

A Practical Guide of Setting up a Social Enterprise

What is a social enterprise?

A social enterprise, generally speaking, is a business that targets at a specific social mission such as creating jobs and providing training to underprivileged groups, giving support to ethnic communities, promoting fair trade and building a community of harmony. It attempts to solve social problems by commercial means. Its profit will be principally re-invested in the business to create wider social impact. Maximising profit for the shareholders is not its primary target. In Hong Kong, there is no formal definition of social enterprise. Neither is there any formal registration system for social enterprises, nor is there any legal form as social enterprise in Hong Kong.

Usually we use ‘Double Bottom Line’ to describe the unique of social enterprise which embodies a relationship between ‘social objective’ and ‘financial goal’ as a self-sustaining cycle of interaction. Unlike ordinary social service agency, social enterprise has a clear business target to reach in order to maintain and sustain its operation. Yet, unlike an ordinary business enterprise, social enterprise is primarily driven by its social objective. In other words, both the ‘social objective’ and the ‘business target’ are indispensable components of social enterprise.

How does a social enterprise differ from an ordinary enterprise?

In practice, social enterprises in Hong Kong may take different legal forms. Thus, a social enterprise is not defined by its legal form but by its nature and ultimate objectives. Generally speaking, social enterprises in Hong Kong share some common features despite their diverse legal forms.

	Ordinary enterprise	Social enterprise
Main objective	- Profit maximisation for business owners	- Operate as a self-sustainable mode for achievement of social objectives

Operation model	- Profit maximisation	- Achievement of social objectives and self-sustainable
Social Objectives	- Not the mission of the enterprise	- Core value of social enterprises
Job creation for underprivileged groups	- Not necessary	- Can be regarded as one of the social objectives, particularly for the Work-Integrated Social Enterprise (WISE)
Profit distribution to owners	- Allowed	- Allowed, except for those social enterprises already granted tax exemption - In any case, profit distribution is not main aim of shareholders
Main objective and nature of business expressly stated in constitutional document	- Not compulsory	- Only applicable to social enterprise not granted tax exemption, but recommended please refer to SE Good Start Book Book 2 ' <i>Choosing a Legal Form and Recommended Practices</i> '
Maximum cap of profit sharing	- Not compulsory	- Same as above
Asset Lock	- Not compulsory	- Same as above

For detailed information and practice, please refer to SE Good Start Book 2 “Choosing a Legal Form and Recommended Practices”

Information

Have you thought about what the general public thinks of social enterprises (SEs)?
Would your customers agree to the value of the your social enterprise?

This question is of great importance to any founder of social enterprise. Commissioned by the Home Affairs Bureau in 2013, the HKCSS-HSBC Social Enterprise Business Centre and the Chinese University of Hong Kong conducted a research named "The Research Study on the Social Enterprise Sector in Hong Kong - to Capture the Existing Landscape of the Social Enterprises in Hong Kong". A telephone survey of over 1000 citizens was conducted to attempt to understand what they think of social enterprises and their consumption patterns. The findings are interesting:

- The general public speak highly of SEs. 78.5% of the people interviewed have heard of this term.
- Broadcasting media are effective channels of promotion as 73.3% of them have come to know SEs through them.
- 68.8% of them recognise that SEs should be able to make profit as well as to meet their social objectives.
- 72.4% of them believe that the model of achieving both profit and social objectives is feasible.
- Despite high level of public awareness, 54.3% of them have never bought any products from SEs within the six months before the survey.
- 69.5% of them, however, say they will definitely or probably buy SE products within the next 6 months.
- The respondents who have bought these products say that a hope that their consumption will benefit the whole society (58.2%) and their identification with the SEs' social objectives (48.7%) are the two major reasons supporting them to buy SE products.
- 60% of them are even willing to pay more for the products of SEs.
- 77.9% of them are willing to pay as much as 10% extra amount of money for SE products.
- 61.5% of them think it would be most convenient for them to buy SE products in supermarkets and convenience stores while 53.2% say housing estate stores.

The above results may help you understand the characteristics of your potential customers. For detailed information, please visit the website:

<http://www.social-enterprises.gov.hk/en/research/research.html>

Five Stages of Setting up a Social Enterprise: Inspire, Incubate, Innovate, Invest, Impact

You may now be at different stages in the process of preparing to set up a social enterprise. Some of you may still be identifying a social problem to focus on while some couldn't wait to register it as a company and to raise capital. Wherever you are, we suggest you to slow down a bit and examine your plan against the five-stage framework below to see if there is anything you can make further improvement.

