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2007

## Report of the Social Enterprise Committee

Lien Centre for Social Innovation

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20 November 2007

Dr Vivian Balakrishnan  
Ministry of Community Development, Youth and Sports

Dear Minister

1. You formed the Social Enterprise Committee in August 2006 to look into ways to grow the social enterprise sector and encourage social entrepreneurship in Singapore. The Committee was also asked to consider ways to encourage more commercial enterprises to provide employment and training opportunities to needy disadvantaged workers. We submit our Report for your consideration.

2 The Committee noted that there is growing interest in social enterprise and social entrepreneurship on many fronts – among youths, the institutions of higher learning, social sector organizations, private individuals and commercial companies as well as public agencies. We are encouraged by the passion and commitment of individuals, organizations and companies which are creating social value through enterprising methods.

3. This Report carries a total of 26 recommendations spanning three broad areas:

- a. Encouraging and Facilitating Socially Responsible Enterprises
- b. Building a Pro-Social Enterprise Environment
- c. Creating a Culture of Social Entrepreneurship

The key proposals are the development of a Caring Companies initiative to encourage employers to hire needy disadvantaged workers; more funding options for social enterprises, including changes to the ComCare Enterprise Fund; business support and development initiatives to build a more robust social enterprise sector; and the formation of a Social Enterprise Association and a Social Enterprise Development Centre to serve as focal points for the sector.

4 In drawing up the recommendations, the Committee consulted with social enterprise practitioners, commercial companies, social sector organizations, academia and the general public. Their valuable inputs have enabled the Committee to formulate proposals that are relevant to these stakeholders.

5 The Social Enterprise Committee believes that the social value generated through the right combination of social mission and enterprise models is in enabling needy disadvantaged individuals to become economically active. We hope that through the collective effort of all sectors, we can create conducive environments, facilitative systems and support for these individuals, agencies and corporations to grow.


Yours faithfully,



Mr Philip Yeo (Chairman)



Mr Niam Chiang Meng  
(Deputy Chairman)



Mr Gerard Ee



Ms Norma Sit



Ms Penny Low



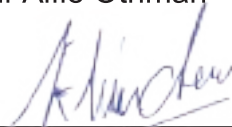
Ms Josephine Teo



Mr Alfie Othman



Mr Darrell Chan



Ms Elim Chew



Mr Chew Hock Yong



Mr Goh Eng Ghee



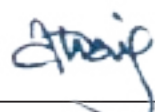
Mr Koh Juan Kiat



Mr Png Cheong Boon



Ms Sim Sin Sin



Mr Andrew Wang

23 November 2007

Mr Philip Yeo  
Chairman, SPRING Singapore  
Chairman, Social Enterprise Committee

Dear Philip

Thank you for your letter of 20 November 2007 submitting the Report of the Social Enterprise Committee.

2 My Ministry appreciates the role of social enterprises and socially responsible companies in helping needy disadvantaged Singaporeans achieve self-reliance. We live and operate in a world with abundant business opportunities. However, we are also confronted by the social impact of greater income inequality and dysfunctional families. Consequently, there is a special role for social enterprises or businesses with a heart. Such enterprises will be subject to market discipline but motivated by social goals.

3 I would like to thank you and the members of your Committee for your numerous recommendations for encouraging social enterprises, building a conducive environment and creating a culture of social entrepreneurship. My Ministry will study how best to implement the Committee's recommendations and will respond during the Committee of Supply 2008.

Yours sincerely



DR VIVIAN BALAKRISHNAN

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# Executive Summary



## Introduction

1. Social entrepreneurs and social enterprises are an innovative alternative to provide employment opportunities for needy disadvantaged Singaporeans to mitigate the effects of the widening income gap. Still in its infancy stage, the social entrepreneurship and social enterprise sector faces challenges that are unique to Singapore due to its size, open economy and relative competitiveness.

## Key Recommendations

2. The Social Enterprise (SE) Committee was formed to explore ways to grow the social entrepreneurship and social enterprise sector. Its recommendations are in three areas:

- (i) Encouraging Socially Responsible Enterprises;
- (ii) Building a Pro-Social Enterprise Environment; and
- (iii) Creating a Culture of Social Entrepreneurship;

### (i) Encouraging Socially Responsible Enterprises

3. Needy disadvantaged Singaporeans who are work-capable, but face higher than usual barriers to employment, include older, less educated workers, ex-offenders, people with psychiatric conditions, and people from multi-problem families. The SE Committee encourages more commercial companies to become socially responsible enterprises (SREs) to provide employment and skills training opportunities for them but recognises that there are costs to hiring these workers. The SE Committee's main recommendations are to:

- **Develop a Caring Companies initiative** to encourage companies to hire needy disadvantaged Singaporeans, with support for the costs of training, job redesign and worker integration. There should be a one-stop resource to provide a roadmap for SREs and greater publicity and recognition for them.
- **Have the Public Sector Lead by Example.** This could be achieved through modifying the Civil Service Manpower Management Framework to facilitate the hiring of needy disadvantaged workers by Ministries and Statutory Boards. An internship scheme where needy disadvantaged workers work in a Ministry or Statutory Board for up to 3 months

while receiving a training allowance, will give them a chance to acquire work skills to prepare them for open employment.

### (ii) Building a Pro-Social Enterprise Environment

4. Social enterprises in Singapore have to sustain double bottom-lines, have limited management and business expertise and face limited financing options. The SE Committee proposes a comprehensive framework to enable social enterprises to start up and grow to become viable, revenue-generating businesses, providing for-value products and services. The SE Committee's recommendations are to:

- **Develop More Funding Options.** To enable social enterprises to diversify their financing sources for long-term sustainability, there should be equity and loan financing that are customized for the social sector to augment present funding options in the forms of grants and donations.
- **Enhance the ComCare Enterprise Fund (CEF).** The CEF should prioritise support for work-integration social enterprises, with funding going to proposals with better business viability and expressed commitment of own or 3rd-party investments. CEF-funded social enterprises should be registered as separate legal entities for accountability and effectiveness. CEF funding should be extended to 2 years to meet capacity-building needs of social enterprises. Profit-sharing, with relevant conditions, should be encouraged to attract business-savvy entrepreneurs to the sector.
- **Set up a System of Business Support and Development** to enhance business capability and infrastructure of social enterprises, including business consultancy, mentorship, facilitated access to business services and business development training as well as facilitated market access and business opportunities.

