

## **SOCIAL ENTREPRENEURSHIP: AN ASIAN PERSPECTIVE\***

### **Introduction**

In Asia, many organizations traditionally known as non-profits are now engaged in wealth creation. Their initiatives have established enterprises linked to the pursuit of development goals. Rather than just capturing existing wealth through grants to finance development programs, these organizations are ensuring the sustainability of their organizations, programs and interventions among the marginalized sectors of society. They have entered the market place and are setting new benchmarks for doing business. In the process, these development players are reconfiguring the market as an arena of engagement, integrating social and environmental objectives with the financial bottom line. Social entrepreneurship is emerging as a useful framework informing these market engagements. In this context, social entrepreneurship research in Asia is evolving a body of knowledge, skills and attitudes on the art of managing enterprises with multiple bottom lines towards democratizing the market.

### **The Challenge of Sustainability**

Sustainability has become a favorite buzzword among development practitioners over the past decade. '*Sustainable*' has been used not only to characterize a desired future for communities and for society as a whole, but also to describe the desired impact of development interventions and the desired state of organizations working for a sustainable future.

In particular, the concern of civil society organizations\*\* (CSOs) for their sustainability has become an urgent item on their agenda because their traditional sources of funds—in the form of grants from public and private sources, both local and foreign—have become scarce. A number of nongovernment organizations (NGOs) that used to be dependent on grants have started to diversify their sources of income. Some have started to charge training, facilitation and other fees for their services. Others have set up enterprises that channel back profits to their development institutions. (Morales, 1997).

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\*\* Civil society organizations are private voluntary organizations of citizens that are established to pursue a mission, usually involving the interest of the public, marginalized groups or specific sectors of society. They include non-government development organizations, socio-civic groups, foundations and people's organizations.

A well-known example of such an enterprise is the Cabbages and Condoms Resort and Restaurant (C & C) in Thailand, one of the main enterprises set up by the Population and Community Development Association (PDA) to generate income to support its work. As PDA founder Mechai Viravaidya puts it: “We now have two wings—the NGO wing and the company wing. Our companies do business and bring in money for our NGO. In this way, we are our own donor.” (Jaturangkachoke, 2003).

A similar strategy is pursued by Bina Swadaya, a nonprofit organization serving the poor in Indonesia. Up to about 90 percent of Bina Swadaya’s annual budget of more than US\$5 million comes from the profits of nine subsidiary companies. One of these companies is the Bina Swadaya Tours, which specializes in community-based ecological tour packages covering national parks, primary forests, marine parks, and cultural heritage areas. (Haryadi, 2003).

The concern for the sustainability of development interventions beyond finite project time frames has also yielded new initiatives. In the Philippines, many health-care organizations that were built through past government and nongovernment interventions in community-based health have given birth to innovative forms of health-care financing, among them various social health insurance schemes (Flavier, 2003). Beyond the community, another interesting sustainability mechanism that has been put in place in the Philippines is the Kabalikat ng Botika Binhi Inc., or Partner of Village Pharmacies (KBB), a nonprofit corporation engaged in pharmaceutical trading. It was set up to sustain the supply of quality and affordable drugs to a network of botika binhi (literally: seed pharmacies), village-based pharmacies set up in urban poor and depressed rural areas now numbering 993 nationwide (Lee, 2004).

For some development actors engaged in organizing marginalized sectors for their socioeconomic upliftment, ensuring sustainability is about economic empowerment. They want to see marginalized groups gain control over strategic resources and market processes, so that these groups can be self-reliant in undertaking development in their own communities. (Serrano, 2004). A celebrated example of a cooperative as vehicle for empowering marginalized producers is the Kaira District Cooperative Milk Producers Union in India. It was inspired by Sadar Patel, a leader in India’s independence movement, and set up with the help of Patel’s colleague, Verghese Kurien, who led the cooperative in its phenomenal growth and development. The cooperative and its hundreds of village milk societies—more popularly known as Amul, after the brand name that they use to distribute their array of dairy products—continue to be a significant development force in the district and beyond (Paul, 1982).

All of these case studies show that the concern for sustainability, with its various dimensions, has made market engagements an important part of the development landscape. A mix of experiences has resulted from these initiatives. A number of these experiences have resulted in exemplary practices. Many other experiences, however, have turned out to be problematic, as development practitioners have realized that market interventions are complex, require capacities they may not have, and are affected by policy and market environments that seem to be beyond their control. At the same time, there have been unintended outcomes, including experiences of growing away from their social mission.