First Stage: Inspire

Although responding to social issue is the core of social enterprise, what is often ignored by most social entrepreneurs is precisely this core function. Many founders of newly established social enterprises start with business model and plan rather than understanding the social problem. They usually spend much time on market researches, while seldom pay attention to understanding what the community or the people really need.

A social enterprise would be no different from an ordinary enterprise if it is not built on a thorough understanding of the concerned social issue and need. A perfect business plan will be meaningless if it lacks a soul - the social value itself. Therefore, the first, and indeed the most important step is to understand the needs / problems as well as the potentials of the community.

Census and Statistics Department

www.censtatd.gov.hk/home.html

Commission on Poverty Archives

www.povertyrelief.gov.hk/eng/archives.html

The Hong Kong Council of Social Service – Poverty Information

www.poverty.org.hk

Second Stage: Incubate

There are many incubation platforms in Hong Kong that provide advisory services for newly established social enterprises. But don't forget that you are the founder of your social enterprise and you should be its most informed incubator. Nothing can be achieved if you do not even have an initial idea to base your social enterprise on. At this stage, you are supposed to devise your

business model, understand the market needs, build your team, as well as the organisational structure of your social enterprise. To be able to accomplish all these, you should equip yourself by taking part in training programmes, workshops and business clinics.

Hong Kong Council of Social Service – HSBC Social Enterprise Business Centre

<http://www.socialinnovation.org.hk>

PolyU Technology and Consultancy Company Limited – Good Seed

goodseed.hk

SOW (Asia) Foundation Limited - Fast Forward

www.cn-sowasia.org/applicationform

The Yeh Family Philanthropy Limited- Nurturing Social Minds

www.nsm.hk

Third Stage: Innovate

Everyone is talking about innovation, but what is “innovation”? Is having something original and new a must to make a good social enterprise? In fact, many are mistaking innovation for invention. Social enterprises do not have to create brand new groundbreaking products, services or plans. “Innovation” is about approaching old issues with new models and solutions. It will be great if a social enterprise does invent something, but innovation is more a means than an end itself. Please bear this in mind.

Practical Tools to trigger and support social innovation

diytoolkit.org

McKinsey’s Analysis and Case Sharing on Social Innovation

mckinseysociety.com/topics/social-innovation

Fourth Stage: Invest

Little can be done without capital even if we have got a terrific plan. You are suggested to consider applying for grant from the seed money programme launched by the Government in recent years. Some funding programmes were once for non-profit organisations only, but they are now open to other entities

including private companies. Apart from this, there are some venture capital funds targeting at the highly competitive social enterprises with big social impact. They either directly invest in them or provide loans to them. As in an old Chinese saying: a real genius does not worry about whether there will be a scout.

Home Affairs Department: Enhancing Self-Reliance Through District Partnership Programme

www.had.gov.hk/tc/public_services/en_self_reli/index.htm

Social Welfare Department: “Enhancing Employment of People with Disabilities through Small Enterprises” Project

www.swd.gov.hk/tc/index/site_pubsvc/page_rehab/sub_listofserv/id_enhancinge

Social Innovation and Entrepreneurship Development Fund (SIE Fund)

www.sie.gov.hk

Development Bureau: Revitalising Historic Buildings Through Partnership Scheme

www.heritage.gov.hk

Fifth Stage: Impact

How should the social value of a social enterprise be gauged? It is a problem that worries many social entrepreneurs. For a social enterprise at an embryonic stage, it is not easy to assess its social impact due to lack of data. Don't be overwhelmed by this problem. It is already commendable that you have seriously thought about this at this start up stage. There are many tools available to assess social impacts. There are also workshops providing you with training on knowledge and skills in social impact assessment. What you need to do at this stage is to go check them out.

