoliberal politics, governments systematically retreat from the provision of social services and as such change the amount of supplies for public goods and the way they are delivered (Hoogendoorn et al., 2010; Nicholls, 2006a). At the same time, the world's problems seem to outstrip capacity of traditional institutions to solve them: In view of a complex, ever faster changing environment, existing structures and methods seem no longer sufficient to tackle social and environmental problems (Bornstein, 2004). As a result, the traditional boundaries of the public, civil and private sectors have started to blur and organizational forms who combine the logic and objectives of more than one sector have emerged (Dees & Anderson, 2002), e.g. public private partnerships, corporate social

responsibility, microfinance, community development or collaborations between nonprofit and business organizations (AL-Tabbaa & Leach, 2014). One type of these hybrid approaches is social entrepreneurship.

Social entrepreneurship seems to have the potential to trigger social innovation and thereby improve the livelihood opportunities of people at the base of the economic pyramid (Gradl et al, 2009; Schwab Foundation, 2013). As a result, it has increasingly received attention from governments all around the world. As several recently published reports and articles illustrate (e.g., Bugg-Levine, 2012; Manetti, 2014; Oldenburg, 2012; 2012; Schwab Foundation, 2013, Thornley et al., 2012), governments can significantly improve the conditions for social entrepreneurship especially in fields such as

finance, legal frameworks, reporting and impact measurement, research, networking, procurement, training as well as capacity building and consequently make markets work for social business approaches.

Nevertheless, until to date the determinants that characterize a conducive ecosystem for social entrepreneurship organizations stay indefinite. And especially governments from countries where the concept is not yet much explored struggle with its best definition and choice of support measures. This article aims to contribute to fill this gap and provide three contributions: Firstly, it outlines and structures the existing concepts and traditions of social entrepreneurship worldwide. Secondly, it provides an interdisciplinary framework to analyse the conditions for social entrepreneurship in a given country. Thirdly, it applies the framework to the case of Morocco to test its practicability and to identify priority fields of action to leverage social entrepreneurship in this North African Kingdom.

Literature Review

In the following we briefly present main findings from the theoretical discussion on existing schools of social entrepreneurship and the analysis of social entrepreneurship ecosystems.

Schools of social entrepreneurship

Although social entrepreneurship is a global phenomenon (Nicholls, 2006a; Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008), no common definition has been established so far. The theoretical and practical approaches as well as the addressed societal issues vary throughout the world. In this context, at least four different schools of thought can be distinguished (Hoogendoorn et al., 2010): The 'social innovation school' and the 'social enterprise school' stem from the American tradition (Dees, 2004) and the 'emergence of social enterprise' and the 'UK approach' originate from the European context. Derived from an overview of the distinctions and similarities developed by Hoogendoorn et al., 2010, the table below provides an overview of the existing traditions and schools, its specific characteristics and typical organizational forms (Table 1).

The theoretical discussion on the schools of origin of social entrepreneurship shows that different cultural contexts, historical developments and welfare systems determine the characteristics of social entrepreneurship in a country.

Distinctions	American Tradition		European Tradition	
	Social Innovation School	Social Enterprise School	EMES Approach	UK Approach
Origin	Civil Society	Private Sector	Civil Society	Public Sector
Unit of Observation	Individual	Enterprise	Enterprise	Enterprise
Link mission - Services	Direct	Direct & Indirect	Direct	Direct & Indirect
Legal Structure	No Constraints	Nonprofit	Some Constraints	No Constraints
Innovation	Prerequisite	Not Emphasized	Not Emphasized	Not Emphasized
Profit Distribution	No Constraints	Constraints	Limited Constraints	Limited Constraints
Earned Income	Not Emphasized	Prerequisite	Not Emphasized	Important
Governance	Not Emphasized	Not Emphasized	Multiple Stakeholder Involvement Emphasized	Multiple Stakeholder Involvement Recommended
Typical Forms of Organization	Social Entrepreneur, Inclusive Business, Social Business, Social Entrepreneurial Organization	Nonprofit Business Venture, Inclusive Business, Social Business	Association, Cooperatives, Mutual Support Organizations	Charity Interest Company, Social Enterprise

Table 1: Distinctions between schools of thought on social entrepreneurship.
Source: Own illustration based on Hoogendoorn et al., 2010.

Analysis framework for social entrepreneurship ecosystems

For politicians and other actors interested in finding measures to support the development of social entrepreneurship, it is crucial to conduct an analysis of the specific conditions in a country (Hausmann et al., 2005). For this purpose we present an analysis framework that incorporates relevant categories to assess the conditions for social entrepreneurship.

The framework we introduce in our paper is based on the concept of different dimensions as developed by Poon (Poon, 2011). Poon deduced the categories of his framework from a comparison between the conditions for social entrepreneurship in China and India. The framework by developed by Poon provides helpful dimensions that have been proofed to be useful. Nevertheless, it is limited because it lacks profound analysis categories in some areas and it does not comprise elements from all three societal sectors.

With the aim to provide a universal framework applicable to the assessment of social entrepreneurship ecosystems in various countries we assessed relevant literature and added further relevant categories. Based on an interdisciplinary theoretical discussion, we considered determinants from the private, civil and public sector that influence the emergence of social entrepreneurship. Table 2 introduces the analysis framework for social entrepreneurship ecosystems as the result of the theoretical discussion.

Given that the elements which influence the emergence and scale of social entrepreneurship are manifold, the framework does not claim to provide a complete collection of relevant criteria and indicators. Hence, it tries to advance an applicable but sophisticated tool for the analysis of social entrepreneurship ecosystems.

Dimension	Variable	Operationalization
Political Environment	Social Security System	Category of welfare state
	Policy Landscape	Socio-economic policy agenda
	Time-Referenced Political Processes	<ul style="list-style-type: none"> • Point of time in the legislation cycle • Expiration or upcoming of relevant political agreements
Economic Environment	Economic Growth and Situation	Economic key figures
	Business Climate	Rank in the "Ease of doing business index"
	Legal Frameworks	Existing juridical forms for social entrepreneurship
	Institutions	Existing support institutions for social entrepreneurs
Civil Society	Socioeconomic Conditions	Socio-economic key figures
	Civil Engagement	<ul style="list-style-type: none"> • Number of NGOs • Fields of activities • Civil society enabling environment
	Visible Participants	Celebrities supporting social entrepreneurship
Cultural Environment	Public Agenda	Public attention towards social issues
	Societal Norms	Appreciation of entrepreneurship
	Role Models	Success stories of social entrepreneurs
	Transfer of Concepts	Link to countries which are social entrepreneurship champions
Resources	Labour Force	Source of potential social entrepreneurs or their employees
	Finance	Access to financial capital
	Education	<ul style="list-style-type: none"> • Quality of education system • Relevant contents in the curriculum
	Institutions	Existing support institutions for social entrepreneurs

Table 2: Framework for the analyses of social entrepreneurship.
Source: Own illustration

Results of the ecosystem analysis for Social Entrepreneurship in Morocco

In this section we introduce the relevant findings of the application of the ecosystem analysis framework to the case of Morocco. According to the five main dimensions that we distinguish in our framework and that determine the development of social entrepreneurship in a country, we briefly present main results regarding the political environment, the economic environment, the civil sector, cultural environment and resources.

Political Environment

The analysis of the political environment for social entrepreneurship in Morocco contains multiple findings: The absence of a functioning social security system might have facilitation effects on social entrepreneurship. Hence, the current socio-economic policy agenda shows great efforts of the Moroccan government to tackle most pressing social issues. Interestingly enough, some of the governmental programmes launched in the last years explicitly include and encourage activities of civil society or social businesses (e.g. Pillar II of the Plan Maroc Vert or INDH).

Economic Environment

Looking at the economic environment of social entrepreneurship in Morocco it seems relevant that due to its dependence on the vulnerable agriculture sector, the increase of public spending and the effects of the financial crisis, Morocco faces severe fiscal challenges. Nevertheless it is a stable economy with a government that tries to encourage economic growth. With respect to the ease of doing business in Morocco it is notable that the conditions for opening up a business have increased dramatically in the last years. Apart from cooperatives, Morocco is not equipped with any legal form of social entrepreneurship and there does not yet exist any public institution explicitly focused on fostering social entrepreneurship.

Civil Sector

The civil society sector seems to be a promising basis for social entrepreneurship in Morocco. Many NGOs have been established in the last years and although the environment for NGOs could be more enabling,

there has been considerable improvements in their regulatory environment.

Cultural Environment

In general, the strong culture of donations based on the fundamentals of Islam makes business and welfare two worlds apart. Nevertheless, a strong tradition of the so-called social and solidary economy led to the emergence of a huge amount of cooperatives. As a result, a definition of social entrepreneurship for the Moroccan context should build on existing structures and consider several organizational forms.

Resources

Evaluating the human resources for social entrepreneurship in Morocco it seems obvious that it could profit from a big group of young unemployed with and without high educational degrees. The existence of pressing social issues as illiteracy, poverty and gender inequality on the other hand, provide social entrepreneurs with high quantity of potential beneficiaries. Nevertheless, the weak quality of the education system and the absence relevant skills for the private sector in the school curriculum remain problems. With regard to finance, seed capital and support institutions are lacking. Concrete measures that address the scaling of existing social enterprises shall consider regulatory exceptions for impact investment instruments and social enterprises in Morocco.

Conclusions

In our article we answer the following research questions:

1. What traditions of social entrepreneurship do exist worldwide?
2. Which dimensions determine the emergence of social entrepreneurship in a countries?

The first section outlined that there does neither exist a commonly shared concept nor a consistent definition of social entrepreneurship worldwide. Moreover, country or region specific interpretations of social entrepreneurship depend on its embeddedness into the local social institutional and cultural context. Governments and other interested stakeholders who

aim to implement concrete high impact measures to foster social entrepreneurship should consider the specific local context in a first step.

In consequence we developed an analysis framework for social entrepreneurship ecosystems in the second section of the paper and applied it to the Kingdom of Morocco as an example.

Deriving from the adaptation of the ecosystem analysis framework for Morocco five findings seem to be most important:

- A definition of social entrepreneurship for the Moroccan context should comprise several organizational forms and build on existing structures of the social and solidary economy
- A concerted promotion of social entrepreneurship could leverage the emergence of the sector

- Existing policy programmes could be expanded to focus on a broader set of social entrepreneurship organisations

- A specific legal form for social entrepreneurs that reflects and acknowledges its hybrid structure should be considered

- Regulatory and fiscal exceptions for impact investment instruments and social enterprises could enable the scaling of social enterprises

The concept of social entrepreneurship in Morocco has the chance to flourish and strongly contribute to socio-economic development if public, private and civil actors actively engage in the creation of a conducive ecosystem.

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Cross-National Million-Dollar Philanthropy and Social Enterprise in the United States and Singapore

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Introduction

Interest in social investment and social enterprise is on the rise, both globally as well as in Asia (UBS-INSEAD, 2011). Social enterprises are attracting growing attention among scholars and policymakers because of their role in solving both local and global challenges. A social enterprise is part charity and part business; it is a business that has a social mission or that aims to make a social impact (Social Enterprise UK, 2011). A social enterprise seeks to maximize its benefit to society, rather than solely maximize its profits.

Although there is still limited data on social enterprises in the United States and Singapore, existing studies suggest that US social enterprises include for-profits and non-profits; tend to be small; and tend to focus on workforce development and community economic development (Pacific Community Ventures [PCV], 2012). Preliminary data suggests that social enterprises in the US represent nearly \$400 million in annual revenues and employ at least 14,000 employees (Thornley, 2012).

In Singapore, the National University of Singapore's Asia Centre for Social Entrepreneurship and Philanthropy (NUS ACSEP) has identified at least 200 social enterprises, the largest portion of which are cooperatives (Prakash & Tan, 2014). These organizations largely provide direct services, and also tend to focus on supporting businesses. According to ACSEP, self-identified social enterprises represented just 0.12 percent of small and medium enterprises in 2012 (Prakash & Tan, 2014). While this share is relatively low, the potential for expansion in the role of social enterprises in Singapore appears to be significant.