In this context, social entrepreneurship has emerged as a useful conceptual framework in Asia. Supported by the Social and Development Entrepreneurship Program (SDEP) of the Asian Institute of Management-Asian Center for Entrepreneurship (AIM-ACE), regional and national civil society networks such as the Conference of Asian Foundations and Organizations (CAFO) and the Philippine Social Enterprise Network (PhilSEN) have embraced social entrepreneurship as a framework in their efforts to create a space in the market for pursuing development

objectives. ACE is one of four schools in AIM, an internationally recognized management school seeking to make a difference in Asian societies by developing professional, entrepreneurial and socially responsible leaders and managers (AIM, 2002). CAFO is a network of grant making and operating foundations, implementing and intermediary organizations, research institutions and individuals from 11 countries and territories in Asia. (CAFO, 2001). PhilSEN on the other hand is composed of non-profit NGOs, institutions/agencies and social enterprises committed to build a critical mass of social entrepreneurs and people's enterprises in the Philippines.(PhilSEN, 2005)

Such partnerships between academics teaching and researching on social entrepreneurship and development practitioners engaged in market interventions has unleashed a pioneering process of research, knowledge generation, and model development. In this way, building capacities and competencies of development practitioners for market engagements have become better informed and more effective. A concrete manifestation of this is how the partnership between AIM-ACE SDEP and CAFO has yielded a book, *Creating a Space in the Market: Social Enterprise Stories in Asia*, that has enriched the readings and cases for teaching AIM's Master in Entrepreneurship for Social and Development Entrepreneurs (MESODEV) and the course on Social Entrepreneurship and Enterprise Development (SEED) offered as an elective in AIM's Master in Development Management Program, and as a non-degree course for aspiring leaders or managers of social enterprises or social enterprise development programs.

This paper shall draw heavily, but not exclusively, from the results of this research initiative.

### **Defining Social Entrepreneurship**

How is social entrepreneurship defined by this group of academics and practitioners in Asia?

Social entrepreneurship involves the promotion and building of enterprises or organizations that create wealth, with the intention of benefiting not just a person or family, but a defined constituency, sector or community, usually involving the public at large or the marginalized sectors of society.

This description of social entrepreneurship has many elements. First, it focuses on the study of wealth creation for development ends. The functional definition refers to organizations that operate in the market, a place where the exchange of goods and services takes place. Simply put, these organizations are engaged in selling a product or service to a specific market or set of customers. In this sense, it excludes development initiatives that do not involve wealth creation. Secondly, it does not include all wealth-creating endeavors, particularly those of business enterprises whose main reason for being is to generate profits for the enrichment of a few individuals or their families. Social entrepreneurship's primary stakeholders are the marginalized sectors of society.

The concept of social entrepreneurship may also be appreciated by studying the term social enterprise. In his book, *Social Entrepreneurship and Enterprise Development*, Eduardo A. Morató (1994), a professor who started social entrepreneurship research at AIM in the early 90s, articulates the following definition: "The social enterprise exists for a community of worker-owners who seek to jointly improve their lot through collaborative, cooperative, and prosperity-sharing mechanisms."

This is a useful benchmark for a social enterprise. However, when the AIM-CAFO Research on Social Entrepreneurship surveyed market engagements that were assisting the poor and marginalized sectors improve their lot in various ways, many of the initiatives were not worker-owned. Of the four examples earlier cited, only Amul in India is worker-owned. So as a result of the AIM-CAFO research, the definition of social enterprise broadened.

The Oxford American Dictionary (Ehrlich et al., 1980) defines an enterprise as “an undertaking, specially a bold or difficult one.” It goes on to include in its definition “a business activity, a private enterprise.” This, especially the reference to a private enterprise, provided a good starting point for broadening the definition.

In social entrepreneurship, one is dealing not with “*private enterprise*” but with what is best called the “*social enterprise*.”

### **Private Versus Social Enterprise**

The research defined at least three key elements that differentiated a social from a private or traditional business enterprise: (1) their primary stakeholders or beneficiaries; (2) their primary objectives; and (3) their enterprise philosophy (Dacanay, 2004)

In the traditional business enterprise, the primary stakeholders and beneficiaries are its stockholders or proprietors. These are usually individuals and their families who own the capital invested in the enterprise. In contrast, the primary stakeholders and beneficiaries of the social enterprise could be a sector, a community, or a group, usually involving the marginalized sectors of society, who may or may not own the enterprise. There may even be no stockholders, as the forms of organization of a social enterprise may vary. One form may be a nonstock, nonprofit corporation.