### (iii) Creating a Culture of Social Entrepreneurship

5. The SE Committee believes strongly in a community-led approach to build a vibrant culture of social entrepreneurship - with a high level of public awareness of social entrepreneurship and social enterprise, support for local social enterprises, rich public discourse and opportunities to experience social entrepreneurship. The SE Committee recommends the following:



- **Form a Social Entrepreneur / Social Enterprise Association** to provide leadership to its members to access networks, information and support; engage the business community to invest in social enterprises; and liaise with policy and regulatory agencies on behalf of the social enterprise sector.
- **Establish a Social Enterprise Development Centre** to provide business development services and programmes, centralize marketing and promotional efforts and develop social investment initiatives.
- **Build capability** among social entrepreneurs, the youth and the business community through training, education and research.
- **Promote community involvement** through networking, public education, recognition platforms, and the generation and incubation of new ideas. An annual study should be conducted to measure the level of public perception and knowledge about the sector.

## Conclusion

6. The SE Committee seeks the support of the people, private and public sectors for its recommendations to grow the social entrepreneurship and social enterprise sector in Singapore.

# Chapter 1

## Social Entrepreneurship and Social Enterprise in Singapore



## Chapter 1

# Social Entrepreneurship and Social Enterprise in Singapore

### Introduction

1. Singapore is in the fortunate position of having one of the highest living standards in the world. The average life expectancy of the average Singaporean has risen. Every Singaporean child has access to a quality education and the majority of the population own their homes. The government spends a significant amount on universal health, education, housing and other subsidies for social needs<sup>1</sup>.

2. While the general Singapore population enjoy high living standards, there are groups of needy disadvantaged Singaporeans who may need extra and/or special help to become self-reliant. One challenge is to mitigate the effects of the widening income gap and provide opportunities for all Singaporeans to achieve income and social mobility.

3. The Singapore Government's Many Helping Hands strategy encourages active partnership between the government and community-based organisations, such as grassroots, religious and voluntary welfare organisations (VWOs) to help the needy and disadvantaged. As a nation, more Singaporeans from different sectors should be involved in making our society more cohesive, resilient, and self-reliant. The social sector can benefit from innovative and creative ways to address emerging social needs.

4. In developing and developed countries around the world, social entrepreneurs and social enterprises are innovative alternatives that address social needs which are not met by conventional service providers such as mainstream businesses, government agencies, and charitable organisations. Hence, there has been a rise in the number of social entrepreneurs<sup>2</sup>,

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1. In 2006, the government operating expenditure on social development included \$5.68 billion on education; \$1.76 billion on health; and \$898 million on community development, youth & sports. A further \$835 million was spent on development expenditure in the same areas (Department of Statistics (DOS) - Singapore in Figures, 2006)

2. More social entrepreneurs as seen through the growth of the Ashoka Foundation, the world's leading social entrepreneurship organisation, and its support for social entrepreneurs through its Ashoka Fellowships.

an increase in the number of social enterprises<sup>3</sup> and the proliferation of various social entrepreneurship courses and research programmes at universities and business schools around the world<sup>4</sup>. (*More details and examples can be found in Annex 1.1.*)

## Social Entrepreneurship

5. There are diverse definitions of social entrepreneurship<sup>5</sup>. Social entrepreneurship involves (i) a social mission, usually to help marginalised sectors of society; (ii) the use of enterprises, enterprise systems or enterprise development projects or programmes<sup>6</sup> to achieve the social mission; and (iii) an element of “pattern-breaking change”<sup>7</sup>, e.g. innovation, creativity, and the use of enterprises, to achieve the social mission.

6. In essence, the idea of social entrepreneurship is to create sustainable long-term movements, activities, processes and programmes of social value. Social entrepreneurship may involve partnerships between the public, private and people sectors. Social entrepreneurs<sup>8</sup> may use different vehicles (ranging from private companies to co-operatives to charitable programmes) to achieve their missions.

7. Social entrepreneurs have managed to uplift marginalised sectors of society in ways that traditional government, business and charity have not, or could not have achieved (whether due to lack of political will, creativity or resources). The following case study illustrates this point.

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3. Data from a survey of social entrepreneurship activity in the UK, conducted as part of the 2004 Global Entrepreneurship Monitor (GEM) report, suggests that social entrepreneurship organisations and social enterprises are emerging at a faster rate than more conventional commercial ventures.

4. Social entrepreneurship is being studied as an academic and research subject in more than 30 universities around the world, e.g. Harvard Business School’s Social Enterprise Initiative.

5. For example: A “multi-dimensional and dynamic construct moving across various intersection points between the public, private and social sectors” (Nicholls, Alex. 2006. *Playing the Field: A New Approach to the Meaning of Social Entrepreneurship*. University Network for Social Entrepreneurship); “combines the passion of a social mission with an image of business-like discipline, innovation and determination” (Dees, Gregory. 2001. *The Meaning of Social Entrepreneurship*. Kauffman Centre for Entrepreneurial Leadership).

6. Dacanay, Lisa. 2004. *Creating Space in the Market: Social Enterprise Stories in Asia*. Asian Institute of Management and Conference of Asian Foundations and Organisations (CAFO).

7. It is still a matter of debate as to how vital this element of innovation is in the definition of social entrepreneurship. We have taken the view that innovation would usually be an important element to distinguish social entrepreneurship from mere social work.