The growth in social enterprises reflects an important shift in approach within the philanthropic sector with donors, funder and nonprofits advancing new concepts in the philanthropic sector, such as "blended value" (Emerson, Bonini, & Brehm, 2003), "collective impact" (Kania & Kramer, 2011), "impact investing" (e.g., Freireich & Fulton, 2009), among others. According to these approaches, donors and funders

have shown an interest in employing their financial resources in a sustainable manner in order address the complex social problems of a changing world (Emerson et al., 2003; Kania & Kramer, 2011).

This paper focuses on the role of private philanthropy in financing social enterprises. Despite the growing interest and rising awareness in the field, there has been very limited scholarly attention focused on cross-country patterns in the role of philanthropy in funding social enterprise. We draw on data on high-level philanthropy devoted to social enterprise support. We find that social enterprises draw a relatively small share of million dollar-plus gifts in both the US and Singapore. However in Singapore, social enterprise is a focus of about half of the organizations receiving million dollar-plus gifts in 2013, which provides promising avenues for future research. We place million dollar-plus philanthropy in the context of several countries and regions that collect this data: the United States, United Kingdom, Russia, Middle East (the GCC countries in particular¹), China, and Hong Kong.

Data and Methodology

The data set for this study includes charitable donations worth \$1 million (in US currency) or more that were made during calendar year 2013 either by donors in the US, Singapore, Russia, China, Hong Kong and the GCC countries² or to charities based in these countries; as well as donations worth £1m or more that were made during the calendar year 2013 either by donors in the UK or to UK-based charities.

The dataset was primarily gathered from publicly available documents such as media coverage and charity annual reports and accounts. Some additional data was provided by donors as well as by charities in receipt of this level of donation, with the consent of their donors. In Russia, we surveyed prominent philanthropists, as well as foundations and charities that tend to receive very large donations, in order to add to the data available publicly. Where applicable, we have included pledges for future gifts, and therefore not every gift will have been paid in full to recipient charities. Because data was gathered primarily from public documents, any gifts not publicly reported may not be included in the findings. Data about donations

made anonymously is included when that information is available.

We include donations made by individuals, foundations and corporations. We include corporate foundations under the larger 'corporations' category. The charitable subsectors are based on the National Taxonomy of Exempt Entities-Core Codes (National Center for Charitable Statistics, n.d.). The system employed considers the underlying mission of the recipient organization to categorize each gift, rather than the specific cause or purpose of each gift.

Although social enterprise and responsible investing, social investing and impact investing are related to the concepts of philanthropy, pure investments in these enterprises were not included in the data because they are not strict donations to nonprofits. However, as detailed below, gifts to nonprofits that support social enterprises are included in the data.

To compare philanthropy devoted to social enterprise in the US and Singapore, we used data for calendar year 2013. To identify gifts in the US and in Singapore related to social enterprise, we searched the donor name, recipient name, and gift notes fields for key terms. These terms included: social enterprise (entrepreneur), social finance, enterprise (entrepreneur), innovate (innovation), impact investing (investment), invest (investing, investment), venture philanthropy, and venture. From the results of these searches, we manually coded each gift to determine whether it was related to the social enterprise field. For example, a gift given to a school for curriculum innovation would have been flagged per our search terms above; however, we would manually remove it from the list as it is not related to social enterprise. The findings are relatively sparse, and this is primarily due to the nature of the data collection. The data was collected for only gifts to nonprofits; we specifically excluded investments in for-profit companies, even social enterprises. Thus, gifts that appear in this section are charitable donations to nonprofit organizations that support social entrepreneurship in some way other than directly investing funds for profit.

After exploring gifts to social enterprise purposes, we looked at all recipient nonprofit organizations in the

^{1,2} The Gulf Cooperation Council (GCC) consists of Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

Singapore data in an effort to determine the number that had some relationship to the social enterprise sector, even if the specific million-dollar gift received was not dedicated to that purpose.

Results

Million Dollar Giving in Cross-National Perspective

Selected results from the data analysis are shown in the tables below.

According to Table 1, the number of gifts and aggregated value of those gifts varied widely from country to country, but the average gift size and median gift size are relatively similar (the exception being the GCC). Additionally, the top donor type by the number of gifts was either corporations (Singapore, Hong Kong, China, Russia) or foundations (US, UK, GCC).

Table 2 shows the widespread importance of giving to higher education as well as to foundations. Overall, international and overseas gifts do not play a large role in million-dollar giving, with the exception of the GCC countries, where the vast majority of the million-dollar gifts went to overseas nonprofits. This trend is likely due to two primary explanations: the relatively low barriers in these countries to cross-national giving, as well as a lack of incentives and institutions to which GCC donors might give within a national context.

Large Gifts for Social Entrepreneurship in the US and Singapore

Next, we present findings on giving to social enterprise in the US and Singapore. In the US, 16 gifts worth \$102 million were devoted to this purpose in 2013, compared to 2 gifts worth \$7 million in Singapore. Further details are shown in Table 3.

	# Gifts	\$ Gifts	Avg Gift	Median Gift	Top Donor Type (#)	Top Donor Type (\$)
US	1,173	\$ 16.92 bn	\$ 14.4 m	\$ 2.5 m	Foundations (49%)	Individuals (60%)
UK	292	\$ 2.24 bn	\$ 7.6 m	\$ 3.3 m	Foundations (61%)	Foundations (67%)
Singapore	38	\$ 713 m	\$ 18.8 m	\$ 4.0 m	Corporations (74%)	Corporations (77%)
HK	120	\$ 935 m	\$ 7.8 m	\$ 1.8 m	Corporations (46%)	Foundations (49%)
China	208	\$ 2.65 bn	\$ 12.7 m	\$ 3.1 m	Corporations (72%)	Corporations (85%)
Russia	126	\$ 1.91 bn	\$ 8.0 m	\$ 2.7 m	Corporations (50%)	Individuals (55%)
GCC	38	\$ 1.84 bn	\$ 48.5 m	\$ 2.9 m	Foundations (53%)	Corporations (71%)

Table 1: Number and Value of Million-Dollar-Plus Gifts; Average and Median Gift Size, and Top Donor Types (by Number and Value of Gifts)

	Higher Education	Foundations	Overseas	Human Services	International	Others ³
US	43.0 %	12.0 %	13.0 %	2.0 %	1.0 %	29.0 %
UK	41.0 %	23.0 %	4.0 %	4.0 %	9.0 %	20.0 %
Singapore	43.0 %	1.3 %	-	19.0 %	-	37.0 %
HK	30.0 %	2.0 %	6.0 %	7.0 %	-	54.0 %
China	10.0 %	72.0 %	1.0 %	-	-	17.0 %
Russia	4.0 %	31.0 %	13.0 %	15.0 %	-	35.0 %
GCC	-	-	95.0 %	5.0 %	0.1 %	0.3 %

Table 2: Recipient Subsector by Percentage of Total Value of Million-Dollar Gifts⁴

	# Gifts	Share of #	# Gifts	Share of \$
US	16	1.4%	\$102 m	1.2%
Singapore	2	5.3%	\$7 m	0.8%

Table 3: Million-Dollar-Plus Gifts to Social Enterprise in the US and Singapore in 2013

³ "Other" category combines the following subsectors: Arts, culture, and humanities; health; public and societal benefit; environment and animals; religious; government; and unknown/other.

⁴ Notes: Percentages per country may not total 100% due to rounding. "Overseas" refers to charities headquartered outside the country in question, regardless of the purpose of the gift (for example, donations to schools and hospitals in another country). "International" refers to charities based in the country in question that operate primarily outside that country.

Because Singapore has a small number of social enterprise-related gifts, we detail them here. One gift was given by the Lien Foundation, a family foundation, to NTUC First Campus, a social enterprise. The gift was worth \$3.9 million and was given to improve early childhood education through a social enterprise model. The other gift was from DBS Bank; the gift of \$1.5 million was shared among 59 social enterprises in Singapore.

In the US, foundations gave the largest share of the gifts, 7 out of 16 (44 percent); however, individuals gave the largest share of the dollars, \$60.25 million, or 59 percent of the total. In Singapore, one gift was given by a family foundation and the other was given by a corporation.

In the US, the higher education subsector received the largest share of the social enterprise-related gifts. Eight out of the 16 gifts went to higher education (50 percent), and these gifts totaled \$80.75 million, or 79 percent of the total. Other gifts went to the education (non-higher education) and international subsectors. In Singapore, one gift went to education (early childhood), and the other went to the public and societal benefit subsector.

Finally, we reviewed the recipient nonprofits of all million-dollar-plus giving in Singapore. Our data included 30 total recipients (some of the 38 total gifts were given to the same recipient). Our assumption is that an organization receiving a gift of one million dollars or more should be fairly well-established. Thus we anticipate that this analysis might allow us to determine how important social enterprise and entrepreneurship is to the nonprofit sector of Singapore, even if the million-dollar-plus gift that placed the organization on our database was not for that specific purpose. We found that 14 out of

30 recipient organizations (47 percent) had some component of their mission of programs related to social enterprise or social investment.

The findings on the importance of social enterprises in the Singapore data reflect the strong support for social enterprises, as well as the growth in the number of supporting organizations in recent years. These include the SE Hub, which invests in and incubates social enterprises; The Hub Singapore, a community of social innovators that provides coworking space for social enterprises; and the Social Enterprise Association, which promotes social enterprise in Singapore.

Conclusions and Future Research

From this initial analysis, it is clear that future research is needed on the subject of philanthropy and its relationship to social entrepreneurship. Data of this sort should be collected for all countries in our database, beyond Singapore and the US. Data collection should also be expanded to specifically include investments in social enterprise; this is a key limitation of the database. The analysis thus far leads us to believe that social enterprises form a key portion of the social sector in Singapore. It would be interesting to see if nonprofits in other countries include social investment or social enterprise in their missions or programs to the same extent as the sector in Singapore. Investing in social enterprises goes hand-in-hand with providing pure charitable donations to nonprofit organizations. As donors increasingly turn to various tools including social investment and the like, understanding these tools and how traditional philanthropy relates to them is vital for a growing charitable sector.

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Pushing the boundaries of Social Enterprise Sector in Asia

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Summary

This is a summary of a plenary session, “Pushing the boundaries of Social Enterprise Sector in Asia” at the International Symposium on Social Entrepreneurship held on 22nd May 2015.

In the opening session, ACSEP’s advisory chairman Mr Keith Chua noted that the social sector in Asia was making significant adjustments in response to the ballooning unmet social and environmental needs precipitated by a confluence of factors.

In many countries, the emergence of the social enterprise sector is one of many responses to address the unmet social needs in a more sustainable manner. The resultant push to develop the social enterprise sector is accompanied by a host of challenges that arise primarily from the hybrid nature of a social enterprise having double or triple bottom lines, unlike that of a charity or a for-profit, with impact only or finance only bottom lines respectively.

These challenges range from defining a social enterprise, deciding on the regulatory approach for such hybrid organisations to building the eco-system and pipeline of social entrepreneurs, funders, financiers and investors. Hence, this plenary session brings thought leaders spanning countries like India, China, Indonesia, Singapore, Japan, Europe and US to share their personal experiences, promises and challenges to the development of the social enterprise sector in their country of evaluation in the coming years.

Pushing the boundaries of Social Enterprise Sector in Asia

Patsian Low, Head of DBS Foundation, Singapore

The DBS foundation (“Foundation”) is a corporate foundation which supports social entrepreneurship and operates in the six markets which the bank has a presence in. Their support ranges from venture challenges to mentorship, amongst others.

All enterprises go through a growth cycle, which is broadly categorised into three different stages, and in each of these stages the Foundation has a certain operation strategy.