In terms of primary objectives, the traditional business enterprise has a clear bottom line: profit. The social enterprise, in contrast, is characterized as an enterprise with a double or triple bottom line. Like its business counterpart, it needs to generate surplus or profit. But such a financial sustainability objective is not the only bottom line. Depending on the nature of its constituency, the social enterprise may have a second bottom line: to achieve social objectives such as the capacitation or empowerment of a sector or group, or the improvement of their quality of life. A third bottom line, such as an environmental-sustainability objective or the preservation of cultural integrity, may also be part of these primary objectives. In reality, the achievement of these development objectives, whether social, political, cultural, economic, or ecological, is often at odds with the profit objective. This is why social entrepreneurship may also be called the art of managing multiple bottom lines in an enterprise setting.

In terms of enterprise philosophy, the traditional business enterprise is accumulative, while a social enterprise is distributive. The traditional business enterprise minimizes cost and maximizes profit to enrich the individual or family owners of the enterprise. In the process, the costs of doing business more often than not exclude social and environmental costs. A concrete example is when mining or logging companies create social and environmental problems or disasters in their host communities. Health problems caused by pollution, or livelihoods and lives lost through erosion and deforestation, do not figure in the feasibility studies of these companies or in their financial statements. Ecological economists call this externalizing social and environmental costs (Costanza, 1991). These costs are not borne by the companies but passed on to other parties, such as the communities and the general public. In other words, just as there's no free lunch, a firm's gain is somebody else's cost.

In contrast, the wealth derived by the social enterprise is distributed to a broader segment of society, instead of just enriching individuals or families. The social enterprise sees what are simply considered costs to be minimized by the traditional business enterprise, such as payments for raw materials and labor, as benefits to primary stakeholders such as farmers or the unemployed. At its best, the social enterprise generates profit or surplus with due regard to social and environmental costs, and makes a pro-active contribution to resolving social and environmental problems as part of its reason for being.

Table 1 encapsulates these three differentiating elements.

TABLE 1  
Key Elements Differentiating a Social Enterprise from a Private Enterprise

<b>Private Enterprise</b>		<b>Social Enterprise</b>
<b>Stockholders or proprietors:</b> individuals, families who own capital and invest such in the enterprise	<b>Primary Stakeholders/ Beneficiaries</b>	<b>A sector, community, or group</b> usually involving the poor/marginalized sectors of society who may or may not own the enterprise
<b>Single bottom line:</b> profit	<b>Primary Objectives</b>	<b>Multiple bottom lines:</b> empowerment/improvement of quality of life of the poor/marginalized; environmental sustainability or cultural integrity; financial viability
<b>Accumulative:</b> Minimization of costs, maximization of profits towards enrichment of the individuals or families; social and environmental costs externalized	<b>Enterprise Philosophy</b>	<b>Distributive:</b> Benefits distributed to a broader segment of society; profits are generated with due regard to social and environmental costs

### **The Social Entrepreneur and Primary Stakeholders**

Given these characteristics of social entrepreneurship, the research defined a social entrepreneur as an innovative person or institution that promotes the successful creation and operationalization of enterprises, enterprise systems, or enterprise development projects or programs to achieve defined development objectives.

This built on the definition of a social entrepreneur made by Morató (1994): “A social entrepreneur is an innovative person or institution, who promotes the successful creation and operationalization of enterprises or livelihood endeavors for those in need.”

There are important elements to the definition that need to be emphasized.

The definition considers social entrepreneurs as leaders and practitioners of social-enterprise development, and not simply advocates. It also insists that their initiatives—including single enterprises, multi-enterprise systems, or even programs and projects that develop social enterprises—need to exhibit success, in terms of achieving the social entrepreneurs’ development objectives.

Finally, the definition includes institutions as social entrepreneurs. These institutions may be a government agency, a civil-society organization, or even a business enterprise practicing corporate social responsibility. This is because, in many cases, social entrepreneurship initiatives involve institutions, not just individual leaders, as life-givers of social enterprises (Morató 1994). There are many cases in Asia where institutional social entrepreneurs from the NGO community set up social enterprises.

A sample of social enterprise cases featured in *Creating a Space in the Market: Social Enterprise Stories in Asia* (Dacanay, 2004), shows a variety of social entrepreneurs and primary stakeholders among the marginalized sectors of society. This is shown in Table 1.2. While the research initially hypothesized that the phenomenon of social entrepreneurship was characterized by the entry of civil society actors in the marketplace, the research results showed a broad cross section of development players from civil society, the government and the business sector playing the role of social entrepreneur. The cases studied however still showed a majority of the social entrepreneurs either as non-government organizations or as leaders of civil society.