8. Light, Paul C. 2006. *Reshaping Social Entrepreneurship*. Stanford Social Innovation Review

### Case Study 1: Social Entrepreneurs in Brazil and India

**Fabio Rosa** introduced a system capable of generating electricity cheaply to rural areas in Brazil, thus enabling many of these dwellers to have access to electric powered pumps, refrigerators and lights for the first time in their lives. Rosa had obtained technical advice and information on the system from the university professor who had invented it, and worked with local authorities in villages across Brazil to implement the system.

**Jeroo Billimoria** started Childline, a twenty-four hour helpline and emergency response system in Mumbai for children in distress, targeting the millions of children living on the streets of India and working as labourers or begging to survive. Childline worked with the government telecommunications agency to create a toll-free number (1098). Volunteer street children were trained to take calls and link the callers to relevant services, thus encouraging mutual support within the community of street children.

8. Social entrepreneurship tends to flourish where there are areas of unmet social needs or where there are fresh opportunities to create social value. It is noticeably less active in countries or sectors where the government effectively assumes the sole or primary responsibility for taking care of the community's needs. An indicator of this is the distribution of Ashoka Fellows (i.e. the social entrepreneurs supported by Ashoka) across the globe. There are more Ashoka Fellows in developing, compared to developed, countries<sup>9</sup>.

### Social Enterprise

9. A social enterprise is essentially a business with a social objective – it harnesses the forces of the marketplace, applying business practices to achieve its social mission in a financially sustainable manner<sup>10</sup>. It may take different legal or ownership forms, such as a Private Limited Company, Company Limited by Guarantee or a Co-operative.

10. Social enterprises add value to society economically as well as socially, and can do that through various ways. A social enterprise can use the revenue generated from its business activities to support its identified social mission, e.g. a shop or a café run by the trading arm

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9. There were 600 Ashoka fellows in Central and South America, compared to 79 in the United States and Canada; and 510 in Asia compared to 124 across the entire European continent (Source: [www.ashoka.org](http://www.ashoka.org)).

10. Unlike ordinary commercial businesses which tend to have a single, i.e. financial bottom-line, social enterprises usually have double or even triple bottom-lines (the other bottom-lines being the need to achieve their social mission, for example, to provide employment to the needy and disadvantaged, and to meet environmental targets).

of a charity. Another model is a social enterprise that achieves its social mission through its operations, e.g. by providing training and employment for disadvantaged people. An example of this is in the following case study.

### **Case Study 2: A Social Enterprise in the United States**

Chrysalis Streetworks is a street maintenance vendor offering services such as high-powered pressure washing, litter and graffiti removal. Chrysalis Streetworks provides employment opportunities for people who are economically disadvantaged in the rich urban areas of Los Angeles. Chrysalis' goals are to help its beneficiaries transition off dependence on state welfare to self-reliance by giving them employment opportunities.

## **Role of Social Entrepreneurship and Social Enterprise in Singapore**

11. In Singapore, there is an increasing awareness of and interest in the social entrepreneurship and social enterprise sector, particularly amongst voluntary welfare organisations (VWOs), other non-profit organisations (NPOs), students, and the media. This is evidenced by the establishment of research centres, course programmes and conferences by the Institutes of Higher Learning (IHLs), the growing number of talks and networking sessions on the topic of social entrepreneurship and social enterprise which have taken place in the past 2 years, as well as media stories and other public events<sup>11</sup>.

12. However, the sector is still at a nascent stage. Understanding of the concepts of social entrepreneurship and social enterprise is still limited to particular segments of the society (interested youths, academics, and some non-profit agencies) and has not infused society as a whole. The concepts of social entrepreneurship, social enterprises and corporate social responsibility are also often misunderstood or conflated. (*See Annex 1.2 for more information on the relationship between social entrepreneurship, social enterprise and corporate social*

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11. In the past 2 years, there have been 2 major conferences on social entrepreneurship, an international award ceremony by the Schwab Foundation for Social Entrepreneurship (which gives awards to outstanding social entrepreneurs around the world), and an 8-part 30-minute documentary on social entrepreneurs, "The Changemakers", aired on Channel News Asia.

*responsibility*.) In Singapore, more public education could be done in this regard. More concerted efforts could also be made to train, encourage and recognise social entrepreneurs, as well as to help them build robust networks and form partnerships with the people, public and private sectors.

13. The value of social entrepreneurs and social enterprises in Singapore is in the provision of employment opportunities for low-income and disadvantaged Singaporeans to achieve self-reliance and have access to services which improve their quality of life. The challenges lie in Singapore's market size, open economy and relative competitiveness. Firstly, Singapore is a small market. This means that there are limits to the extent to which social entrepreneurship initiatives can leverage on local economies of scale. The unit cost of delivery for any solution would be relatively high. Social entrepreneurship initiatives or social enterprises in Singapore would tend to be on a smaller scale than similar initiatives in larger countries. The market share of these initiatives and enterprises would also be limited, unless they venture beyond Singapore and are able to effectively adapt their business and service models to meet the needs and conditions in other countries.

14. Secondly, Singapore's open economy results in a very competitive marketplace. Social entrepreneurship initiatives and social enterprises must be able to provide products and services of functional and symbolic value, which are comparable to and/or marketed just as well as those of conventional businesses.

### **The Social Entrepreneurship and Social Enterprise Environment in Singapore**

15. A 2007 study by the Lien Foundation Centre for Social Innovation (LFCISI) on social enterprises in Singapore estimated that there were about 150 social enterprises in Singapore, two-thirds of which were founded by NPOs or VWOs. Social enterprises in Singapore cater to a diverse range of social causes, including education, employment for the disadvantaged, the environment, health, and the arts. The study also found that low-income individuals were the most common beneficiaries of social enterprises - 32 out of the 94 identified social enterprises benefit this group. This overlaps with MCYS' focus on helping the needy, low-income and disadvantaged. According to the study, this may reflect a dependency on government-led initiatives, and the need to diversify the sources of support for social entrepreneurship initiatives



and social enterprises. Participation of the private sector in social enterprise was weak as seen from the low response rate from small and medium enterprises to the LFCSI study, as well as the few private sector organisations that set up social enterprises. (*Details of the LFCSI study are in Annex 1.3.*)

16. The study identified 4 key social enterprise models in Singapore:

(i) **Work integration model:** The Work Integration SEs (WISEs) provide skills training and/or employment opportunities to the needy disadvantaged (i.e. those who have higher than usual barriers to employment, such as ex-offenders) as a means to reintegrate them into society and encourage them to be self-reliant. They give an opportunity to people who may not find employment on the open market.