In the earliest stage of enterprise development where new ideas are being sparked, the support is via reach and engage activities, awareness and advocacy are built for social enterprises. This strategy includes certain programmes, like Social Venture Challenge Asia, (done in partnership with NUS), boot camps, workshops and local forums, as well as competitions in different countries.

In the middle segment, enterprises are nurtured to a state of sustainability and strong fundamentals. To make sure that enterprises can innovate and be incubated to growth, as well as keeping up with changing social needs, and on pace with innovation in their respective markets of operation, the Foundation supports them through incubation programmes, knowledge gathered through toolkits, case studies or models, as well as different forms of skilled mentorship and a grant programme.

Finally, once a social enterprise is able to go through the teething and nurture stages, and they’re ready for growth, Foundation has scale-up grants that try to support them as well so that they can see greater success and go to greater heights. Other support includes accelerated programmes, customised advisory support, as well as different forms of financing again, such as grants and loans.

The key criteria which the Foundation looks for in a successful social enterprise grantee are: (i) strong social enterprise model, (ii) clear financial plans with reasonable projections, (iii) strong operations plans, (iv) innovation in the method of addressing particular social issues (v) team strength, (vi) social impact, and (vii) geography.

Two useful perspectives from this process were shared by the speaker:

The social enterprise model is a critical question that many social enterprises need to answer. There are situations where a social enterprise may have a great idea about how they want to create change as well as operationally, how they are going to make some money. But when they try to put the two together, it may not be sustainable.

Social enterprises do not know the best financing structure for their needs. What they see in a market would be “I’ve got grant makers, I’ve got donors, maybe I’ll have some equity investors, but that’s all.” They may not even be able to pull all these pieces together into the same place.

Next, challenges seen in the social enterprise landscape were shared, based on the growth cycle of social enterprises.

In the startup stage, too many social entrepreneurs are afraid to fail. Several hypotheses were put forward, such as high cost of failure, financial cost, and reputational cost, lack of space for experimentation and learning, lack of encouragement for lean operations, and lack of agility in their development of ideas.

In the innovation and incubation stage, social enterprises may be challenged when it comes to testing their business model. Maybe the original idea was good, but it has to withstand the rigour of a commercial test. Sometimes that model needs to adapt and change but they may lack the resources for this. Hence, social enterprises need to build their capacity and grow themselves as organisations. They need to invest in human capital, infrastructure, processes, which may not always be available.

In the scaling-up stage, social enterprises may not understand what constitutes scaling and the best financing structure for their needs. For instance, there may be impact investors who are looking for five to ten million dollars of turnover, or angel investors who say, “If I have enough money to see you through the

next stage, I'm happy to see you grow"? What is a good continuum of support so that scale is possible for these organisations? Not many social enterprises understand this clearly.

Other deeper and fundamental challenges were also shared:

Firstly, there is an organisational growth challenge. Up to a certain point, the founder's values need to find certain alignment with the funders' and also make some succession plans. As many business challenges as there are out there, business competitions and so forth that give us great ideas, many of them fall off after two to three years. Often, it's because of founder succession risk.

Secondly, they need time for capacity building in infrastructure, processes and organisational depth. In this aspect, there is a lack of patient capital that supports social enterprises today. Their business models may not be able to withstand certain commercial challenges and that may not always be visible until you grow the enterprise a few years down the line.

Thirdly, there is also a challenge in market competitiveness of social enterprises. They have challenges with maintaining quality of products and services, and rely on more than just charitable engagement. They have difficulty accessing client networks to be just as competitive as other commercial enterprises.

Finally, how should funders and private sector engage with social enterprises to help overcome these challenges and help them grow? To see whether the private and social enterprise sectors can actually be complementary and bring a new form of entrepreneurship to Asia, an experiment was ran together with the NUS Social Venture Challenge Asia, where Foundation and NUS is giving an opportunity for SME founders and leaders in the DBS clientele network to work with and provide feedback to the business plans of the semi-finalists in the Social Venture Challenge Asia competition this year.

Pushing the boundaries of Social Enterprise Sector in Asia

Sasa Vucunic, Co-Founder and Managing Partner at North Base Media, Indie Voices

From the bird's-eye view of Asia's social entrepreneurship, there are two very distinct movements.

Firstly, everyone is talking about creating an ecosystem, and you can go into a country that just started engaging in social enterprises, or a mature one that will talk about ecosystems.

Next, Asia had made tremendous advances in promoting social entrepreneurship in the last 15 years. Previously, the social enterprise scene did not exist. And now, Asia is a leader in creatively funding some unmet social needs.

There is a social entrepreneur trying to do something, and everyone is thinking of legal, or social, or government limitations or how to change them; in order to help that person climb the peak, whatever he or she decides the peak to be. Hence, there is a need to ensure that many people access everything that exists in the ecosystem quickly, and reach their goals. Pushing the boundaries of social enterprise in Asia, requires knowledge of how to structure the social enterprise and how to define and seek proper types of funding complimentary and appropriate to the sustainable business model being pursued.

The easiest part of starting a social enterprise is the "mission" as a person can know and feel it. However, structuring and make everything else work is the hard part. This is evidenced from the speaker's experience in successful and failed enterprises, and advisory work in starting social enterprises.

There's always something called "the big bang moment." A smart social entrepreneur will get people from two sides: the business side, and the non-profit side; or someone who understands the language of both sides. Structuring the work of the social enterprise and the mixture of the capital that gets in will define the success or failure of said enterprise due to different needs of all parties.

To push the boundaries of social entrepreneurship in Asia, the space between the social entrepreneur and the rest of the ecosystem needs to be addressed.

There are many players in this ecosystem, such as business schools, financial investors, case studies, financial advisors, social investors, government policies and tax incentives, and private equity funds. Hence, there is need to make them work together. To achieve this, distillation of the ecosystem's knowledge into a form where every social entrepreneur can absorb and use to reach their goals is important.

Pushing the boundaries of Social Enterprise Sector in Asia

Matthew Spacie, Founder and Executive Chairman, Magic Bus, India

Magic Bus was started 17 years ago as there were 700 million people who lived on less than \$1.25 daily. The unique concept of Magic Bus was that it took a child from childhood (8 years old) to adulthood (18 years old), with structured development plans and career exit plans.

There are four goals pursued by Magic Bus:

1. *Breaking out of the poverty cycle:* Under this, children are empowered towards higher education, better health and hygiene, and personal and social skills. Additionally, youth are connected to vocational training opportunities.
2. *Creating an enabling environment:* Parents and community of the children are engaged and existing institutional structures leveraged on to ensure sustainability.
3. *Learning from community mentors:* Local community youth act as role models to impart knowledge to children, with the interaction based on mutual respect.
4. *Transfer of knowledge in a fun and safe environment:* Using play as a means to promote learning in a joyful manner amongst the children.

Towards the latter part of the beneficiaries' development, the "Laqshya" model is used:

1. In first phase, an individual comprehensive needs assessment and personal development plan is created. A Magic Bus mentor is assigned on an individual basis to guide and impart knowledge to the beneficiary.
2. In the second phase, individual skills training takes place according to the vocational path chosen; together with other core employment and life skills. Partnering employers also provide work exposure for them to gain work experience.
3. Finally, beneficiaries are placed into three different paths (e.g., employment, entrepreneurship, or higher education) with the corresponding support given.

Overall, this will shape the behaviour of their beneficiaries and provide self-control and choice over their outcomes in life.

The success of Magic Bus is seen from its statistics (as of 2013): (i) 98% of adolescent girls in secondary school (ii) 96% of all Magic Bus children have a school attendance of over 80% (iii) 89% go beyond grade school and 26% complete a vocational skills course.

Magic Bus initially focused on building social enterprises to support its business model, such as outdoor adventure camps (amongst others). However, they found that this was inefficient as it required heavy operating expenditure to run these businesses, and it would never be profitable enough to reach its goal of one million beneficiaries.

Based on inputs from large charities such as OXFAM and UNICEF, the key to sustenance and growth is to run the charity like a business – roughly 70% of all big charities raise their money from retail fundraising. By cleverly investing like a business in distribution and marketing, this let them raised large amounts of money in new markets.

For instance, in India (2004) all the large charities raised funds between 1 and 2 million dollars. Save the Children in India now actually exports its cash out of India. It raises so much in Indian markets that it can't spend, so it uses it in the whole of South Asia.

It has been phenomenally successful. It raises about 30 million dollars a year from a two million dollar investment. This also answers the question of the social entrepreneur, "actually where's my return on capital?" It has to be in doing this well rather than develop six different social enterprises that might look and sound good but actually does not solve the problem.

A similar approach is used by Magic Bus, which leverages on its strong emotional appeal as a charity to negotiate for free advertising from the media due to their strong cause for nation-building. The subsequent outreach in populous countries such as India allowed for a strong business case to be presented to the supporters of Magic Bus, who are businessmen.

This alternative way of raising capital has proved to be successful and by 2018, it is targeted that Magic Bus India will not need foreign money to survive. Finally, this model will also be replicated in other foreign countries which Magic Bus is operating in.

Pushing the boundaries of Social Enterprise Sector in Asia

Ken Ito, Visiting Senior Researcher, SFC Research Institute, Keio University, Japan

There are two factors which makes Japan's experience a value-added lesson.

Firstly, In Japan, the decreasing population is a challenge. It hit a peak in 2008 and is now decreasing at a very fast pace. Aged population now accounts for 25% of all population and will become 35% of all population in 2050; which means that almost 1.5 working productive population needs to support 1 elderly person.

The financial deficit is huge. 25 years ago, the social welfare-related expenditure used to be 10% of the total government expenditure but now it exceeds 30%. The increasing government deficit and the decreasing populations brings a lot of problems. Hence, this creates a need for efficient, effective and enhanced environment to address child and youth issue.

For the social enterprise movement, that is not dependent on the government grant, essentially which are very small charities - they needed to be made more sustainable. This gives rise to the rationale for social enterprises.

The other aspect is the Japanese unique charity market as Japan has a small giving culture. On average, a household gives \$50 versus \$3000 in the United States. Japanese people feel that social welfare is the government's job and act accordingly.

However, the number of non-profit organisations is increasing (50,000 Non Profit Organizations). It is still very small when compared to India but it is still trying to survive in the market, because the government has withdrawn all the services.

Historically, social organisations started from 2000, when the terminology "social investment" arose. After the earthquake hit Japan which caused grave damage, people realized that the government cannot handle all the issues and started giving to these new philanthropic organisations which emerged to supply the social demand.

Two examples of social enterprises in Japan are as follows:

Temporary nurseries were set up by Florence (a social enterprise) for children with fever, as Japanese nurseries do not keep these children for threat of infection. These have specially trained staff to take care of the children. By charging monthly fees, this provide the social enterprises with stable income. This model was eventually duplicated by the government.

The other interesting example of social enterprises is the Kumon Learning service center. It provides self-learning material for children. This corporate social venture that started in 2004 developed similar self-learning material for elderly people to activate the function of their brain and prevent dementia. This is particularly important as dementia is becoming a big problem for Japan with a 7 million elderly population by 2035.

Data shows that 66 people that showed slight trend of dementia that go through this training, 30 minutes a day, by doing simple calculations and Japanese quizzes- 43 out of 66 get out of this range of mild dementia. This is also interesting because they are very easy to franchise. All the know-how is accumulated and the model is easy to duplicate.

The social investment is trying to form an eco-system with different organisations doing different levels of social enterprise and interestingly, the corporate sector, which accounts for half of all Japanese giving. Hence, the corporates are very keen on nurturing the environment for social entrepreneurs because they know that the business discipline could bring innovation to the society.

Several pioneering social investment firms are supported by large corporations. One is the Japan Venture Philanthropy Fund set up by private IT professionals. The Mitsubishi Corporation set up a new foundation after the earthquake and they put \$50 million USD in the initial fund to do an impact investigation domestically in Japan. Benesse

Corporation in who is the distance education giant in Japan are also doing impact investigation in-and-out of Japan.