**TABLE 1.2**  
**Variations of Social Entrepreneurs and Primary Stakeholders**  
**of Selected Social Enterprises**

<b>Social Enterprise (Country)</b>	<b>Social Entrepreneur (Type)</b>	<b>Primary Stakeholders</b>
Barangay Lati United Multipurpose Cooperative (Philippines)	Philippine Rural Reconstruction Movement (NGO)	Municipal fishers
Maireang Farmers' Group (Thailand)	Prayong Ronnarong (rubber farmer and community leader)	Rubber farmers
Prae Phan Women's Weaving Group (Thailand)	Kanda Sakolkiat (NGO leader)/Handicrafts Center for Northeastern Women (NGO)	Indigenous women
PEKERTI (Indonesia)	V. Wullur, C. Partowidodo, B. Ismawan, B. Sianipar, W. Laliseng (NGO activists)	Indigenous handicraft producers and marginalized artisans
Datamation Consultants (India)	Chetan Sharma (individual entrepreneur)	Marginalized women
Basix (India)	Vijay Mahajan, Bharti Ramola, and Deep Joshi (individual entrepreneurs, two with NGO background)	Poor and employers of the poor (subsistence workers; landless poor; small, marginal, and commercial farmers; micro and small enterprises)
Philippine Educational Theater Association (Philippines)	Cecile Guidote, Beng Cabangon, and others (artists and cultural workers)	Filipinos

*Source: Dacanay, Marie Lisa. 2004. Getting a Handle in Social Entrepreneurship in Creating a Space in the Market: Social Enterprise Stories in Asia. Makati City: AIM and CAFO*

## **Social Enterprise Objectives and Strategies**

In the course of the author's involvement in social enterprise research, she observed four types of social enterprise development strategies. These four are: resource mobilization, social inclusion, empowerment and intermediation. One of the main ways of differentiating these four types is according to the main objective or intent of the social enterprise development project. (Dacanay, 2004)

Empowerment strategies enable marginalized sectors to own and control social enterprises, so they may reap maximum benefits from it. The Barangay Lati United Multipurpose Cooperative, a social enterprise of municipal fishers in the province of Bataan in the Philippines was assisted by its partner NGO, the Philippine Rural Reconstruction Movement to own, control and reap benefits from managing a sari-sari store (a village grocery store) and a microfinance project. (Beasca, 2004). Also exemplifying the empowerment strategy was the Maireang Farmers' Group that was organized by Prayong Ronnarong to help the rubber farmers in his area in Thailand to process their rubber latex and trade their rubber sheets collectively. (Anukansai, 2004). The earlier example of the Kaira Milk Producers' Union in India also exemplifies an empowerment strategy of social enterprise development. A variation of the empowerment strategy is manifested by the Prae Phan Women's Weaving Group in Thailand. Here, the social entrepreneur, Kanda Sakolkiat and the Handicraft Center for Northeastern Women she set up, worked towards helping the indigenous women of northeastern Thailand revive their weaving tradition, and empower them over time (1987-1996) to own and manage a social enterprise that produced and marketed their woven products. (Anukansai and Boonrod, 2004) The latter exemplifies a devolutionary empowerment strategy as contrasted to the direct empowerment strategies observable in the other cases.

Social inclusion strategies assist groups of people who are stigmatized or marginalized by virtue of their physical, psychological or social circumstance, to restore their dignity and create avenues for their participation as productive members of society. Such strategy is exemplified by the Children Are Us Foundation (CAUF) and the Sunshine Social Welfare Foundation (SSWF) in Taiwan. These foundations have successfully set up and managed social enterprises -- a world class bakery and restaurant for CAUF and a gasoline station for SSWF. These social enterprises not only provide employment but more importantly, nurturing work environments for differently-abled people comprising the majority of their workers. (CAFO, 2005)

Intermediation strategies are exemplified by Basix of India and PEKERTI of Indonesia. Basix provides financial, agricultural, business development and institutional development services to the entrepreneurial poor and employers of the poor in India. (Loonker, 2004). PEKERTI Nusantara on the other hand provides product development and marketing support using the principles of fair trade to marginalized artisans in Indonesia. (Faizah and Saidi, 2004) Basix and PEKERTI are not owned by the marginalized stakeholders but provide immediate access to services among a critical mass of these marginalized stakeholders. The earlier example of the Kabalikat ng Botika Binhi in the Philippines also exemplifies an intermediation strategy in social enterprise development.

Resource mobilization strategies generate income from the sale of products and services to finance the operations of the core program of their respective development agencies. The Philippine Educational Theater Association (PETA), an organization of artists believing in

theater as a vehicle for education and empowerment, stages theater plays patronized by university students and provides production services to institutions wanting to use theater for advocacy. PETA uses the revenues it mobilizes from such to subsidize their conduct of theater workshops and organizing of theater groups among the youth in poor communities (Basco-Sugay, 2004). The earlier examples involving the Population and Community Development Association in Thailand and Bina Swadaya in Indonesia also exemplify the resource mobilization strategy of social enterprise development.