(ii) **Plough-back-profit model:** The objective of these social enterprises is to generate profit to fund the social programmes of their affiliated or parent charities. This helps VWOs or charities reduce their reliance on donations and enhance their financial sustainability.

(iii) **Subsidised services model:** These social enterprises provide subsidized services to needy and/or disadvantaged clients, and charge commercial rates to mainstream customers. This ensures that the people who could not usually afford certain services have access to such services to improve their quality of life.

(iv) **Social needs model:** These social enterprises are designed to serve society's social needs or address certain social issues. These issues can include community bonding, family bonding and racial harmony.





17. The social enterprises surveyed typically employ a combination of these models, though the dominant operating models identified are the first three – work integration, plough-back-profit, and subsidised services models.

## Support for the Social Enterprise Sector

18. MCYS has played a major part in catalyzing the growth of the social enterprise sector. The Social Enterprise Fund (SEF) was set up in March 2003 to provide seed-funding to social enterprises. By June 2005, the SEF had funded 38 social enterprises, with different social enterprise models, and a diverse range of social missions ranging from providing employment to ex-offenders (e.g. catering company Ikhlas Holdings Pte Ltd and Hi-Shine Car Polish), to promoting family and community bonding (e.g. Castle Beach Ltd), to developing assistive technology for the disabled (e.g. Xrgomics Pte Ltd).

19. In June 2005, the SEF was repositioned as the ComCare Enterprise Fund (CEF) with a greater focus on supporting needy and disadvantaged Singaporeans through training and employment (*More information on CEF is in Annex 1.4*). This was in line with MCYS' and the ComCare focus on helping low-income Singaporeans become self-reliant. As at August 2007, 28 social enterprises had been approved for CEF funding, bringing the total number of social enterprises which received funding from MCYS to 66<sup>12</sup>. About 60% of CEF-funded social enterprises were WISEs, either through provision of direct employment or by helping clients set up micro-businesses. The rest were equally distributed amongst the plough-back-profit, subsidized services and social needs models.

20. About 60% of the CEF-funded social enterprises were set up by VWOs, usually as a vehicle to provide training and employment for their beneficiaries, as well as to generate alternate income streams for the parent organization. Forty-six<sup>13</sup> out of the 66 social enterprises funded by MCYS were still active. Twenty-three of them provide employment to more than 200 beneficiaries. A further 9 social enterprises provide certified skills training to their beneficiaries. These beneficiaries include persons recovering from psychiatric conditions, ex-offenders,

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12. Of these 66, 4 have yet to commence operations, 13 have ceased operations or become inactive. 3 have had their funding withdrawn because they did not set up or utilize the funding committed. – Source: MCYS Stocktake of CEF-Funded Social Enterprises 2007.

13. Source: MCYS Stocktake of CEF-Funded Social Enterprises 2007

people with disabilities, and older, less-educated workers, particularly women, from low-income families. Most of the social enterprises were small, with less than 50 employees and have a low business volume. Of the active CEF-funded social enterprises, 78% reported an annual turnover of less than \$100,000.

21. Based on the LFCSI study, a 2007 stocktake of social enterprises by MCYS, case studies on social enterprises conducted by the NUS Business School<sup>14</sup> and anecdotal evidence from social enterprise practitioners<sup>15</sup>, more can be done to help social enterprises and social entrepreneurs to progress. Social enterprises not only face the same challenges as conventional businesses (e.g. industry competition, manpower management, demanding customers, and high overheads), but also face the formidable challenge of having to meet a double (i.e. financial and social) bottom-line. This may hamper what they can do in order to enhance the viability of the business (for example, by retrenching disadvantaged workers or hiring more efficient workers). In some cases, competing bottom-lines can even result in a conflict if the social mission is not balanced with the financial objective. All the studies point to three main challenges faced by social enterprises, namely:

- (i) **capabilities** - including financial and business expertise, manpower and resource management, managing sales and cashflow;
- (ii) **design of the business model and financing** - including pricing, marketing, brand management, sourcing for funding and investments; and
- (iii) **environment and infrastructure** - including public awareness and understanding, access to markets, business opportunities and information, community support for the social causes, and platforms for collective action.

## The Way Forward

22. Given these challenges, MCYS set up the Social Enterprise Committee in August 2006 to explore ways to grow the social entrepreneurship and social enterprise sector so that they can be sustainable avenues for employment and training of needy disadvantaged Singaporeans.

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14. Teo, Albert, "Legitimation, Cooptation, and Embeddedness: Implications for the Viability and Sustainability of Social Enterprises", NUS Business School, July 2007.

15. Through networking sessions such as the LFCSI's Roundtable Discussion, NUS SE Forum 2007 as well as MCYS-organised sessions, involving social enterprise practitioners, and members of the Social Enterprise Committee.

# Chapter 2

## Social Enterprise Committee



## Chapter 2

# Social Enterprise Committee

### Formation and Membership

1. MCYS spearheaded the formation of the Social Enterprise (SE) Committee to study and recommend strategies to develop the social enterprise and social entrepreneurship sector. Chaired by Mr. Philip Yeo (Chairman, SPRING Singapore), the 15-member steering committee comprises representatives from the business sector, various government agencies such as the Singapore Workforce Development Authority and SPRING Singapore, the social service sector, as well as social enterprise practitioners (*See Annexes 2.1 and 2.2 for the terms of reference and compositions of the Social Enterprise Committee and its 4 sub-committees*).