The eco-system is the biggest challenges in these coming years for the social enterprise sector in Japan. Cross-border collaboration is needed between sectors. The Japanese government has been ruled by the single party LPD; in contrast with Korea, which has a very close relationship between the government, the civil sector and the businesses. They have an opposition party and ruling party – which checks the administration from time to time.

This kind of political monopoly in Japan creates a difficult situation in working with the government to form collaborations between the business and non-profit and the government and non-profit. Hence, a leaner process will accelerate innovation.

As Japan has all the different components set in the market, some platform-building can be done to get more innovative solutions into the market.

Exploring Scaling Processes, Business Models and Social Innovation in a Non-Supportive Institutional Context: A Multiple Case Study among Dutch Social Enterprise Start-Ups

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Abstract

The phenomenon of the retreating Dutch government has taken a fundamental shift in recent years, resulting in major institutional contextual changes. Responsibilities have been transferred to local governments who have to deal with substantially less money while expectations of social enterprises keep rising. In order to scale their impact, social enterprises need to be supported effectively by the institutional context. However, too little attention has been paid to the effect of the institutional context on the scaling process and its effectiveness. An explorative multiple case study is conducted covering 40 high-potential social enterprises in the Netherlands. This paper offers a new typology of scaling processes, while considering the effect on business model stability and social innovation. Very few stably financed social enterprises have been found, as well as very little urge to adopt fundamental system-change innovation despite the current need for such a change. More research on the robustness of certain scaling strategies in ensuring stable business models is much needed.

Keywords – social entrepreneurship, social enterprise, scaling, scaling strategy, social business model, social innovation, institutional theory, institutional context

Introduction

Despite the growing interest in the field of scaling of social enterprises, it remains questionable why many social entrepreneurs have the ambition to grow geographically but largely fail to reach substantial scale and impact (Bloom, 2012). As researchers have shown, social enterprises are mostly active on a local level with rather limited resources (e.g., Amin, Cameron & Hudson, 2002; Light, 2008). This might be argued from the point of view that most scaling research has focused on organizational factors such as resources (e.g., Bloom, 2012; Bloom & Chatterji,

2009) while external factors affecting scaling decisions remain relatively under-researched. One can assume that social enterprises are influenced by changes in society and altered norms and values in the relationship between social enterprises and governments. Drawing on institutional theory (e.g. Di Maggio & Powell, 1983; Scott, 1992), differences and difficulties in the scaling processes of social enterprises might be explained on the basis of factors external to the social enterprise. In this paper, the researchers identified fundamental institutional

changes in the Netherlands as a result of a retreating government, an opening for more market solutions and a reinvention of the civil society (see for a quick summary of the direction Meijs and van Vliet, 2014). This paper examines the phenomenon of scaling social impact made by Dutch social enterprises, seen from a changing Dutch institutional perspective influencing their operations.

Three Scaling Processes

Scaling Strategies

Wei-Skillern et al. (2007) point out that an important reason for the variance in scaling of social impact is the adoption of different scaling methods, modes or strategies. Fundamental in the discussion of these methods, modes or strategies, is the distinction between direct and indirect impact scaling made by Uvin et al. (2000). Direct impact is considered as scaling that is geared directly towards the target group, leading to a more professional approach to management and more efficiently led projects. Fleuren et al. (2013) typified replication as the most common way for growth in the direct impact model. The indirect impact scaling approach does not directly lead to better serving the target group or beneficiaries. Here, impact is achieved by ensuring behavioral change in other actors such as governments, businesses and other social enterprises.

An implicit categorization based on the direct and indirect impact typology has been made by Lyon and Fernandez (2012), explicitly emphasizing the categorization from organic internal growth to wider dissemination of good practices. It shows similarities with Dees, Anderson and Wei-Skillern's (2004) identification of *branching*, *affiliation* and *dissemination*, viewing scaling modes based on the openness of an organization. Interesting in the work of Lyon and Fernandez (2012) is the positioning of various scaling strategies between two pillars: the 'increasing potential scale of impact of innovations' and the 'decreasing control over how innovations are implemented'. Lyon and Fernandez frame the pillars as a double-edged sword, emphasizing the remark of control for the originator versus the limited power over the implementation in the wider dissemination category. They argue that some scaling strategies show a larger potential of impact scale, but also contain a lower span of control how innovations are implemented.

Social Enterprise Business Models

In order to scale social impact, a sustainable business model is a crucial element in the success of a social enterprise. However, such stability in the business model is not easy to attain. Financing structures for social enterprises show to have paradoxical aspects (see Spiess-Knafl and Jansen, 2014) and become even more complex when public funding is under pressure.

Achleitner, Spiess-Knafl and Volk (2011) emphasize that a business model is required to cover both on-going operational costs while at the same time finance the scaling activities. They addressed an ideal-type financing structure of social enterprises, containing both an internal as well as an external way of being financed. The revenue streams part of the internal type of financing range from private income directly generated from the target group or companies to subsidies from public authorities. Especially public funding is argued to be a highly scalable and more stable income stream compared to income from private parties (Salamon & Anheier, 1997). The external financing type consists of three groups of investors providing capital, categorized on the basis of their expectation of financial return. Interesting is that substantial amounts of money are provided by investors without return expectations, strongly contrasting with the self-interest component of economic theory (e.g. Havens, O'Herlihy & Schervish, 2006). Those investors can range from private donors to foundations solely focusing on supporting the provision of social good.

Despite the prominent position of donations in social enterprise business models with a budget up to €500.000, donations often come in the form of incidental large sums and do not provide a steady monthly or yearly income (Spiess-Knafl, 2012). It largely refrains social enterprises from building business models on the basis of donations. In general, social enterprises tend to rely on highly undiversified business models (Spiess-Knafl & Jansen, 2014), strongly in conflict with the model of Achleitner et al. (2011). The reliance on one income stream is argued to lead to a lower degree of volatility (Carroll & Stater, 2009), where Achleitner et al. (2011) believe that the low level of business model diversification is deliberately chosen for in order to prevent conflicts of interest between different financing parties.

Social Innovation

As expressed by Westley, Antadze, Riddell, Robinson and Geobey (2014), successful social entrepreneurs are able to scale innovative solutions to reach more individuals. Most social entrepreneurs have a strong tendency to socially innovate, ensuring and provoking a system change. However, social entrepreneurs stumble upon a variety of factors that oppose this tendency. Important for this research has been the positioning of social innovation in the work of Christensen, Baumann, Ruggles and Sadtler (2006) and Westley and Antadze (2010). They made a distinction between incremental innovation and more catalytic innovations adopting a fundamentally new approach, enabling system-changing solutions. Although this distinction is not new (e.g. Damanpour and Schneider, 2008; Manzini, 2014), they extend the interpretation of social innovation of other researchers.

Methodology

To develop a picture on how (changing) institutional contexts influence the three organizational processes of social enterprises, the researchers adopted an explorative research strategy. Building on a multiple case study design, social enterprises selected by the *Oranje Fonds* ('Dutch Orange Foundation') in the Netherlands for their own *Groeiprogramma* ('Growth Program') have been researched. This program can be considered as an honors class for social entrepreneurs. Around twenty social enterprises are selected for a three-year scaling program in which they receive an annual subsidy of €50.000 and can attend various trainings. Three Growth Programs have started respectively in 2008, 2009 and 2012, totaling 56 participants. Of the 56 social enterprises, 4 prematurely stopped because they could not adhere to the strict requirements. From the 52 social enterprises, 40 social enterprises agreed to participate, resulting in a response rate of 77%. The social enterprises range in annual budget from approximately €50.000 to €2.000.000¹, cover all Dutch provinces and a broad spectrum of the social welfare field, therefore allowing for a good interpretation of the Dutch institutional system supporting (or not supporting) social enterprises.

The multiple case study allows for in-depth analysis of different cases, but also cross-comparison between cases (Yin, 2003). Taking the weaknesses of case study research into account (Benbasat, Goldstein & Mead, 1987), a combination of in-depth interviews and an analysis of existing documents (annual reports and growth plans) of the various social enterprises have been carried out to generate 'rich' data.

Results

A new scaling typology

Six identified scaling strategies have been integrated in a new scaling typology. A further distinction between direct impact and indirect impact scaling is found, of which four direct impact scaling strategies and two strategies concerning the indirect impact model. An overview is presented in figure 1.

Scaling Strategies	
Direct Impact	Indirect Impact
The Centralization Model	The Inspiration Model
The Decentralization Model	The Outsourcing Model
The Liberal Decentralization Model	
The Regional Model	

Figure 1: A new scaling typology

The centralization model concerns a centrally organized social enterprise making more impact without setting up local units. This social enterprise increases its impact by organizing a larger amount of (different) activities and by recruiting more volunteers or more paid staff. More social impact is created through a strongly quantitative form of growth. This way of scaling impact equals the social enterprise in the decentralization model, but here the centrally organized social enterprise chooses to work with local units. Scaling impact in this model is achieved through replication and an increase in the number of local units. A majority of tasks remain centralized, although there is a strong tendency to substantially decentralize and divert tasks to the local level, primarily out of financial considerations. Half of the analyzed social enterprises adopted this model. A distinction with the third scaling strategy – the liberal

¹ The 2013 annual reports were consulted

decentralization model – rests in the less stringent way of operating by local units. Local units are provided a sense of ownership, strengthened by responsibilities for own fundraising and communication, ensuring a more liberal model for local social entrepreneurs. It implies a form of functional growth next to the more quantitative growth. In the regional model, the social entrepreneur originally had the intention to scale impact according to the second or third scaling strategy but at a certain point in time deliberately decided to operate in a certain region, mostly on city or provincial level. This choice seems to be driven by attaining an indispensable position for local stakeholders in a certain area, which the social enterprise finds difficult, unnecessary or at least not worth the investment to ensure in other regions as well.

The indirect impact model consists of increasing social impact via an inspirational or outsourcing way. In both models, the social enterprise does not aim at setting up local units by himself. In the inspirational model, the social enterprise tries to scale social impact through inspiration of other social entrepreneurs to implement the same idea in another area. In the outsourcing model, this is focused on adopting a certain method or way of working which has proven to be an effective way for reaching out to the target group.

Paradoxes in strongly undiversified business models

The business models of the 40 social enterprises have been found to contain one or more of the three identified financing instruments. These are (1) subsidies, (2) donations and (3) fees for services. Subsidies as the only publicly funded financing stream is under pressure due to severe institutional changes. The majority of social enterprises is adequately responding to the diminishing budget-based subsidies by making performance contracts with governments based on individual pricing mechanisms. The private fees for services financing instrument has been widely adopted by the social enterprises in contrary to monetary donations. Here, an institution or other party funds the social enterprise in return for a social service. However, the paid fees of direct beneficiaries remain a relatively small and underutilized part of social enterprise business models, especially when the target group is poor in nature. A certain fee has

also been installed to ensure commitment from within the target group rather than making it a substantial part of the business model.

An important finding regards the instability in fundraising, largely driven by an institutional error. All social enterprises identified national foundations willing to finance them in their first years, largely independent from their location. After three to four years, foundations as well as governments shift their financing schemes toward younger social enterprises. Through this strategy, foundations and governments implicitly contribute to a so called '*carrousel of projects*'. The social enterprises then shift toward attracting more local funds. It can be argued that the willingness of ministries, national governmental bodies and nationwide operating foundations to support local start-up social enterprises leads to a mismatch in later years between operating and fundraising scales. Despite the large instability in fundraising, 2 out of the 40 cases attained actual stability in their business models. One of them effectively set up a business model strongly relying on monetary donations, where the other focused on forming partnerships with local governments as a knowledge partner and obtaining an indispensable position on a never ending social issue. They both managed a large portfolio of steady streams of funders who do not change course every three years.