Without exception, all these aforementioned social enterprises pursued at least two types of objectives: a social objective directed at providing access to a service, improving the quality of life or empowering its primary stakeholders on one hand, and doing so in a financially sustainable manner, on the other.

In addition to the social and financial objectives, some social enterprises pursue a third bottom line. In the case of PETA, ensuring the cultural and artistic integrity of Filipino theater was a third objective. (Basco-Sugay, 2004). For other social enterprises, a third objective is the pursuit of environmental sustainability. This is exemplified by the Kooperatibang Likas ng Nueva Ecija or KOOL-NE in the Philippines. KOOL-NE is a joint venture between an NGO, the Philippine Rural Reconstruction Movement (PRRM) and KALIKASAN, a group of Filipino farmers promoting sustainable agriculture. The joint venture, which engages in the production and distribution of organic rice, pursues what it calls a triple bottom line of improving the quality of life of farmers, contributing to environmental sustainability and achieving financial sustainability. (Palomo, 2003)

### **A Distributive Enterprise Philosophy**

The distributive philosophy of social enterprises is manifested in various ways. One area of exploration is how they regard profit and growth. All cases studied see financial sustainability as an objective, but the nature of their social objectives have tended to frame their perspective of growth and the relative importance they give to enterprise profit.

While empowerment strategies share the objective of financial sustainability, they tend to give less importance to generating enterprise profit relative to the other strategies. For example, the Maireang Farmers' Group (MFG) in Thailand did not experience significant enterprise profits. But whatever the market situation, all members selling fresh rubber latex to the group received a stable income every fifteen days through their bank, receiving a higher price per kilogram of their produce compared with the normal market rate. Whatever the profit situation, the farmers continued to put their trust in the group and give their support to factory operations. (Anukansai, 2004). The group's reason for being was to act as a channel for directly distributing income to the farmers. Since the members of the group were the farmers who owned the social enterprise, dividends were not as important to them as getting a regular income from selling their fresh latex.

In terms of enterprise growth, Prayong Ronnarong noted: "We cannot expand our factories like other merchants do. We have limitations in terms of the required contribution for reinvestment and our capability to handle a big complicated business. Networking with other farmers' groups having the same interest as ours works best to overcome this limitation." (Anukansai, 2004). Indeed, MFG played a big role in networking with other rubber farmers to replicate their successful model. They consciously worked with these rubber farmers' groups to provide the volumes of rubber sheets needed to fill the orders of their big buyers. Growth to them meant building a network of interconnected social enterprises rooted in communities. (Dacanay, 2004)

Social entrepreneurs pursuing intermediation strategies on the other hand give a relatively higher importance to enterprise profits and growth. Their concern to increase the outreach of their services among marginalized stakeholders drives them to generate profits to sustainably finance their operations as well as expansion. At the same time, they face the need to raise additional resources, from profits or development assistance, for research to inform their interventions and to upgrade the capacities of their marginalized partner producers or stakeholders, so that they could become effective market players. Both Basix and PEKERTI sustained not-for-profit institutions such as Indian Grameen Services and Yayasan PEKERTI to ensure the holistic pursuit of their development interventions, as their enterprise side focused on sustaining and expanding their outreach and markets in a sustainable and efficient manner. (Dacanay, 2004)

In addition, PEKERTI practices a distributive enterprise philosophy in a distinct way as a Fair Trade Organization (FTO). FTOs like PEKERTI give marginalized producers or producer groups access to the world market using the principles of fair trade. These fair trade principles include the payment of fair prices to producers (which are usually higher than purely competitive prices), the payment of fair wages, the partial pre-financing of production, the prompt payment of deliveries, and the assurance of a long term relationship within the Fair Trade framework. (Gomez, 2001). By cutting the many layers of traders and acting as partner intermediaries serving consumers who likewise believe in fair trade, FTOs help marginalized producers reap the aforementioned benefits. What is usually accumulated as profits by regular traders are in this sense distributed as benefits to marginalized producers.