### Vision and Mission

2. The Committee sees that the value propositions of social entrepreneurship and social enterprise are to:

(i) Create and facilitate sustainable new solutions and fresh avenues to enable needy and disadvantaged individuals to become economically active, re-integrated into society and self-reliant through skills training, employment, and other support services.

(ii) Engage and facilitate partnerships between different sectors of the community, i.e. the public, private and people sectors, to address social needs and issues, and provide an opportunity for creative and public-spirited individuals to take ownership of a social issue and serve the community. It also introduces the social service sector to entrepreneurial ideas to address social needs; financial and market discipline; and management best practices from the commercial sector.

(iii) Infuse the social service sector and the broader community with more self-reliance and a social entrepreneurship mindset. Social entrepreneurship is about private individuals and organisations identifying social issues which need to be addressed, coming up with creative solutions, marshalling resources and forming partnerships to put their plans into action. The impetus to do all this and to see it through comes from passionate, determined individuals and organisations in the community. The role of the government is to enable and facilitate the right conditions for social entrepreneurship and social enterprises to flourish.

3. The vision of the SE Committee is to have:  
*A pro-social enterprise environment and a culture of social entrepreneurship in Singapore.*
4. The mission is:  
*Empowering individuals and organisations to create opportunities for needy disadvantaged Singaporeans to move towards self-reliance; and Singaporeans who so desire to effect innovative social change.*

### Areas of Focus

5. The principles of social entrepreneurship are applicable across the social sector and various social objectives. However, in order to meet the specific challenges facing the needy and disadvantaged in Singapore, the SE Committee has chosen to focus on 2 areas:
  - (i) Develop social enterprises and socially responsible enterprises to provide employment and skills training opportunities for the needy disadvantaged; and
  - (ii) Facilitate community-driven efforts to create a vibrant culture of social enterprise and social entrepreneurship in Singapore.

#### **(i) Provide Employment and Training Opportunities**

6. The SE Committee believes that the creation of employment opportunities on a larger scale will bring greater impact to society. Hence the Committee will make recommendations to encourage employers in the private, public and people sectors to employ the needy disadvantaged as part of their workforce.

7. The SE Committee is of the view that the business community can play a more active role in training and hiring needy disadvantaged individuals to help them become self-reliant. Such socially responsible businesses, or socially responsible enterprises (SREs)<sup>1</sup>, would be an important source of employment for the needy disadvantaged, allowing them to work in the open market and compete on a level playing field. For example, hotels can employ needy women as chambermaids. Restaurants can offer training and work to ex-offenders in their kitchens. There are already a few companies doing this, but more should be encouraged.

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1. The SE Committee uses the term Socially Responsible Enterprises to refer to corporate organisations which provide job opportunities to needy disadvantaged individuals. Businesses can also be socially responsible as part of their other business practices.





8. SREs tend to have larger operations compared to social enterprises, and hence would be able to provide a greater number of employment opportunities. The types of positions offered are likely to be more varied and can cater to the different abilities of disadvantaged workers. Cognizant of the challenges that may be posed to these employers in this regard, the SE Committee proposes facilitative systems and incentives to widen the pool of SREs.

9. The SE Committee sees that the strongest value proposition for social enterprises is to create job opportunities and provide training for needy disadvantaged Singaporeans to achieve self-reliance and dignity through work. These WISEs are a targeted approach to help the needy disadvantaged achieve self-reliance through employment in a more supportive atmosphere. WISEs can be less intimidating for the disadvantaged, because their processes can be more easily customized to suit the needs of the disadvantaged employees. WISEs can also be a stepping stone to prepare the needy disadvantaged for open employment.

10. In this regard, the primary beneficiaries of the SE Committee's recommendations are needy disadvantaged Singaporeans who are work-capable, but who face greater than usual barriers to employment. This target group includes older, less educated workers from multi-problem families (particularly women), ex-offenders, and those recovering from psychiatric conditions<sup>2</sup>.

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2. As a gauge, the Institute of Mental Health estimates that about 3500 ex-patients would benefit from work opportunities in social enterprises each year. The Singapore Corporation of Rehabilitative Enterprises (SCORE) sees about 350 ex-inmates attending its job fairs looking for work.

11. Beneficiaries of WISEs may also include people with disabilities, and mature workers. However, two inter-agency committees have previously been formed to develop comprehensive masterplans for people with disabilities and mature workers<sup>3</sup>. The focus of this Committee's recommendations is therefore on needy disadvantaged Singaporeans not addressed by these masterplans.

### (ii) Community-driven Efforts to Create a Vibrant Culture of Social Enterprise and Social Entrepreneurship in Singapore

12. The SE Committee's approach is to put in place a system to facilitate and enable social enterprises to grow on a sustainable basis, in order to provide continuous opportunities for needy disadvantaged individuals. The SE Committee recommends catalysing community support as it is essential to broaden the sources of support for social enterprises and increase public awareness of social entrepreneurship and enterprise<sup>4</sup>. Community-led efforts can offer the desired level and breadth of ideas, diversity of models, and willingness to engage in experimentation, which enriches the social service landscape. This can be done by promoting social entrepreneurship in the community, developing the capability of social entrepreneurs, and linking social entrepreneurs with potential investors.

### Organising Principles

13. The following principles have informed the recommendations of the SE Committee in this report:

(i) **Many Helping Hands** - Social enterprises and social entrepreneurship initiatives should be started up, driven, and supported by the community, in line with the strategy of Many Helping Hands supporting the disadvantaged. The ideas and impulses for social entrepreneurship initiatives are often most innovative and effective when conceived by the community. The role of government is therefore to support the community's efforts through partnership, rather than directly create social enterprises.

(ii) **Level playing field** – As far as possible, social enterprises should operate on a level

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3. The Enabling Masterplan Committee which looked at, inter alia, employment for People with Disabilities and the Tripartite Committee on Employability of Older Workers which examined ways to enhance the employability and cost competitiveness of older workers.