Emerging incremental innovation top-down and bottom-up

The cases showed a strikingly low urge to fundamentally change the system. Social entrepreneurs mentioned the non-supporting institutional context but revealed hardly any intention to achieve such change. 37 social enterprises only invented new projects and additions to existing programs. Three social enterprises specifically addressed the need for change, being aware that 'interaction with other social enterprises is required to change the way local governments see social enterprises in this field and start allocating 10% of their budget for such social means'. When checking who was made responsible for innovations, these social enterprises showed to largely drive innovations top-down. This was found to be the overall view, where only 9 social enterprises completely trusted and relied on beneficiaries to come up with new projects and ideas.

Discussion

The 'pillars' in the model of Lyon and Fernandez (2012) have shown to be highly applicable to the developed typology. They propose that certain strategies have a larger potential impact, but also lose control of how an activity is implemented. On the indirect impact side, a wider network of social entrepreneurs can be reached in a short time but the amount of control (especially in the inspiration model) is limited. The new typology also assumes that the level of control is determining on the local context and individual considerations of the social entrepreneur to decide upon the level of formality. Therefore, the same scaling strategy can take on other forms in different contexts. This can also explain that social franchising (e.g. Lyon and Fernandez, 2012) was not found to relate to one certain strategy, but can be interpreted as a method for social enterprises on both sides of the typology.

When comparing the three identified financing instruments to the financing structure proposed by Spiess-Knafl and Jansen (2014), our paper presents a worrisome narrow view on business models. Contrary to the findings of Spiess-Knafl (2012), it is questionable whether a premature business model based on high levels of donations is a realistic option for Dutch social enterprises in their (later) start-up phase. There is even as much doubt regarding the 'scalability' of public funding, as proposed by Salamon and Anheier (1997). This narrow view might be caused by the unsupportive institutional context in the Netherlands raising questions not only on its current state but also regarding the applicability of existing literature.

The lack of urge to fundamentally change the system is concerning as well, especially because the social enterprises can be considered high potential Dutch social enterprises supposed to, when reaching a further mature state, change civil society and institutional dynamics. It can be questioned whether fundamental innovation is supported and encouraged in the relatively short financing schemes of governments and foundations. Such an institutional funding error might make social enterprises believe that a fundamental innovation is neither worth the time, nor the investment. The mere focus on surviving unstable and undiversified business models in a non-supportive institutional context is more comprehensive than might be clearly understood by governments and foundations in the Netherlands.

The researchers are aware of the strong limitation regarding the origination of cases. Implicitly, the Dutch Orange Foundation has a preference to guide their cases towards the decentralization model. The fact that two-third of the social enterprises already concluded the Growth Program and one-third did not, might cause variances in any of the organizational processes. Furthermore, more research on the changing institutional context effecting social enterprise scaling is necessary. Especially, there is practical need for more robustness on the working of the different scaling strategies ensuring more financial stability in business models. Although half of the social enterprises build their organizations based on the decentralization model, very few actually ensured stable elements of financing in their business model.

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Paper 4

A Case Study on SK Happy Narae – the Largest Social Enterprise in South Korea

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Abstract

Social enterprises are hybrid organizations with dual missions catering to both social as well as commercial needs of the stakeholders to which they address. Happy Narae, a corporate social enterprise supported by the SK conglomerate, is the largest social enterprise in Korea that aims to support other smaller social ventures in the MRO (maintenance, repair and operation) sector. Happy Narae has adopted various organizational practices led by the CEO of SK, such as preferential purchase from social enterprises, hiring people from the underprivileged community, etcetra. This study examines the role of social imprinting in corporate social entrepreneurship. Specifically, how initial conditions at the time of formation of the social enterprise assist the enterprise in achieving its stated objectives? We propose that support (financial, HR, and/or consulting) by a conglomerate is helpful for smaller social enterprises in the short-term, yet in the long term, some impedements may arise due to poor quality-control, inefficiency, and opportunism on the part of smaller social enterprises.

Introduction

There has been an unprecedented increase in the number of “social enterprises”, organizations that combine social and commercial ambitions, pursuing a social mission while engaging in commercial business (Battilana & Dorado, 2010; Galaskiewicz & Barringer 2012). The concept of ‘social enterprise’ was introduced around 2000 in South Korea and it has spread quite rapidly in the last decade primarily due to the growth of family-owned conglomerates, or Chaebols, which, while making South Korea

a developed nation, has created huge market inefficiencies for small and medium enterprises. On January 7, 2007, a law for the promotion of social enterprises in Korea was enacted which defined social enterprise as “a company or organization which performs business activities while putting priority on the pursuit of social purposes” (What is a Social Enterprise?, 2015) and cleared defined how much profits should be reinvested along with the different types of social enterprises possible.

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SK Happy Narae is the largest social enterprise in Korea that supports other small social enterprises in the maintenance, repair, and operation (hereafter, MRO) sector. In 2013, it earned a revenue of 205.3 billion Korean won and created social benefits worth 6.15 billion won (The Happiness Foundation, 2014). Promoting mutual growth by preferential purchases from social enterprises, supporting new social enterprises, and hiring underprivileged people, Happy Narae is writing a new chapter in Korean social enterprise history. It received the Presidential Citation in 2014, the highest recognition conferred to an organization in Korea.

Despite the accolades, SK Happy Narae is currently facing significant strategic issues going forward, raising these questions: (1) Does financial support by a large conglomerate to social enterprises *facilitate or hamper social entrepreneurship*? (2) What organizational practices can enhance the capability of small social enterprises in South Korea, where the top 40 conglomerates dominate in almost every sector? As a strategic planning manager, Mr. Baek is seriously pondering the strategy SK Happy Narae should employ to further facilitate the spirit of social entrepreneurship in Korea and possibly in other parts of Asia.

Organizations catering to multiple stakeholders are more amenable to the demands of the stakeholders on which the organization is more dependent for access to resources (Pfeffer & Salancik, 1978; Oliver, 1991; Wry, Cobb, & Aldrich, 2013). Hence, social enterprises for instance, that are highly dependent on the founding company or a segment of consumers for their financial sustenance might potentially end up neglecting a group of beneficiaries which was essentially the primary reason that the social enterprise came into existence.

Social imprinting, defined as the founding team's focal point regarding the organization's social mission plays a central role in enabling social enterprises to remain focused on serving the intended group of beneficiaries in accordance with their social mission. (Marquis & Tilcsik, 2013). According to Battilana, Sengul, Pache, & Model (2014), the WISEs (Work Integrational Social Enterprises) in France confirmed a paradoxical relationship between social imprinting and social performance. Social imprinting in the

beginning keeps the founders and the team focused on their social mission which results in the hiring of people who are committed to the cause as well as to the organizational practices that are aligned with the social mission of the enterprise. However, this emphasis on social mission can weaken the economic productivity and efficiency of the enterprise.

Through qualitative interviews with SK Happy Narae, we attempt to understand how social imprinting plays a role in the largest social enterprise in South Korea. In case of Happy Narae, initial findings suggest that dependence on the founding company gives the social enterprise much needed financial support and even though the organizational practices are more in line with the organization's social mission to assist smaller social enterprise, this handholding makes the smaller social enterprise survive but not necessarily sustainable in the long run.

SK and Social Enterprise

SK Happy Narae has come a long way and a large credit for that goes to the SK Group. SK, the diversified Korean conglomerate (or Chaebol) is the pioneer of Corporate Social Entrepreneurship in Korea. SK has been actively involved in the social enterprise sector throughout the past few decades. Mr. Choi Tae Won, SK CEO talked about the importance of creating social value in the World Economic Forum at DAVOS (Whan-Woo Yi, 2014).

The motivation behind this commitment to a for-profit sustainable model for socially conscious business comes from Mr. Choi who just recently wrote a book about social enterprises and their role in the economy—"Seeking A New Way, Social Enterprise"—which was in turn inspired by the business philosophy of his father- the late SK Group Chairman Choi Jong-Hyun- who emphasized the importance of social responsibility in business (Tae-Won Choi, 2014). Based on strong commitment from top management, SK took a step ahead in this direction which has increased the involvement of Chaebols like LG, POSCO and Hanhwa to get involved in social enterprises in Korea. From 2005 and 2014, SK created a total of 16 social enterprises. These SK social enterprises created revenue of 227.83 billion won with social value of 20.06 billion won (The Happiness Foundation, 2014).

SK Happy Narae History: from a for-profit organization to a social enterprise

Happy Narae was formerly MRO Korea, a for-profit subsidiary of the SK conglomerate that worked in the maintenance, repair and operations sector and provided office supplies to SK and its multiple affiliates. It was established as a joint venture between SK’s group subsidiary SK Networks and US based Grainger in July 2000 to provide supplies like A4 paper, pens and ink toner to SK subsidiaries.

MRO Korea recorded annual sales of over 120 billion won (\$106. 62 million) in 2011. Amidst growing criticism in Korea that the MRO sector is a widely recognized domain of small and medium businesses, SK turned MRO Korea into a social enterprise which was officially renamed as Happy Narae Company Limited in 2012. Currently, its shares are distributed as follows: SKI 42.5%, SKT 42.5%, SK C&C 5%, SK Gas 5%, and SK Happy Foundation 5% (SK Happy Narae, 2015).

During the initial transformation period, several changes aligned MRO Korea with the objectives of a social enterprise. For starters, the current employees of MRO Korea were unfamiliar with the term ‘social enterprise’ and what it really meant in the Korean context. Hence, it was challenging for SK management to share their vision of Happy Narae. In order to make them understand the importance of social enterprise, all employees of the newly constituted Happy Narae participated in ‘One Day Experience Program’ at a small social enterprise that really underscored the reason behind Happy Narae’s existence. The employees were encouraged to share their experience on the company intranet which motivated fellow colleagues as well. Finally, in 2013 Happy Narae was officially recognized with the Accreditation as a Social Enterprise certificate from the government agency, KOSEA (Korea Social Enterprise Promotion Agency) under the condition that it spends two thirds of its earnings on public purposes each year, and hires from underprivileged members of society (SK Group, 2015).

Overview of MRO industry

MRO can be defined as “all actions which have the objective of retaining or restoring an item in or to a state in which it can perform its required function. The actions include the combination of all technical

and corresponding administrative, managerial, and supervisory actions” (Maintenance, repair and operations, 2015). MRO goods can range from conveyor, nuts and bolts, plumbing, cleaning goods, etc. MRO has its industry-specific characteristics that differentiate itself from others. In general, an MRO can be represented in two forms: (1) unscheduled maintenance, and (2) scheduled maintenance. The unscheduled maintenance refers to when an MRO is involved to keep the device in working properly. The scheduled maintenance refers to taking actions for a preventive measure. To avoid any unnecessary production loss or safety failures, precautionary approaches are scheduled.

	Non-MRO materials	MRO materials
Importance	High	Low
Suppliers/ Number	Specific/Small	General/Many
Product Cycle	Regular base	Irregular base
Purchased Amount	Large	Small
Cost of Purchasing	Small	Large

Table 1. MRO versus Non-MRO Characteristics (Retrieved from Happy Narae web site: <http://www.happynarae.co.kr/>)

Happy Narae, Having a competitive advantage in MRO

Happy Narae clearly has a competitive advantage in the field of MRO as it is in a very niche field with few players competing for market share. Moreover, selling bulk supplies like nuts and bolts can be a huge challenge for small enterprises that don’t have the requisite experience and brand recognition to go ahead and earn big contracts. Whereas for SK Happy Narae, having a conglomerate associated with the enterprise gives it the necessary clout and purchasing power to buy from smaller social enterprises.