SROI Network

thesroinetwork.tumblr.com

Social Value UK

socialvalueuk.org/what-is-sroi/the-sroi-guide

“Creating Your Theory of Change – NPC’s Practical Guide”

www.thinknpc.org/publications/creating-your-theory-of-change/

Supporting Platforms and Schemes for Start-up

Government Funding and Support

Development Bureau: Revitalising Historic Buildings Through Partnership Scheme
www.heritage.gov.hk

Home Affairs Department: Enhancing Self-Reliance Through District Partnership Programme

www.had.gov.hk/en/public_services/en_self_reli/index.htm

Social Innovation and Entrepreneurship Development Fund

www.sie.gov.hk

Social Welfare Department: “Enhancing Employment of People with Disabilities through Small Enterprises” Project

www.swd.gov.hk/en/index/site_pubsvc/page_rehab/sub_listofserv/id_enhancinge

Social Innovation and Entrepreneurship Development Fund intermediaries

The Hong Kong Council of Social Service – Impact Incubator

www.socialinnovation.org.hk

PolyU Technology and Consultancy Company Limited – Good Seed

www.goodseed.hk

SOW Asia Foundation –Fast Forward

www.cn-sowasia.org/applicationform

The Yeh Family Philanthropy - Nurturing Social Minds

www.nsm.hk

SE Funding Schemes and Social Venture Platforms

British Council Hong Kong - Social Investment Platform

www.britishcouncil.hk/programmes/society/skills-social-entrepreneurs

Hong Kong Polytechnic University - Micro Fund

www.polyu.edu.hk/ife/polyumfund

Social Ventures Hong Kong

www.sv-hk.org

Social Impact Partners

socimpactpartners.org

The Hong Kong Council of Social Service - DBS Social Enterprise Advancement Grant
and DBS Social Innovators

[/www.dbs-socialinnovators.hk](http://www.dbs-socialinnovators.hk)

UnLtd Hong Kong

www.unltdhongkong.org

SE Supporting Schemes and Platforms

Chinese University of Hong Kong - Hong Kong Social Enterprise Challenge
hksec.hk

City University of Hong Kong – Project Flame

www.projectflame.hk

Education for Good

education-for-good.com

Fullness Social Enterprises Society

www.fses.hk

Hong Kong General Chamber of Social Enterprises

www.sechamber.hk

Hong Kong Productivity Council – SME One

www.smeone.org

Hong Kong Social Entrepreneurship Forum

www.hksef.org

MaD SCHOOL Accumulator Scheme

www.mad.asia/posts/759/MaD-School

Social Enterprise Summit

ses.org.hk

SOW Asia Foundation

www.cn-sowasia.org

The Good Lab

goodlab.hk

The Hong Kong Council of Social Service -HSBC Social Enterprise Business Centre

www.socialenterprise.org.hk

The Hong Kong Council of Social Service – Impact Incubator

www.socialinnovation.org.hk

The Hong Kong Federation of Youth Groups Jockey Club Social Innovation Centre

m21.hk/sic/tc/latest.php

The Hong Kong Polytechnic University – Jockey Club Design Institute for Social Innovation

www.sd.polyu.edu.hk/en/j.c.-innovation-tower/jockey-club-design-institute-for-social-innovation

The Hong Kong Social Enterprise Incubation Centre Limited

www.seic.hk

The Yeh Family Philanthropy

www.yehfp.com

SE Directory, Social Impact Assessment and SSE Mark

Centre for Social Impact (HKCSS)
sia.hkcss.org.hk

Fullness Social Enterprises Society
www.fses.hk

Hong Kong Institute of Social Impact Analysts
www.hkisia.org

Hong Kong General Chamber of Social Enterprises - Social Enterprise Endorsement (SEE) Mark
www.seemark.hk

The Hong Kong Council of Social Service - HSBC Social Enterprise Business Centre – Social Enterprise Directory
www.socialenterprise.org.hk/en/sedirectory

SE Sales and Trading Platform

Tithe Ethical Consumption
<https://www.ethicalconsumption.hk>

The Hong Kong Council of Social Service - HSBC Social Enterprise Business Centre – Good Goods Social Enterprise Sales Platform
<http://www.goodgoods.hk>

Examples in the above table are for reference only.

About SEBC

HKCSS-HSBC Social Enterprise Business Centre (SEBC) is a collaborative platform under the Hong Kong Council of Social Service (HKCSS) with a mission to support over 570 social enterprises and their beneficiaries. We initiate partnership among business sector, professional groups and social enterprises through a variety of

collaborative projects; provide start up and scale up funding support to encourage social enterprise set up. We also advocate responsible consumption and social innovation by means of capacity building programs and public education campaigns.