4. According to the case studies done by LFCSI and the NUS Business School, there is still a common misconception that social enterprises are the same as charities. The public tends to be motivated by sympathy, and do not expect to pay any premium or even the market rate for goods and services.

playing field – i.e. they must be subject to the same market discipline and conditions as conventional businesses, and not be given any unfair competitive advantages which may distort the market and discourage social enterprises from becoming truly competitive and sustainable in the long term. Otherwise, social enterprises are not much different from charities. The government should therefore not intervene in terms of providing licenses, permits, concessionary rentals, subsidies or specially allocated space. However, this does not preclude the possibility of social enterprises collectively engaging and negotiating with the private sector for preferential locations and rates as well as business opportunities. The government's role is to facilitate, support and help promote awareness of the sector. As it does not perform a licensing or regulatory role for the sector, the government is not in a position to endorse specific social enterprises.

(iii) **Financially sustainable entities** - Social enterprises, as revenue-generating entities, have the responsibility to ensure that they are financially sustainable in the long term. Financial support from the government should be specific and short-term, designed to catalyse the start-up of the business. It should not be the main source of continuous funding for social enterprises.

(iv) **Viable businesses giving for-value products and services** - Social enterprises must be viable businesses, depending primarily on revenue and not donations to break even. They must have good business models that provide their customers with products and services of functional and/or symbolic value. Short-term revenue-generating projects designed to raise funds for NPOs may be entrepreneurial, but cannot be considered full-fledged social enterprises if they are not self-sustaining over the long term. Donations received by social enterprises should not be given the same privileges (e.g. tax exemption) as donations to registered charities, as the social enterprises are income-generating.

(v) **Benefiting Singaporeans** - Public money spent to support social enterprises should be for the benefit of Singaporeans.

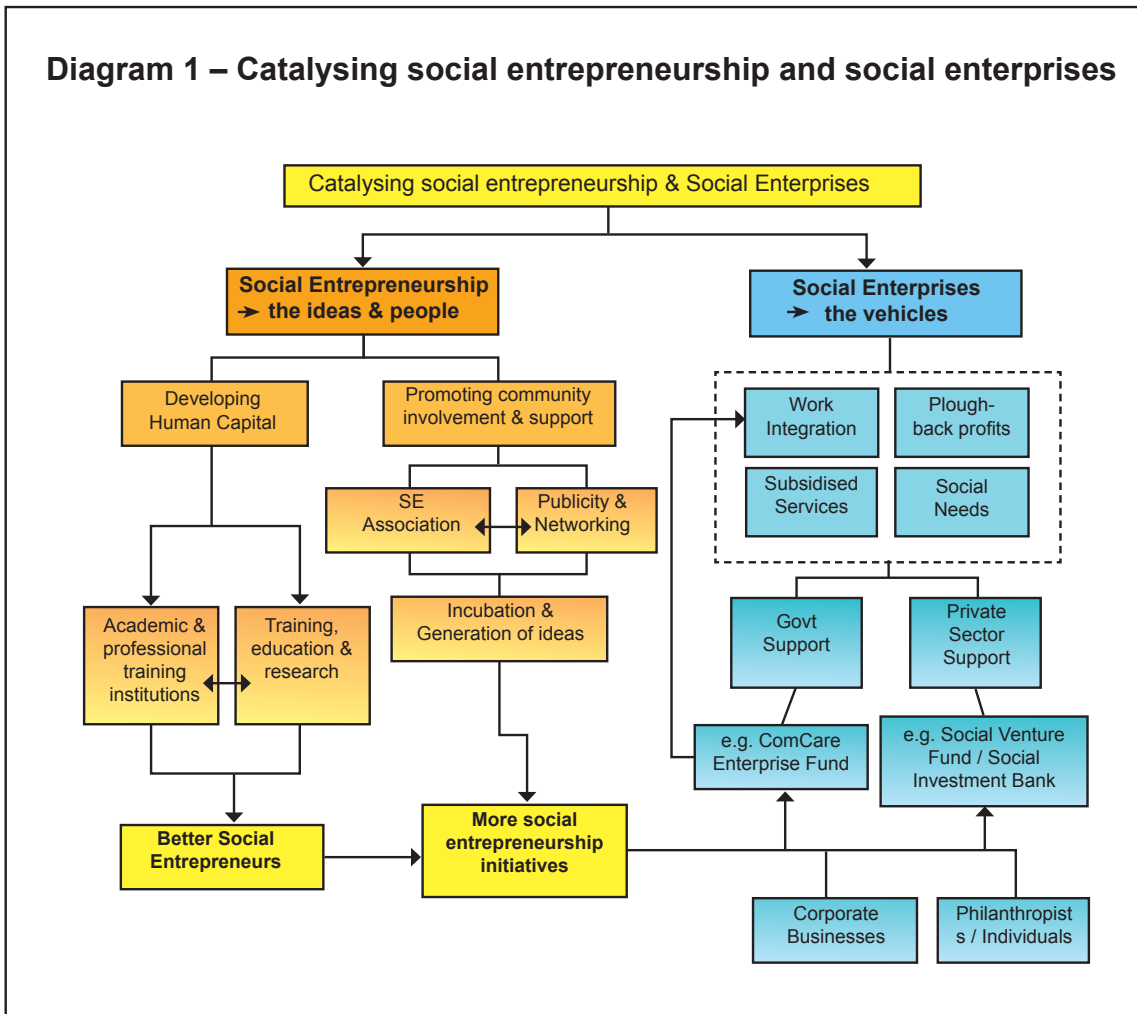
### Catalysing Social Entrepreneurship and Social Enterprises

14. Diagram 1 illustrates how social entrepreneurship and social enterprises can be catalysed through support and funding, in line with the areas of focus and organizing principles set out above. It recognises the critical role of the community in this endeavour. The key elements are:



(i) Support and funding from the public and private sectors should be available to encourage social entrepreneurship, as well as social enterprises, which are the vehicles of social entrepreneurship.