Organizational Reform: To be a social enterprise

The entire board of directors of Happy Narae was replaced by a new committee which consisted of leaders from the social enterprise sector and academia. The new committee’s mission statement is as follows:

“ SK Happy Narae supports other social enterprises by purchasing office supplies and promotes cooperative trading relationships with them to activate the overall social enterprise ecosystem. ”

(SK Happy Narae, 2015)

The company changed its employment structure from mostly outsourcing to hiring employees from the vulnerable, disadvantaged sections of the society. People with previous social enterprise experience are encouraged to join. Not surprisingly, there is huge competition to get an entry-level position at Happy Narae as can be seen from the number of applicants. In 2012, 380 people applied for 13 job openings and in 2014, 600 applicants for 15 job openings (40:1 ratio). Moreover, figures indicate a low employment turn-over ratio, indicating that less people are leaving the firm.

Year	2010	2011	2012	2013
Turn-over ratio	29%	15%	11%	9%

Table 2. Low turn-over ratio

Business Model

Happy Narae’s basic business model is to assist other small social enterprises by reinforcing their capabilities through (1) establishing an ecosystem that supports and promotes them to grow and become economically viable (2) fostering self-sustainability among social enterprises.

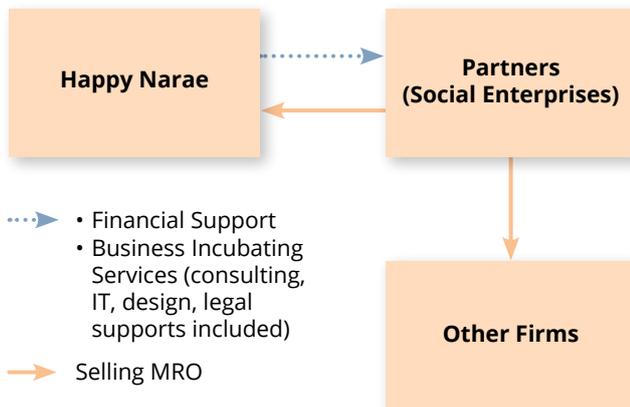


Figure 1. Business Model of Happy Narae (Created by authors based on interview)

The driving motive behind SK Happy Narae is to create an atmosphere where social enterprises can produce and sell materials at a profitable margin. But small enterprises find it extremely difficult to connect to potential buyers, partners, and set up a new business channel. To facilitate that, Happy Narae purchases office supplies from social enterprises, thereby giving incentive points or extra credits to them. In 2013, among 63 suppliers, around 32% (about 20 firms) were social enterprises that benefitted from this system (Table 3).

Establishing an ecosystem: Pay-back system

Since the primary motive of Happy Narae social enterprise is to build an ecosystem, they have instituted a unique policy of pay back system in which they return 50% of the profit to their partners. This pay back system serves two goals. Firstly, it reinforces SK Happy Narae’s commitment to support social enterprises by proving that Happy Narae is not just another Chaebol subsidiary out there to maximize project. Secondly, it gives the small social enterprise a really good opportunity to become financially viable. Compared to the accounting practices of other enterprises, SK Happy Narae has even fixed their final yearly accounting day 18 days ahead, which facilitates the accounting process of their partner social enterprises.

Fostering Self Sustainability: Mentoring & Consulting Services

Giving incentives and purchasing from small social enterprises is the best step towards promoting social enterprise. Happy Narae realized early on, that to make them sustainable a lot more needs to be done than merely buying products from social enterprises.

Having SK Happy Narae in their list of customers allowed a lot of enterprises to gain more customers due to their improved credentials. So, the preferential

Year	MRO Korea	Happy Narae (After becoming a social enterprise)			
	2011	2012	2013	2014	Growth Rate
Number of Partners as a social enterprise	3	55	63	100	77%
Number of early purchased produces from social enterprises	20	234	363	600	60%
Amount of early purchased produces from social enterprise	40 Million (won)	1.7 Billion	5 Billion	10 Billion	139%

Table 3. Monetary amount of supplies purchased from Social Enterprises (SK Mutual Growth Committee, 2014)

purchasing system definitely gave them an opportunity to advance. To consolidate that, from 2014, Happy Narae launched a social enterprise partner-supporting program. It's a bi-annual competition which aims to strengthen overall capability of social enterprises. In the first half of the year, the competition has a 'closed format' where only current Happy Narae partners can apply. In the latter half of the year, the competition has an 'open format'. There is a minimum criterion for companies that apply in the 'open format', such as having more than 3 years of sales history and sales record of more than 5 million won especially to companies in the MRO sector.

Challenges Ahead

With experience, SK Happy Narae has come across challenges in their endeavor. The most glaring among them is how to make social enterprises independent. Because of the preferential treatment

that social enterprises get in Happy Narae and in the SK group and the CEO's commitment, 80% of the sales of SK social enterprise partners come from other SK subsidiaries. A lot of social enterprises actually don't pay adequate attention to product quality. Opportunism and inefficiency has crept to the social enterprise partnership which has made them uncompetitive as compared to for-profit small and medium enterprises in the same sector. Now, Mr. Baek and the strategy teams has learned one thing for sure, the preferential purchasing system can definitely help social enterprises take the first few steps but it cannot help them compete in the marathon with other businesses.

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Asia's Impact Angels: How Business Angel Investing can Support Social Enterprise in Asia¹

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Abstract

Business Angels are typically high-net-worth individuals who invest their money and time into the early stage businesses of others with the objective of a financial return. They do so by acting either alone or in formal or informal syndicates called angel groups or networks. While angel investing in purely commercial ventures is widespread in countries with strong enterprise cultures, relatively little has been reported on the practice of angel investing for impact, i.e., providing capital and advice to social businesses whose intentional purpose is to create social value profitably.

We report here 13 impact angel investment initiatives in Hong Kong, India, Pakistan and Taiwan, and offer a tentative typology. New forms of enterprise, which address social problems or provide goods and services to low income communities, are gaining traction in Asia. We suggest that angel investing offers a useful model for the financing of start-up and early stage social enterprises in Asia.

The Ecosystem of Entrepreneurial Social Finance

The global phenomenon of social entrepreneurship has caused one of the most significant shifts in philanthropy over the last 50 years. Social entrepreneurs are challenging the established paradigm of reactive grant-making. Philanthropists now ask, "how can we best fulfil our mission objectives by responding to the innovations of social entrepreneurs?" The language and underlying attitude have shifted from donation to *investment* – a departure from subsidising charitable projects towards investing in the development and resilience of organisations.

The working paper (John, 2012) introduced the term *entrepreneurial social finance* to capture finance models that meet the needs of entrepreneurial nonprofits and social enterprises in Asia – an umbrella term for

a number of practices such as *venture philanthropy, enterprise philanthropy and impact investing*.

Since the term *impact investing* was first coined in 2008, its rise has been meteoric and its global promotion well resourced. Pure philanthropy is constrained by a one-way flow of capital. The promise of impact investing is to create social value by investing in socially focused enterprises with sustainable business models, which – when successful – offer a return on investment. Returns are reinvested in new ventures and create a virtuous cycle of socially minded investments.

The 2011 report by J.P. Morgan and Global Impact Investing Network (GIIN) estimated US\$4 billion² of potential impact investments for the following year and up to US\$1 trillion in the coming decade (O'Donohoe,

¹ This paper is a shortened, edited version of John, R. (2015). *Asia's impact angels: How business angel investing can support social enterprise in Asia. Entrepreneurial social finance in Asia: Working paper no. 4.* Singapore: Asia Centre for Social Entrepreneurship & Philanthropy, NUS Business School.

Leijonhufvnd, Bugg-Levine, & Brandenburg, 2010). Avantage Ventures (Chua, Gupta, Hsu, Jimenez, & Li, 2011) estimated the potential demand for impact investing in Asia alone to be as much as US\$74 billion in the 10 years to 2020.

Critics of the impact investment movement suggest that the figures used to describe the market opportunity are inflated by the longstanding flow of funds into developing markets for industrial development, infrastructure and new sectors such as clean technology. Even more distorting, argued researchers from Acumen Fund and Monitor Institute, is the claim that only a fraction of impact investing capital flows to pioneering social enterprises whose innovations are aimed at serving the poorest (Dichter, Katz, Koh, & Karamchandani, 2013).

Alto (2012) suggests that the real bottleneck in Asian impact investing will be the lack of philanthropic funding and advisory services necessary for early stage social enterprises to become impact investment ready. New ventures, whether commercially or socially driven, need access to appropriate funding across all the stages of their lifecycle provided by a progressive ladder of finance and advice (Figure 1).

Business Angel Investing

Business angel investing is generally accepted to mean individuals who invest both their money and time into early stage businesses with the objective of a financial return. They do so by acting either alone or in formal or informal syndicates called angel groups or networks. Angels are typically high-net-worth individuals and many are experienced entrepreneurs.

Data from 2007 suggested that there were over 350 angel groups and 250,000 angels in the United States who invested US\$26 billion in some 50,000 enterprises. The United Kingdom is thought to have up to 6,000 angels who invested up to £1 billion (US\$1.67 billion). There are angel networks in Australia, Canada, China, India, Latin America, the Middle East, New Zealand and South East Asia³ although data on the size of angel markets in these parts of the world is sketchy.

The tools of business angel investing are critical for helping young ventures grow through their start-up phase towards maturity to attract institutional investors.

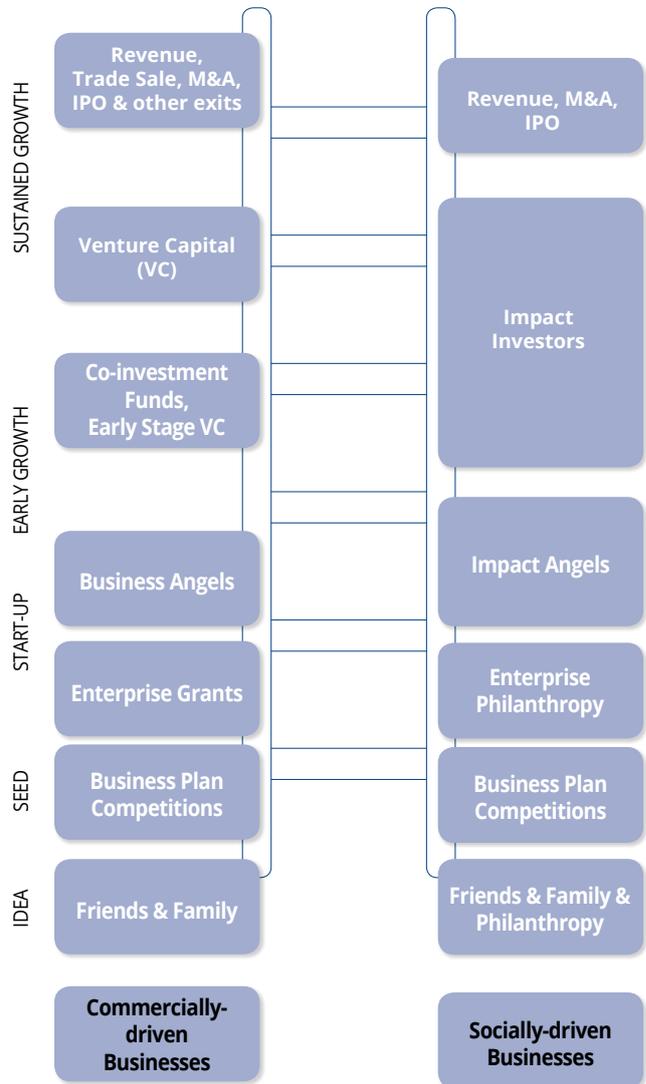


Figure 1: Finance Ladder (adapted from World Bank, 2014, p.11)

Impact Angels: Experiences from Developed Economies

Investors' Circle (IC) was launched in Chicago in 1992 and describes itself as "the oldest, largest and most successful early stage impact investing network in the world." In 2014 IC had more than 150 investors – typically high-net-worth individuals, venture capitalists, investment advisors, family office managers and foundation officers who have invested US\$185 million in 285 companies over 22 years.

² Throughout this paper, we have used 2014 approximate exchange rate in providing the US\$ equivalent of investment deals cited in local currency values.

