

Social Entrepreneurship: Revisited

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In the Philippines, as well as other parts of Asia, social entrepreneurship organizations have metamorphosed over the last twenty years. There was an avalanche of resources to support both government and non-government development efforts during the first ten years. NGOs embraced multifarious activities and violated the basic management principle of focusing on core competencies. Furthermore, social impact studies conducted by donors were not encouraging. These led to the decline in donor resources for NGOs, whose numbers likewise fell. The nineties, however, introduced to the rest of Asia models as the Grameen Bank and the many self-help schemes for organized communities. Many Philippine NGOs ventured into micro-financing, with corporate and faith-based philanthropic organizations leading the way. Today, micro-financing institutions (MFIs) have proliferated nationwide.

Early this year, Dr. Morato decided to take on the leadership of one of these MFIs, the ABS-CBN Bayan Microfinance Foundation. The challenge for Bayan, as for other MFIs, is how to become more and more social and how to become more and more entrepreneurial. The performance measures of Bayan did not incorporate the important social dimensions and monitor the progress of the client system we were dedicated to serve. Given substantial consultation, capacity-building, and paradigm shifting, Bayan moved towards the direction of becoming a model social entrepreneur in every sense of the word.

Aspiring to become a more socially relevant organization is one thing, trying to become a truly entrepreneurial organization poses the bigger challenge. To propel the entrepreneuring part of social entrepreneurship, there is a need to understand what makes and motivates entrepreneurs.

In a major research undertaken by Dr. Morato, the key question posed was – what motivates, encourages, and influences entrepreneurs to set up and grow their businesses? To deepen the researcher's understanding of the major drivers of entrepreneurship, he focused on four industry clusters where entrepreneurial activity has been high. He studied the industry dynamics of these four clusters and complemented them with 17 entrepreneurial case studies. A nation-wide survey of 180 entrepreneurs was also done.

The study aimed to validate 59 most frequently-cited factors on the motivation of entrepreneurs. These factors were categorized into seven general factors, namely 1) Macro-environmental factors; 2) Cost of doing business; 3) Cost of producing products and delivering services; 4) Market opportunities; 5) Industry clusters; 6) Ancillary and related industries and 7) The entrepreneurs.

In the survey of 180 respondents nationwide, the entrepreneurs were asked to rate the seven general factors. The specific factors which had the most number of top box (very important) are ranked as follows (top five): 1) Availability of personal resources (the entrepreneur); 2) Entrepreneur has skills, talent, and motivation; 3) Peace and order; 4) Availability of capital; and 5) Management and labor relations.

Extremely high percentages were recorded by Entrepreneurial factors. Another group of high percentages were registered by three Macro-environmental social factors. Industry Cluster Conditions also figured prominently while factors under Market Opportunities and Related, Ancillary Support Services received low scores.

These statistics imply that entrepreneurs look at themselves, their personal capital, and their capacity to run an enterprise before venturing into business. At the same time, they are very sensitive to the investment signals sent by the macro-environment, both social and economic. They are confident to invest if the investment climate is favorable, they assess the basics of producing their products or services, and they evaluate industry cluster conditions with focus on capital availability, raw materials, and natural resources.

The next group, comprising of twenty-two specific factors, recorded 50% to 69% of all the respondents saying that these were very important factors. Seven of these 22 specific factors were Micro-environmental factors; three were in the Cost of producing products; two were in the Cost of doing business; one was in Entrepreneurs; two were in the Industry cluster conditions; and four were in Related, Ancillary, and Support Initiatives.

In the Philippine context, the business environment and surroundings are very important to the entrepreneur. Competitiveness in terms of costing, and eventually, surviving the demands of business loom large as well. Combined, the specific factors which deal with costs and market growth (or access) comprise the essentials of enterprise profitability and sustainability.

The survey of 180 entrepreneurs reveals six areas of possible intervention by social entrepreneurs and by government policy makers. These are the following:

Social entrepreneurs and public development agencies should endeavor to encourage and promote equity financing, quite apart from the traditional loan financing windows. There are successful equity financing models in other countries which could be replicated in the Philippines.

Social entrepreneurs, government and private industry associations should join forces to expand the coverage and reach of these livelihood and skills development programs oriented towards entrepreneurship.

The biggest contribution of government is to provide a safe, secure, and conducive environment for enterprise development and growth.