Social entrepreneurs pursuing resource mobilization strategies also give a bigger importance to generating profit, relative to those pursuing empowerment strategies. The Population and Community Development Association (PDA) of Thailand, Bina Swadaya of Indonesia and the Philippine Educational Theater Association (PETA) have set up enterprise projects precisely to generate resources, to borrow the words of PDA founder Mechai Viravaidya, so they could be their own donor. It would be self defeating for these enterprise projects not to generate surplus, as the pursuit of their respective core development programs depend on the adequacy of resources mobilized. What is interesting is how these NGOs have positioned their enterprises in a manner that is consistent with their respective advocacies and missions. This meant looking for customer segments who were willing to pay for their services. These paying customers, in effect subsidized their provision of services or development interventions among the marginalized sectors.

In pursuit of social inclusion strategies, Children Are Us and Sunshine Social Welfare Foundations, work towards the financial sustainability of their respective enterprises to ensure a continuing platform for providing employment and a nurturing work environment for their primary stakeholders. But they also want to generate profit to finance other specialized social services that their primary stakeholders need and to expand their outreach among the differently-abled. However, they may continue to mobilize resources from their donors and patrons (CAFO, 2005) In a sense, their perspectives of profit and growth are a hybrid between the intermediation and resource mobilization strategies: their enterprise side provides livelihood or employment services as well as resources to run their non-profit side that in turn provides specialized social services for their primary stakeholders. At the same time, their increase in outreach among their primary stakeholders is partly defined by how big they grow and how much profits they reap.

Overall, the concern for profit among social enterprises is not an end in itself but a means towards ensuring the sustainability of operations and/or increasing the outreach and quality of social and development impact on their target stakeholders. As has been shown by the aforementioned cases, what would normally be considered enterprise costs by private businesses are seen as benefits distributed to the primary stakeholders who may (as in the case of Maireang Farmers Group) or may not (as in the case of PEKERTI ) own these social enterprises. In this context, achieving break-even at the enterprise level may in some cases become an acceptable financial outcome. For intermediation and social inclusion strategies, profits reaped through enterprise operations is either in part distributed back to primary stakeholders in the form of higher prices, better staff salaries and benefits, other development interventions or are used to finance the expansion of their outreach. Resource mobilization strategies on the other hand generate profits for distribution to primary stakeholders in the form of development programs dedicated to them.

### **Social Entrepreneurship and CSR**

If social entrepreneurship is the art of managing enterprises with multiple objectives, how different is it from corporate social responsibility (CSR)? To answer this question, it is important to appreciate these two phenomena as emanating from different traditions.

Corporate social responsibility (CSR) is a tradition emanating from the business community. There were and are a number of business leaders and entrepreneurs who have been driven by their personal values and vision to set up companies with a clear social mission. But the spread of CSR was also a response of the corporate sector to the clamor from civil-society organizations and the public at large for businesses to be more accountable. Many companies also joined the CSR bandwagon as a result of a regulatory environment that encouraged corporate giving and penalized corporate practices deemed harmful to society. All of these factors pushed corporations to define social or development objectives to be incorporated in their policies and practices.

In the Philippines, a recognized advocate of CSR is the Philippine Business for Social Progress (PBSP), founded in 1970 as a nonstock, nonprofit corporation by a group of business leaders from 50 Philippine corporations. Member corporations appropriated a portion of their net incomes for PBSP to assist, manage, or finance programs and projects for the social and economic improvement of the Filipino poor. Government support for this system of corporate donations was encouraged through income-tax exemptions.

Describing the tradition of corporate social responsibility in *Our Legacy*, PBSP (2000) points out that this has been expressed by the business community in three ways:

- One way is for business firms to have community involvements with host or base communities that provide them with labor. The welfare of residents is addressed through community-relations projects.
- Another way is for corporations to set up their own social-development foundations to undertake projects more systematically, often beyond their base communities, and focused on specific target sectors.
- The third way is corporate citizenship. PBSP set up a Center for Corporate Citizenship as an effort to raise the concept of corporate social responsibility, from mere company support for projects, to the integration of social development in basic company

philosophy and practice. The model of a corporate citizen is one who has a larger role in society and who “not only looks at the material costs of operations, but the environmental and social costs as well” (PBSP, 2000).

It is the best practices of this third form of corporate social responsibility that intersect with social entrepreneurship.