³ The 2014 World Bank report offers a snapshot of angel investing globally, but inexplicably omits India (which has several networks, including the largest in Asia) and South East Asia (with a growing regional network).

Toniic was founded in the United States in 2010 to give a community of globally scattered impact investors a platform for better investment. Toniic does not explicitly call itself an angel network, but describes its 50+ members as including “business angels” as well as “individuals, families, family offices, institutional investors and foundations.”

Big Venture Challenge (BVC) was set up in 2011 in the United Kingdom as a social investment initiative of UnLtd, a support organisation for social entrepreneurs, and today hosts 83 angels.

ClearlySo, a London-based intermediary broker that matches capital with social enterprises, launched Clearly Social Angels (CSA) in 2012 and is now a network of 40 angels. In a typical deal CSA angels invest US\$50,000 – US\$66,000, but investments can reach up to US\$800,000.

Asian Impact Angels

During a study on collaborative philanthropy in Asia (John, 2014), we became aware of collective action by philanthropists, particularly in India, who sought to invest in businesses that potentially yielded a blend of financial and social return. This prompted us to report our initial findings of impact angel investment in Asia and offer an initial categorisation of angel models based on these observations. We observed the *migration* by traditional business angel groups into impact investing; *impact angel networks* (either *independent* or *embedded* within other organisations) and *individual* angels investing alone or in *ad hoc* association with others.

Migrating Angels

The Delhi-based Indian Angel Network (IAN), India's first formal angel collective, was set up in 2006 by entrepreneurs and grew to become Asia's largest with over 300 angels investing in start-up and early stage ventures in seven countries. Its members saw the potential of using the network's financial and intellectual resources to develop “businesses with a social cause,” resulting in the launch of IAN Impact in 2013. The network screens over 400 deals a month, of which up to 75 are eligible for impact investment.

Seven impact investments were made during the first year with up to 40 angels collaborating in club deals.

An investment in Gram Vaani followed after the rural technology enterprise was turned down as too small by institutional impact funds. Twenty-four IAN Impact angels co-invested with Digital News Ventures⁴, contributing to the funding round that totalled US\$500,000. Gram Vaani and the investors agreed on social impact metrics, which are presented and discussed at regular investor meetings alongside the more traditional reporting on business growth and profitability.

Business angel networks in Mumbai and Kolkata have also migrated into investing in social ventures. Angel networks were established first in India and have grown faster there than in other parts of Asia. We found no examples of mainstream angel networks outside of India that had *migrated* into impact investing in any publicly intentional way.

Impact Angel Networks: Independent & Embedded

The migrating angels in India originated in networks that traditionally focused on commercial investment opportunities. Our study revealed seven angel networks in Asia that exclusively focused on impact, which operated either independently or embedded in an organisation.

Invest2Innovate (I2I) is Pakistan's first sustained angel network and has incorporated social impact into its core investment strategy. I2I sources impact enterprises, which it defines as “for-profit businesses that provide an innovative product or service to address a long-standing social or environmental issue.”

I2I founder Kalsoom Lakhani describes the need to work at “both ends of the ‘dumbbell’ by strengthening the business skills of social entrepreneurs and educating angels about social impact.” Most of I2I's angels are entrepreneurs who had previously invested only in commercial start-ups and who intuitively view ventures through the lens of business profitability and exit. I2I helps them appreciate and evaluate

⁴ Digital News Ventures is part of Media Development Investment Fund, an impact investment fund that specialises in independent media.

the social value to be created in the ventures they support. I2I also runs an accelerator programme for entrepreneurs, partners with university incubators and business competitions to enhance deal flow, and works with venture capital firms to encourage follow-on funding.

Living Waters Social Ventures (LWSV) was incorporated in Taiwan as a social enterprise in 2011 to “connect social entrepreneurs with impact investors.” LWSV provides free technical advice to early stage social enterprises through a roster of consultants and interns. For larger, more complex ventures, LWSV works in partnership with Asia America MultiTechnology Association (AAMA) Taipei Cradle Plan, a mentoring scheme with origins in the collaboration of technologists in Silicon Valley and Asia.

LWSV maintains an “investor circle” – currently numbering eight impact angels comprising entrepreneurs and individuals drawn from the venture capital, accounting and legal industries. The group’s meetings have an intentional educational function covering topics such as the development of the social enterprise sector in Taiwan and the need for regulatory changes to foster the emerging sector. LWSV provides angel funding in the range of US\$30,000 – US\$300,000 and has made three equity investments within its first two years.

We saw above that Clearly Social Angels and Big Venture Challenge in the United Kingdom are hosted by existing organisations. In this study we identified two impact angel groups in India embedded within social finance intermediaries – Intellectap and Ennovent. In addition, two university-linked impact angel networks in India and Hong Kong illustrate the role played by alumni and students in early stage social ventures.

Mumbai-based Intellectap was founded in 2002 and developed into an ecosystem of financial and consulting companies promoting investments in enterprises that serve the base of the pyramid. In 2012 the Intellectap Impact Investment Network (I3N) was launched as a collaborative of angels providing early stage capital for ventures in healthcare, education, agriculture, clean energy, financial inclusion and water. By 2014 I3N comprised over 50 angels exploring deal sizes typically up to US\$170,000

and able to make individual contributions of up to US\$30,000; the network had screened 300 deals resulting in seven investments.

Ennovent was conceived in 2008 as an Austrian impact investment fund and today is co-located in Delhi and Vienna. In 2012 a group of entrepreneurs, investors, mentors and experts convened to form Ennovent Circle – a collaborative effort to source, mentor, invest in and scale enterprises in low income markets. The Circle comprises 15 angel and 10 institutional investors – mostly established impact funds or foundations. The investment deal size is typically below US\$1 million, with individual angels committing sums between US\$16,000 and US\$160,000. Most deals involve one lead angel and two to three others investing smaller amounts. The investments are made as equity or quasi-equity, with angels becoming closely engaged with the venture once the investment begins.

University-hosted enterprise incubators are a popular mechanism for leveraging entrepreneurship, mentoring, know-how and finance within the community of students, alumni and faculty. The Centre of Innovation, Incubation and Entrepreneurship (CIIE) at the Indian Institute of Management Ahmedabad has made impact investments since 2009 and has a pool of mentors; many drawn from the Institute’s alumni. CIIE wanted to foster personal investing within its alumni community by targeting those with little or no experience of the angel model. More than 40 alumni have become active angel investors in social enterprises individually or in club deals with other alumni.

The Pan-Asia Venture Development Platform (PAVD) is within the MBA programme at the Chinese University of Hong Kong. The platform is a vehicle for the practical, real-life teaching of venture financing for graduate students in the MBA programme. Entrepreneurs present their business plans to MBA students who evaluate the ventures and carry out limited due diligence. Student teams prepare investment proposals that are presented to PAVD’s group of 30 or so registered angel investors and judges. Up to 30 percent of the projects have been successful in attracting angel investment, with students also having the opportunity to make their own investment in any of the businesses.

Individual Angels

In the examples above we see impact angels who make their investments with others. Angels can also act independently, either as lone individuals or in ad hoc collaborations with other angels. Being part of an angel network brings advantages, especially the opportunity to evaluate a deal flow of pre-screened potential investments brought to the network by its executive staff. But angels are also discovering start-up businesses through their own contacts and business networks.

Sadeesh Raghavan is a first-generation Malaysian of Indian origin who transitioned from a 30-year career with consulting firm Accenture to become a supporter of social enterprise. He uses multiple networks, such as Acumen Fund and IAN, and also invests as an individual angel offering hands-on guidance to enterprises as a board member, mentor or advisor.

Patrick Cheung grew up in Hong Kong, and built and sold a multinational packaging business before dedicating his life to philanthropy. Disappointed with the culture and failings of the charity sector, he focused on supporting social enterprise as an entrepreneur and angel investor. He obtained the Hong Kong licence for the Dialogue in the Dark (DiD) social franchise, a global network of exhibitions that provide sighted people the experience of the visually impaired. DiD Hong Kong has been a commercial success while maintaining its core social impact objectives. The enterprise broke even after two years and planned to increase sales revenues to US\$2.6 million in 2014.

Cheung and Raghavan exemplify what Schervish (2006) calls “hyperagency” in philanthropy and social investment – the institution- and industry-building

capacity of private sector wealth creators who apply their resources, attributes and worldview to the social sector. Such “hyperangels” invest in social enterprises and want to help shape the investment ecosystem. They approach the emerging marketplace for social enterprise with the same insights that made them industry and system builders in their professional careers.

Conclusions

Enterprises, whether explicitly *social* or not, require funding and advice from start-up to maturity. Angels take the risks associated with such ventures and fill the funding and advisory gap between *friends and family* and later institutional investors. Philanthropists who have traditionally given grants to charities are increasingly experimenting with a more diverse toolbox of financing instruments, such as loans and investment equity in support of social enterprises. Within this developing landscape, we identified the practices of business angels and their networks in Hong Kong, India, Pakistan and Taiwan.

The Asian impact angels in this paper are not numerous nor the result of extensive enquiry, and we suspect there is more activity than reported here. We have documented angel investing through the *migration* of business angel networks into the impact space: from specialised *impact angel networks* (operating independently or embedded in impact intermediaries) and from the agency of *individuals* (Figure 2). We anticipate the growth of such angel models across Asia in response to the changing tastes of philanthropists for non-grant based social investment and the increasing number of opportunities in the developing social enterprise sector.

Type	Initiative	Year Formed	Country
Migrating Angels	Calcutta Angels	2013	India
	IAN Impact	2013	India
	Mumbai Angels	2006	India
Impact Angel Networks	Independent		
	GIVE Venture Partners	Unknown	Hong Kong
	Invest2Innovate	2011	Pakistan
	Living Waters Social Ventures	2011	Taiwan
	Social Investors Club (Disbanded in 2012 and re- formed as Giinseng)	2010	Hong Kong
	Embedded		
	Ennovent Circle	2012	India
	I3N	2012	India
	Pan-Asia Venture Development Platform	Unknown	Hong Kong
	The Centre of Innovation, Incubation and Entrepreneurship (CIIE)	2009	India
Individual Angels	Patrick Cheung	-	Hong Kong
	Sadeesh Raghavan	-	India

Figure 2: Summary of Asian Impact Angels and Networks

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Making Sense of Social Enterprises in Singapore: A Loop Learning Process

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Abstract

In recent years, social enterprises are growing in numbers and size to address unmet social needs. The business models and organizational forms of social enterprises vary drastically across countries due to different socio-economic, legal, and regulatory contexts. And, when stakeholders such as investors, funders, entrepreneurs, and policymakers engage in disagreement over what a social enterprise is or is not, resources allocation challenges will limit the sector's growth. To overcome the conundrum over definitional challenges in Singapore, we bring together thought leaders within her social space and use a triple loop participatory active listening method (TLPAL) to distil three consensual key characteristics of a Singapore social enterprise. We find that the learning experience not only results in a common language that gives sense and clarity but also enhances the conviction to the sensemaking itself. Going forward, we hope to see that the outcome of the learning experience leads to the growth of the Singapore social sector.

Introduction

Social enterprises are growing in numbers and size around the world to provide solutions to unmet social needs. Due to different institutional settings and historical development, social enterprises are defined differently in practice and academia, and appear in diverse organizational and legally constituted forms across countries. Until today, there is no consensual definition on what a social enterprise is or is not (Choi and Majumdar, 2014). The lack of a clearly defined boundary of this type of organization can lead to

significant hindrance in growth and capacity building. In this paper, we aim to tackle this challenge for social enterprises in Singapore.