(ii) There are two aspects to supporting social entrepreneurship – capability-building and community involvement through publicity and networks. The first involves developing the capability of social entrepreneurs through education, training and research, for which the academic and professional training institutions are expected to play a significant role. The second involves encouraging greater community involvement and support for social entrepreneurship and the social enterprise sector, through a collective identity for social enterprises, publicity, networking and incubation efforts. The community is expected to be a key driver in this area. The government will play a supporting role in both these aspects. This should result in more and better-skilled social entrepreneurs, and a greater number of creative social entrepreneurship initiatives.



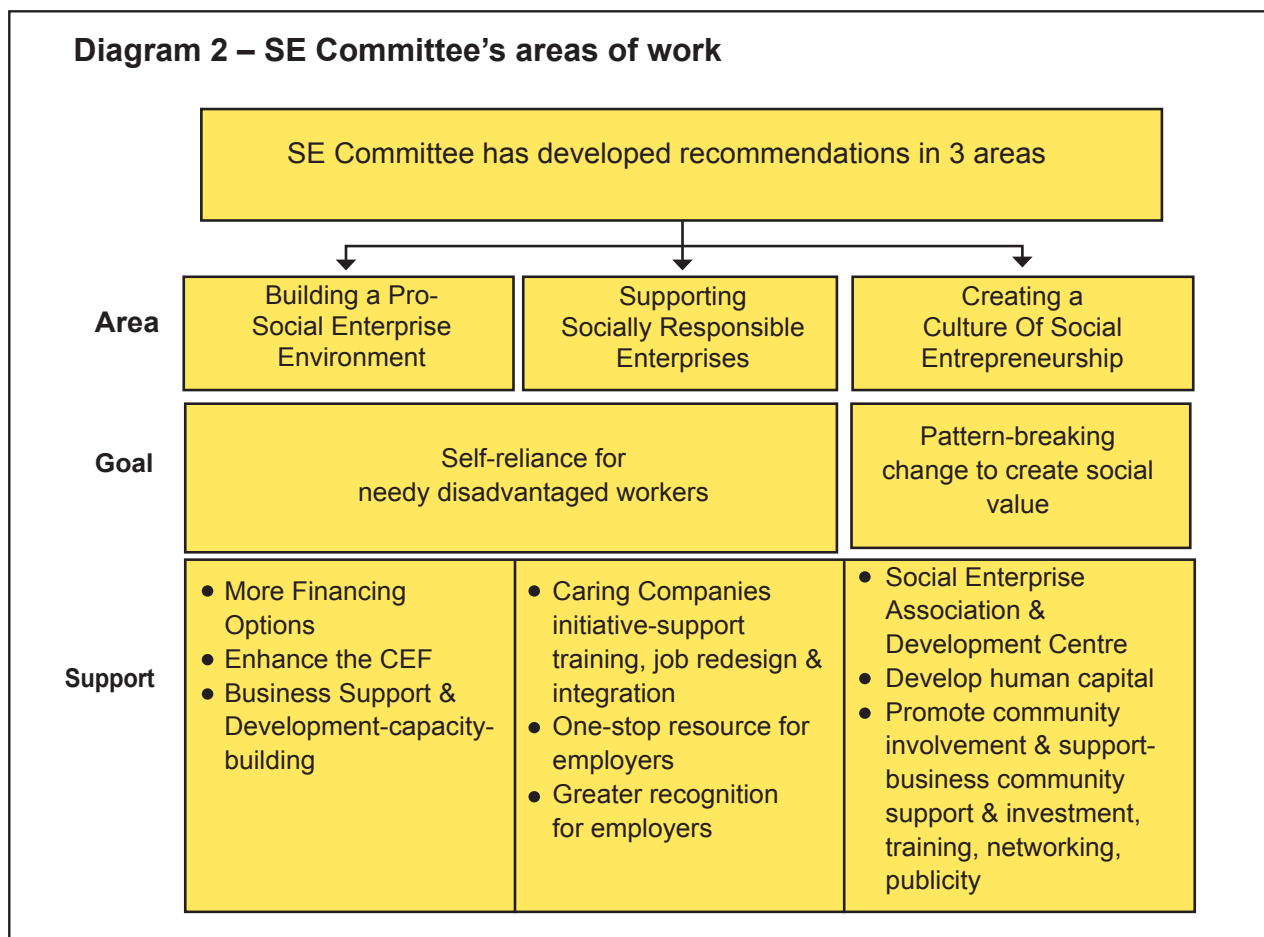
(iii) In terms of funding, both the government and the private sector have a role to play in developing social enterprises. There is a wide range of government funding available to support SMEs. More details are discussed in Chapter 4. The CEF will prioritise WISEs and fund other social enterprise models on a case-by-case basis. However, all social enterprises are encouraged to obtain funds from multiple sources, including private investment, donations, grants and loans. There is potential for an intermediary set-up, such as a social venture fund or a social investment bank to link private investors with social enterprises and social entrepreneurs in need of funding.

### The SE Committee’s Areas of Work

15. The work of the SE Committee falls under 3 main areas:

- (i) Encouraging Socially Responsible Enterprises;
- (ii) Building a Pro-Social Enterprise Environment; and
- (iii) Encouraging a Culture of Social Entrepreneurship.

16. Diagram 2 gives an overview of the 3 work areas, and the main recommendations by the



SE Committee for each of the 3 areas. Chapters 3 to 5 of this report lay out the details of these recommendations.

### **Milestone 2015**

17. In line with the principles and areas of focus set out above, the SE Committee would like to see the following by 2015:

*A vibrant social entrepreneurship culture, together with sustainable work integration social enterprises and socially responsible enterprises providing significant numbers of the needy disadvantaged with:*

- (i) jobs at wages commensurate with their productivity;*
- (ii) training that will increase their productivity; and*
- (iii) opportunities to graduate to open (non-funded) employment.*

### **Engaging the Social Enterprise Community in the Preparation of this Report**

18. The Committee has actively sought inputs from social enterprise practitioners, and the community on the role that social entrepreneurship and social enterprise can play in Singapore, the development of the sector, and the achievements of and challenges faced by social entrepreneurs thus far. This has been done through:

- August 2006: Inviting key social enterprise advocates and practitioners into the SE Committee.
- 2006 and 2007: Social Enterprise Committee and MCYS visits to CEF-funded social enterprises.
- 2006 and 2007: Networking sessions/seminars with social enterprise practitioners, e.g. networking session on 14 February 2007 organised by MCYS, roundtable discussion on 14 May 2007 organised by the LFCSI.
- 26 July 2007: SE Retreat and consultation session between the SE Committee and the social enterprise community, organised by Social Innovation Park.
- August 2007: e-consultation on the SE Committee's draft report through REACH website.