One example of this intersection is Datamation Consultants, which was set up by Chetan Sharma, an Indian entrepreneur with a deep sense of social mission. Datamation Consultants provides data mining, software and Web-based solutions and business advisory services to companies in India. Among their clients are large Fortune 500 firms like Nestle and the Hongkong and Shanghai Banking Corporation or HSBC. Its business model, from the very start facilitated the inclusion of the disadvantaged in the workplace. Datamation Consultants established and funded Datamation Foundation to serve as an umbrella organization working with other NGOs to provide free or low-cost information and technology (IT) training courses to marginalized groups of women. The successful graduates of these courses are then hired as workers in Datamation Consultants. Thirty percent of its 1,880 employees across 30 offices are disadvantaged women it purposively recruited and trained. (Loonker, 2004)

Even as they serve important social objectives, practices in corporate social responsibility—including what are considered best practices—do not usually address the issue of enterprise ownership by marginalized sectors. This is the strength of empowerment strategies in social enterprise development as shown by BLUMPC and KOOL-NE in the Philippines as well as the Maireang Farmers’ Group and Prae Phaen Women’s Weaving Group in Thailand. Likewise, as cases in progressive intermediation, Basix divested ownership of one of its non-bank financial institutions to marginalized women (Loonker, 2004) and PEKERTI assisted some of their partner artisan groups to become independent social enterprises (Faizah and Saidi, 2004). Indeed, ownership by marginalized sectors—encapsulated in the concept of worker-owners introduced by Morató (1994)—is an important agenda of social entrepreneurship. This agenda is distinct to social entrepreneurship as a tradition. It is a tradition evolving from the entry of development institutions, practitioners, and advocates into the marketplace (Dacanay, 2004)

Even as there is value in studying social entrepreneurship as distinct from corporate social responsibility, these two strategies play complementary roles in pursuing an agenda of change in the marketplace. Leaders and practitioners of both could learn a lot from an exchange of experiences and a study of best practices.

### **The Market as an Arena for Development**

Social entrepreneurship is starting with a baseline where the global marketplace is dominated by big unaccountable corporate players, a reality that has been well-documented by Korten (1995) and Barnet and Cavanagh (1994). It goes without saying that, in such a scenario, the majority who are poor are playing marginal roles. Given its objective of creating spaces for greater and more meaningful participation of the marginalized sectors, social entrepreneurship at the macro level may be characterized as a strategy for democratizing the market. With a distributive perspective to profit and growth, social entrepreneurship’s mission of building a critical mass of social entrepreneurs and social enterprises effectively redefines the market as an arena for development.

The agenda of democratizing the market towards making it an arena for development cannot be pursued by social entrepreneurs and social enterprises alone. In the marketplace itself, social

entrepreneurs need to work with corporate leaders pursuing corporate citizenship as an agenda. Social entrepreneurs also need to work with civil society organizations, social movements and reform elements in government towards creating a policy environment conducive to social entrepreneurship. Above all, social entrepreneurs need to give attention to creating a consumers' movement supportive to social entrepreneurship.

### **Perspectives for Social Entrepreneurship Research in Asia**

Towards developing social entrepreneurship as a strategy to democratize the market, it would be interesting to pursue research that would define the state of social entrepreneurship in various countries in the region. This will entail not only looking at the state of social enterprise initiatives resulting from the entry of civil society and other development players in the market, but will also need to give attention to the role that governments, the corporate sector and small and medium enterprises, as well as consumers are playing or could play in its advance.

One outcome of such a study on the state of social entrepreneurship is defining context-specific perspectives and strategies specially in a region as diverse as Asia. The AIM-CAFO research focused on four countries in Asia: the Philippines, Thailand, Indonesia and India. In broad terms, these are all developing market economies where poverty remains a dominant concern. Much of the conclusions of the AIM-CAFO research therefore are most relevant to these and other countries that are similarly situated.

There are at least four other contexts in Asia where social entrepreneurship may be distinctly relevant: the context of developed market economies and affluent societies (e.g. Japan, Singapore, Hongkong, Taiwan), the context of socialist economies that are in transition to becoming market economies (e.g. China, Vietnam); fledgling economies in states that just acquired independence (e.g. East Timor); and local economies that were totally ruined by natural or social disasters (e.g. Aceh in Indonesia). Research as to how social entrepreneurship is becoming or may be relevant in these contexts will surely enrich the body of knowledge of social entrepreneurship.

CAFO had a glimpse of how social entrepreneurship may have a distinct character in affluent societies with developed market economies during the Asian Social Entrepreneurship Forum held in Taiwan on February 18-20, 2005 and with the initial results of an ongoing CAFO-initiated tri-city research in Taiwan, Hong Kong and Singapore. While all four strategies were found to be relevant, the most dominant type discovered in these affluent societies have been social inclusion strategies (CAFO, 2005; Koh, 2006). An interesting focus of research involving Japan and other developed market economies of Asia are cases of intermediation strategies using the principles of fair trade. Such would provide a North-South perspective in the pursuit of social entrepreneurship in the region.

As a whole, social entrepreneurship research in Asia still has to give attention to the role and participation of the corporate sector and governments in this unfolding phenomenon. Of particular interest are state or government-owned or controlled enterprises or corporations, which may be studied as a distinct type of social enterprise.