We design a triple loop participatory active listening method (TLPAL) to discuss what a social enterprise is or is not in its local context. The TLPAL method filters out the noise and disagreement among stakeholders in order to distil a common language and understanding on what key characteristics social enterprises should

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have in Singapore. We invite 24 stakeholders such as social entrepreneurs, policymakers, investors, intermediaries, grant-makers, corporates and the media. The essence of the TLPAL method first appeared in Seah (2005) as PAL method, which is used to engender organizational learning and transformation in a religious organization. We adapt the original PAL into the TLPAL method and apply it in a secular setting to resolve a highly debatable and ambiguous concept – what a social enterprise is or is not.

Through the TLPAL process, the key characteristics of social enterprises in Singapore are narrowed from more than twenty to three unanimously-agreed distinctive ones. They include: 1) A contextually relevant social mission at (re)birth with a business model; 2) A social mission which flows through the products, services and operations, and where all social impact achieved is consistent with the mission; 3) An intention and roadmap to sustainable financial performance. The findings would not only allow future systematic research on Singapore social enterprises, but can also help to generate constructive and developmental feedback on these enterprises for their social and financial sustainability.

The Development of Social Enterprises around the World

The development of social enterprises is intertwined with local and regional socioeconomic and institutional contexts (Stephan, Uhlaner and Stride, 2015). Social enterprises can be located within and across the third (or people), public, and private sector (Chell, Nicolopoulou and Karatas-Ozkan, 2010). The organization forms of social enterprises can be nonprofit, for-profit, and hybrid forms (Murphy and Coombes, 2009). Different political, legal and regulatory frameworks can further differentiate the social enterprises in one country from another (Bacq and Janssen, 2011). We group the development paths of social enterprises in different countries into four broad categories as follows based on the origination of social enterprises:

1) Nonprofit Organization Spin-offs:

These organizations are developed from traditional nonprofit sector to increase revenue sources by conducting profit-generating activities (Hoogendoorn, Pennings and Thurik, 2010). The spin-offs are engaging

in business activities that are not necessarily new, but may be related to the core activities engaged by the original nonprofit organizations (Dees and Anderson, 2006; Poon, 2011).

2) Social Innovations:

These organizations are created or established to tackle social issues in a new or better way. The main purpose of these organizations is to bring some change to the society. But it can also generate income.

3) Nonprofit Organization Spin-offs with Government Support:

These organizations are created from the collaborations between non-profit sector and the public sector – the government to provide social services. The support of the government is significant and the government is one of the key stakeholders in this type of organization.

4) Social Innovations with Government Support:

These organizations are created from the private sector to address social needs but are supported by the government in terms of regulation, legal protection, insurance, and possibly seed funding and other types of financing etc.

The Current Landscape of Social Enterprises in Singapore

Although Singapore only became an independent nation since 1965, the first form of social enterprises appeared decades earlier in 1925 as the Singapore Government Servants' Co-operative Thrift and Loan Society. Since there were no banks or other formal financial institutions at that time, about 43 more thrift and loan societies were formed from 1925 to 1944 to cater to the financing needs of civil servants, teachers, custom officers and other working adults.

Over the years, different forms of social enterprises start to emerge within the country. The forms of these organizations include public companies limited by guarantee, private companies, limited liability partnerships, limited partnerships and others (Prakash and Tan, 2014). By January 2015, there are more than 279 self-identified social enterprises in Singapore. The targeted beneficiaries include ex-offenders, stay-at-home mums, the poor, people with disabilities, children with special needs, youth-at-risk, and the elderly etc.

More importantly, as the social sector in Singapore continues to grow, there are increasing interests from both the private and public sector in capacity building initiatives. From the private side, the DBS Foundation, a spin-off from the normal for-profit commercial bank in Singapore since 2014, provides financial resources to social enterprises start-ups not only in Singapore but also in the region. From the public side, Singapore Enterprise Association (SEA) was established in 2008 to build the capacity for the sector. In March 2003, Social Enterprise Fund (renamed as ComCare Enterprise Fund after 2005) from Ministry of Social and Family Development (MSF) was created to provide seed funding for sustainable new and existing social enterprises that trains and employ the needy and disadvantaged citizens in Singapore to help them become self-reliant. More recently in May 2015, four government agencies including SEA, MSF, Singapore Totalisator Board (Tote Board) and National Council of Social Services (NCSS) have worked together to launch a new one-stop centre, the Singapore Centre for Social Enterprise (SCSE), to help social enterprises to start up, grow and become sustainable. This is a major step for the capacity building in the social sector in Singapore.

To date, the biggest challenge faced by the sector in Singapore is the confusion on what social enterprise is and what is not. Given the history of free development, social innovations have appeared in different organizational forms. There is no legal or regulatory framework established for Singapore social enterprises. The lack of clear understanding on social enterprises makes it hard for various stakeholders such as funders and investors to identify investment-worthy opportunities. This information gap may hinder the growth of the sector. This is what we intend to resolve in this paper.

Making Sense of Social Enterprises in Singapore

Our key research question is: What are the key defining characteristics of social enterprises in Singapore? By addressing this question, we aim to form a common language to give a common understanding. We move away from definitions, labels, models or approaches to social enterprises to the intrinsic characteristics that make one a social enterprise. To do this, we apply grounded theory, using first principles to generate consensus from the stakeholders in the field. We identify 24 individuals from seven groups

of stakeholders to participate in this Community Consultative Circle (CCC) (Lam, Prakash and Tan, 2014). Table 1 reports the breakdowns of the participants from seven groups. Among all the participants, about 54% are male and 46% are female.

Category	Number	Percentage
Corporates	2	8
Grant-makers	3	13
Intermediaries	3	13
Investors	3	13
Media	1	4
Policymakers	4	17
Social Entrepreneurs	8	33
Total	24	100

Table 1: Professional Affiliations of Participants in the Community Consultative Circle

This table presents an analysis of the professional affiliations of the participants in the Community Consultative Circle (CCC). There are seven categories. Number refers to the number of participants in each category. Percentage is computed by dividing the number of participants in each category by the total number of participants.

The Triple Loop Participatory Active Listening Method (TLPAL)

Seah (2005) is the first one who operationalizes the triple loop participatory active listening (TLPAL) for organizational learning and transformation. The theoretical basis for the proposed method can be traced back to single-loop learning (or proto-learning) and double-loop learning (or deutero-learning). The questions being answered under the two approaches are: “are we doing things right? (single-loop) and “are we doing the right things?” (double-loop). The literature has also proposed the idea of “triple-loop” learning (or higher level of learning in different forms) that goes beyond single- or double-loop learning experience. Nevertheless, the theory of higher order learning mostly remains conceptual rather than empirical (e.g., Tosey, Visser and Saunders, 2011; Reynolds, 2014). The most comprehensive and robust empirical evidence that supports the effectiveness of higher level learning is documented in Seah (2005).

In our setting, we are tapping into the knowledge and experience of 24 key stakeholders in Singapore’s social sector. This is the first time that we operationalize TLPAL to bring learning and consensus on a highly debatable concept in practice such as what a social enterprise is or is not. TLPAL allows for a bottom-up approach to aggregate and distil information

through multiple cycles of active listening, discourse and learning for consensus building.

To start, we divide 24 participants into five primary groups. Each primary group consists of four to five members. A group facilitator facilitates the group’s discourse on the research question in the first learning loop. The group members will each apply active listening and discussion. This is the “discourse” step. Subsequently, the group facilitator will work with all the group members to summarize the key points in writing, which would be subsequently carried over into the subsequent learning loop. This is the “intra-group integration” step in the first loop.

In the second loop, one member drawn from each of the five primary groups will form a new secondary group. In other words, each member in the new secondary group comes from a different primary group. All the new group members will each share his/her summary from the primary group with others. This is the “discourse” step in the second loop. Then the group facilitator will help all members again to work together to agree upon summary points. This is the “inter-group integration” step as the key points are drawn from different primary groups.

In the third and final loop, each participant goes back to his/her primary group again. Three things happen in sequence. First, each primary group has to “re-construct” the key points brought back from five different secondary groups. There is a further distillation and integration of the original key points summarized from the primary group in the first learning loop, which is the “intra-group” summary. In the second step, one group representative from each primary group has to present the re-constructed output to the audience. This process requires the representative to distil the integrated output into a coherent presentation. Moreover, the presentation would also allow the audience to listen to the key points

from all groups. In the last step (of the third loop), the chief facilitator aggregates all the key points from the five group facilitators and presents the summary key characteristics of a social enterprise to the audience, highlighting the contribution made by each primary group. Every participant can freely voice out his or her opinion about the overall summary learnings from the three learning loops. This concludes the TLPAL Method.

Findings and Discussions

We have two main findings from the application of the TLPAL Method in answering the key research question. First, we have kept track of the key characteristics raised and agreed upon from each learning loop. It is apparent that the number of agreed upon characteristics are reduced through the three learning loops even though the number of characteristics raised is not shrinking.

Panel A in Table 2 shows that the number of key characteristics has converged in the final loop with the primary groups. On average, there is a reduction of two key characteristics. This suggests that the TLPAL Method has helped to reduce the noise in the discourse to arrive at the final consensus. Panel B in Table 2 gives further insights into the innovation of the learning process over the three learning loops, reporting on the number of key characteristics raised as the participants learnt about what characterizes social enterprises in Singapore. With inter-group learning, the total number of key characteristics raised increased on average from 11 in the primary group to 19 in the secondary group. At the primary group level, we also observe the effects of the inter-group learning when the average number of key characteristics grew from 11 in the first loop to 14 in the third loop. The results suggest that learning has taken place.

Panel A: The Number of Agreed Key Characteristics						
Number of Key Characteristics	Group 1	Group 2	Group 3	Group 4	Group 5	Average
Primary Group	4	4	4	5	6	5
Secondary Group	8	8	5	3	3	5
Primary Group	3	4	3	2	4	3

Panel B: The Number of Key Characteristics Raised						
Number of Key Characteristics	Group 1	Group 2	Group 3	Group 4	Group 5	Average
Primary Group	19	7	11	9	8	11
Secondary Group	24	20	26	9	17	19
2nd Time Primary Group	21	13	20	4	13	14

Table 2: Number of Key Characteristics of a Social Enterprise

This table presents the number of key characteristics of a social enterprise that are abstracted from each group’s discourse in the primary and secondary groups respectively. Panel A shows the number of key characteristics that are agreed and printed out for the participants during the TLPAL process. Panel B reports the total number of key characteristics raised.

Second, we have identified that the final set of six key characteristics of social enterprises in Singapore are not agreed upon in total by all five primary groups. This is consistent with the understanding that what a social enterprise is or is not is still “debatable”. But at least, the TLPAL Method helps to bring some convergence in language and understanding as there is consensus across all five groups on the top three key characteristics of a social enterprise in Singapore.

To the best of our knowledge, this study is among the first to document empirically the effectiveness of higher order learning. Our findings suggest that the proposed TLPAL Method is effective in attaining our research objective: Establishing a common language and understanding among key stakeholders on what a social enterprise is or is not in the Singapore context. They include: 1) A contextually relevant social mission at (re)birth with a business model; 2) A social mission which flows through the products, services and operations, and where all social impact achieved is consistent with the mission; 3) An intention and roadmap to sustainable financial performance (may have multiple revenue streams).

The other three key characteristics raised from the final summary are receiving less unanimous attention. The votes range from 2 to 3 out of 5 groups. They include 4) Based on business processes and thinking;

5) Continuous balancing of dynamic tensions across business and social objectives; 6) Inclusion of the organizations that are in the value-chain of the social enterprise eco-system.

Conclusion

This paper presents how we use a novel method - triple loop participatory active listening (TLPAL) to reach consensus among key stakeholders on the understanding of social enterprises in Singapore. In the literature on social entrepreneurship, the definition is highly debatable and ambiguous. Drawing on the organization learning properties from Seah (2005)'s PAL method, we apply the TLPAL method to answer the research question of what a social enterprise is or is not. We have demonstrated that consensus can still be built on what characterize social enterprises. We hope that this common language and understanding can be built upon for a more systematic research and education agenda for the development of the social sector in Singapore.

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