Supply chain management, which is procurement of goods and services needed for production, is critical to enterprise development. Social entrepreneurs should incorporate into their core strategies the establishment, development, and full activation of an effective and sufficient supply chain.

Social entrepreneurs can play a significant role in providing social and business enterprises more access to the market by assisting in the development of marketing channels, the holding of trade fairs and market promotion events, and the linking of social enterprise producers and entrepreneurs with market intermediaries or buyers.

Social entrepreneurs should also position themselves as capacitors and business enterprise by fully embracing modern management practices critical various critical fields.

In the study of four industry and seventeen case studies, the researcher discovered that a large number of entrepreneurs set up their business because of the presence of an industry cluster. Sheer proximity to the industry cluster and entrepreneur-relatives within the cluster spawned the formation of new entrepreneurs and enterprises.

Industry and enterprise creation accelerate where there is critical mass of raw materials and semi-processed goods suppliers, service providers, manufacturers, and marketing intermediaries huddled together in area-based community clusters. Clustering motivates suppliers, producers, and marketers to complete the entire Industry Chain. Both Clustering and Chaining causes the Convergence of government, industry, private, and voluntary development organizations to further develop and increase competitiveness and collaborative efforts of all industry stakeholders.

Open Forum

On organizations that gather social entrepreneurs to exchange ideas and experiences -

There are several networks in the Philippines and internationally, such as the Philippine Social Enterprise Network, Inc. (PhilSEN), the Conference of Asian Foundations and Organizations (CAFO), the International Network of Alternative Finance Institutions (INAFI), Ashoka: Innovators for the Public, the Swab Foundation for Social Entrepreneurship. This gathering intends to pursue networking among academics, teaching and research consultants and practitioners. At the end of the workshop, it is hoped that the participants can come up with resolutions regarding continuing partnerships and networking for these learning processes.

On cooperatives as social enterprises – There are distinctions in the kinds of SEs: one is the promoter, and the other one is engaged in the enterprise itself. In a way the cooperative is both- it is called the social entrepreneur and the social enterprise at the same time. In the earlier books of Dr. Morato, and in many of his case studies in SEs, cooperatives were the subject of study.

On bringing the SE program of AIM to Mindanao where there are more challenges -

Considering the distance of Mindanao to the AIM Center in Makati, the cost triples with transport when students are sent to study. However, there are challenges in Mindanao where SE may respond to. Dr. Morato explained that while it is the interest of AIM to provide this kind of assistance, the Institute also has to be sustainable to continue its operations and AIM is not heavily endowed with funding. Further, part of the problem in AIM is how to push these programs knowing that it has certain bottomlines to deal with.

Part of Dr. Morato's objective in joining the ABS-CBN Bayan Microfinance is to link-up with the media cell. They are now developing grassroots entrepreneurship modules, in partnership with other organizations. The idea is to come up with high visual, highly emotional, and highly interactive (right-brained approach) modules on SEs (i.e. marketing, finance) that can be conducted at the grassroots level. These have been tried with Wowowee¹ winners, in training them how to use the money wisely. In a few months or years, maybe this can be distributed for free. Training programs have also been initiated. A pilot teacher's training course has been conducted with NGOs. Bayan intends to expand this and train trainers for communities, with free materials.

This is part of AIM's mission: that if this country should be proliferated by SEs, NGOs should be capacitated so they can train the communities by themselves using materials that are friendly to trainers and friendly to the community.

Dr. Morato described the projects of Bayan.

In one of their training modules, Bayan prepared scripted films that illustrate different kinds of families (e.g. thrifty families, wasteful families, industrious families). These are then shown to program participants and they are asked who they identify with. At the end of the exercise, they do a personal and family budget in simplified form. The objective is to try to capture their imagination, engage them, and move on to better family wealth management.

Bayan found that the women are laden with household work, and are frequently tasked to loan money during budget shortages. The men, on the other hand, look for jobs. Bayan equips the men with technical skills so they can find jobs.

He stressed that the microfinance part is just the means. The objective of Bayan is to tap the resources of the big corporate sector and the media so they can be the ones developing the training programs, which can be proliferated and distributed to the rest of the Philippine society and even to the rest of Asia.

On defining social entrepreneurship - When social entrepreneurship started, it started with the word "entrepreneurship". Dr. Morato explained that entrepreneurship is not about putting up business and making money, but about increasing productivity, placing value-added, changing industry enterprise paradigms,

innovation, creativity, and pushing forward. The AIM program does not pass students because they made money in their business, but because they made a difference in their enterprises (i.e. did they change the business paradigm, did they contribute to the improvement of the industry, did their products become more competitive to the market). The basic question then is: Are you or are you not an entrepreneur?