Initiatives of the corporate sector in working with social entrepreneurs or partnerships with civil society and/or governments in promoting social entrepreneurship would be another interesting area.

Defining the contours of a policy agenda conducive to social entrepreneurship and programmatic directions for its promotion by governments at various levels and in various contexts are also interesting areas of research. This will entail defining a baseline of the overall and specific policy environments promoting or retarding social entrepreneurship in the various contexts earlier defined.

As an evolving body of knowledge on the art of managing enterprises with multiple objectives, pioneering efforts have been done by a group of faculty at the Asian Institute of Management led by Eduardo Morato. In his book, *Social Entrepreneurship and Enterprise Development: Text and Cases* (Morato 1994), he introduced social enterprise development as a process of managing five life forces in six stages of the social enterprise life cycle. These life forces were the social entrepreneur (the primordial life force); the product or service (essence of the enterprise); its relevant world or external environment (the outer life force); social-enterprise operations (the regenerative life force); and social enterprise organization (its internal life force). Consistent with this framework, a significant percentage of the ongoing case research on social entrepreneurship at the Asian Institute of Management feature living stories showing the dynamic interplay of these life forces in social enterprise development. Such research efforts are providing perspectives for social enterprise management in the functional areas of marketing, organizational and human resource management, operations management, financial management and strategic management. For practitioners gathered at the Asian Social Entrepreneurship Forum (ASEF) in Taiwan on February 18-20, 2005, these perspectives for social enterprise management were identified as an area for continuing research critical to capacity development of social entrepreneurs. (CAFO, 2005).

### **Challenges of Social Entrepreneurship in Asia**

From the ASEF as well as the International Workshop on Social Entrepreneurship in Asia (IWSEA) co-organized by CAFO and AIM last July 6-8, 2006, one can cull three major challenges of social entrepreneurship in Asia: the challenge of education and alliance building; the challenge of scaling up and mainstreaming and the challenge of capacity development (CAFO, 2005; AIM, 2006):

The challenge of education and alliance building may be best appreciated by considering the relatively low level of understanding by a big segment of civil society and the development sector in Asia, of the market as an arena for change and development. This is aggravated by the disjointedness of efforts in the market as an arena, among civil society players at the micro and macro levels. Such disjointedness is evidenced by the lack of interconnectedness between efforts of micro finance institutions, fair trade organizations, cooperatives, enterprise development initiatives involving marginalized sectors, resource mobilization initiatives of non-government organizations as well as advocacy groups working on trade, corporate social responsibility and related issues. Alliances need to be developed between and among these players in the market to effectively advance a movement for social entrepreneurship in the region.

The challenge of scaling up and mainstreaming has three main elements: the lack of access to financial capital to scale up successful social enterprises; the lack of a policy and political environment supportive to social entrepreneurship; and a very weak involvement of the business sector leading to the lack of an interface between initiatives in corporate social responsibility and social entrepreneurship.

The challenge of capacity development takes cognizance of a good number of best practices among social enterprises in the region that can serve as cases for teaching and learning about the art of social enterprise management. On the whole however, there is still a relatively low capacity for building and scaling up social enterprises, among civil society actors who are, or are wanting to get into market engagements. Courses exist but there is a problem of access brought about by resource and language barriers. At the Asian Institute of Management (AIM) where efforts in developing education, training and mentoring programs are most advanced in the region, its Master in Entrepreneurship for Social and Development Entrepreneurs and its 5-day course on Social Entrepreneurship and Enterprise Development is still only able to cater to Philippine-based practitioners. While AIM modules have found their way as electives for its Master in Development Management and Master in Business Administration programs, a sustained outreach program still needs to be developed. Likewise, there is a need for more resources to continue to build the knowledge base that would ensure that capacity development marches in step with evolving issues and challenges of practitioners. Identified as current special concerns in research for capacity development are measuring social enterprise outcomes and harnessing social capital as a source of competitive advantage among social enterprises.

## Looking Ahead

Social entrepreneurship will undoubtedly continue to capture the hearts and minds of development actors in Asia. Its clear-cut pro-poor bias should resonate widely in a region which is home to about two-thirds of the world's poorest (UNESCAP, 2003). In this context, the challenge for academics doing social entrepreneurship research and capacity building is to strive to be relevant in serving the needs of practitioners, in the process assisting them to face the challenges ahead. Toward this end, it is hoped that social entrepreneurship could flourish as a distinct discipline in management education in Asia and elsewhere. As such social entrepreneurship can aid the process of building a critical mass of social entrepreneurs capable of transforming the marketplace towards equitable and sustainable development.

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