The word “social” gives a distinguishing mark. According to Dr. Morato, in the business enterprises the market prices of the shares are expected to go up. In social enterprises, however, the dividends are expected to be social in nature-meaning the less advantaged and less privileged are benefited; such that the social enterprise makes a difference in their lives.

The difference cannot be tracked down without performance indicators (e.g. are we tracking the health, education, income of our clients?). A social entrepreneur should have indices of the target market that concerns them- the poor. Dr. Morato noted that it is more difficult to chart social indices than economic indices which can be made through simplistic comparison of balance sheets.

He stressed that the objective of entrepreneurs is to bring down the cost of transaction- make it very efficient, very economical, and more productive so as to give the poor a fighting chance. He added that it is not easy; it requires the SEs to rock their brain because it is not as simple as making money out of microfinancing.

On the percentage of SEs in the Philippines and its effects to microeconomics – From Dr. Morato’s definition, the answer is- very, very few; but with the simple definition, there are many. He noted that it is their job as academicians to move to stricter definitions.

He recalled that there was a proliferation of NGOs in the 1980s. Several organizations who wanted to serve the poor got funding from various parts of Europe and the US. In the 1990s, these funds declined. The analysis showed that very little impact was achieved.

In his experience as consultant to several NGOs, he observed that they engaged in activities where they are poorly capacitated (Dr. Morato called it “the blind leading the blind”). For example, the NGOs initiated enterprises when they don’t know about enterprise management and finance. This, to him, was simply about being a development worker, and there are millions of them.

The challenge to move towards the higher definition of SE is imperative to those belonging to poor countries if they are to make a difference in the lives of their countrymen. Dr. Morato opined that it is a disservice to try to put up enterprises and know nothing about enterprises. He remarked that he would rather go for debt not death, quality rather than quantity.

According to Dr. Morato, the word “competition” should not exist for true development managers. Competition is good only at the business enterprise level (during clustering phase). Collaboration, however, should be the focus; fostering the value of helping and partnerships to be more efficient.

He also made a distinction between livelihood and enterprise- livelihood being the activities engaged in by a family to provide for their daily needs, while the enterprise requires incorporating marketing, becoming efficient and productive, borrowing money professionally and paying it, and doing a better human resource management.

Dr. Morato said the challenge is in pushing these activities from livelihood to micro-enterprise to social enterprise level, adding that the clients need not always be the poor. In Filipino communities, the first available people you can hire are those who are unemployed.

* **Dr. Eduardo A. Morato, Jr.**, served as the Dean of the Asian Institute of Management (AIM) and its Washington Sycip Graduate School of Business from 2001 to 2003, capping his 25 years of distinguished service as AIM faculty member and administrator. Among others, Prof. Morato was chief architect of the Master in Entrepreneurship Program for small, medium and social entrepreneurs; spearheaded the establishment of the Master in Development Management (MDM) Program for leaders and managers of government and civil society organizations; and was instrumental in the introduction of the Master in Business Management (MBM) Major in Finance.

It is Dr. Morato’s vast experience in the public and private sectors, serving as chairman, vice-chairman, director or board member of venture capital and business corporations, academic institutions, voluntary development and government organizations, banks, marketing organizations, and manufacturing concerns, that has formed the foundation of his teaching, research, and business and community outreach initiatives.

Dr. Morato earned his Master in Business Management (with high distinction) from AIM and his Ph.D. in Public Administration from the University of the Philippines. In the early 1990s, at the time when social entrepreneurship was not yet the fad, Prof. Morato led pioneering research and educational efforts in this theme. In 1994, he offered the book “Social Entrepreneurship and Enterprise Development” and introduced an elective on the topic to masteral students in Development Management. It was also under his deanship that AIM launched the Master in Entrepreneurship for Social and Development Entrepreneurs.

Recently, he became social entrepreneur as President of the ABS-CBN Bayan Microfinance, one of the most prominent micro-finance institutions in the country, and was elected as President of the Philippine Renaissance Institute of Society of Metamorphosis, which has identified social entrepreneurship as an area of outreach.

¹ *Wowowee* is a trivia quiz contest in the Philippine television that awards large sums of money (up to a million) to winners.