- August 2007: Completed study on the state of social enterprises in Singapore by the LFCSI.
- September 2007: Completed study of CEF-funded social enterprises.

19. The opinions and suggestions gathered have been taken into consideration during the SE Committee's deliberations. Where appropriate, ideas and views have been incorporated into this report (please see *Annex 2.3*). The SE Committee acknowledges the contributions and participation of the social enterprise community in its work.

# Chapter 3

## Encouraging and Facilitating Socially Responsible Enterprises



## Chapter 3

# Encouraging and Facilitating Socially Responsible Enterprises

## The Role of Socially Responsible Enterprises

1. The first area of focus of the SE Committee is to develop social enterprises and socially responsible enterprises (SREs) to provide employment and skills training opportunities to needy disadvantaged individuals. SREs are commercial companies which hire needy disadvantaged workers as part of its workforce. This chapter elaborates on the recommendations to encourage more commercial companies to become SREs, in order to offer more varied and a greater number of employment opportunities to needy disadvantaged jobseekers.

## Needy Disadvantaged Workers – The Need for More Support

2. There is a group of needy disadvantaged Singaporeans who are work-capable, but face higher than usual barriers to employment. This may be because they have little or no work experience, lack interview skills and education (e.g. older, single mothers), or face discrimination due to their inherent characteristics (e.g. psychiatric conditions) or past history (e.g. a criminal record). They may also not be able to perform certain jobs as efficiently or as well as mainstream workers without a higher than usual level of training and supervision. Their ability to handle stressful situations, their work attitudes, and their capacity to work according to the company's requirements may often not be on par with that of mainstream workers.

3. The SE Committee recognises that there may be costs arising from hiring these workers. Needy disadvantaged workers – including older, less educated workers, ex-offenders, people with psychiatric conditions, and people from multi-problem families - do require additional support and supervision. These forms of support and the additional costs may take the following forms:

- (i) **Flexible work arrangements** - for example, part-time work, flexible working hours, the ability to work from home. This is particularly important for those from multi-problem families with care-giving issues.
- (ii) **Additional training** for supervisors and colleagues to learn how to be sensitive to and work with needy disadvantaged workers.

(iii) **Counselling and coaching** for needy disadvantaged workers to acclimatise them to the working environment and inculcate positive work habits.

(iv) **Increased risk** - some needy disadvantaged workers will not be able to perform satisfactorily, due to relapse of psychiatric illness, family or personal problems.

(v) **Higher turnover** - some needy disadvantaged workers may have difficulty staying in the job. This may increase costs for employers which have invested in training for the workers.

4. These considerations make it untenable for a business to be competitive and financially sustainable yet have a workforce composed entirely of needy disadvantaged workers. The SE Committee has sought the views of social enterprise practitioners and representatives from the business sector and come to the conclusion that for SREs, a reasonable proportion would be to have 3-5% of its workforce comprised of workers from needy disadvantaged backgrounds. It would be reasonable to specify that a social enterprise which is a WISE should have at least one third of its workforce comprised of workers who are needy disadvantaged.

### The Current Landscape

5. There are a number of SREs which hire needy disadvantaged workers in Singapore. For example, The Coffee Bean and Tea Leaf employs people with disabilities and older workers, who comprise about 12% of its staff<sup>1</sup>. Persons with intellectual disabilities make up 5% of Holiday Inn Parkview's workforce. About 5% of KFC's workforce is made up of people with disabilities, people with psychiatric conditions and ex-offenders. These SREs see value in providing opportunities to disadvantaged jobseekers and encouraging empathy among its employees. As such, they are willing to make changes such as redesigning jobs and putting in special equipment to accommodate the disadvantaged workers. Case studies 3 and 4 illustrate these efforts. However, such changes must not be at the expense of their competitiveness in the market, as commercial companies have a responsibility to their shareholders to maximize their profits. This means that the needy disadvantaged workers must, on balance, be able to make a positive contribution to the work of the company, i.e. their productivity must outweigh the costs of hiring them.

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1. The SE Committee secretariat has met with employers like Holiday Inn Parkview, KFC Singapore, Carrefour, NTUC Fairprice, and The Coffee Bean and Tea Leaf.



### Case Study 3: The Coffee Bean and Tea Leaf



The Coffee Bean and Tea Leaf has been practicing a philosophy of inclusive employment since it first set up in Singapore 10 years ago. Their employees include people with physical and intellectual disabilities, as well as older workers. To train and integrate their employees, The Coffee Bean and Tea Leaf works closely with the Vocational School for the Handicapped (VSH), Singapore Association for the Deaf and Bizlink.

VSH provides vocational training for hearing-impaired and other disabled young people hired by The Coffee Bean and Tea Leaf. It continues to provide counseling for its trainees after they start work. The Coffee Bean and Tea Leaf has sent some of their managers for sign language courses to help them communicate with their hearing-impaired colleagues.

The Coffee Bean and Tea Leaf only keeps track of its disabled or disadvantaged employees when they are going through training. Once they start formal employment, they are treated as regular staff, though disabled staff have the option of wearing a badge saying "I'm a special team member". Today, there is at least one special team member on each shift at The Coffee Bean and Tea Leaf outlets. The longest-serving disabled staff member has been with The Coffee Bean and Tea Leaf for almost 8 years.

### Case Study 4: Holiday Inn Parkview

The management at Holiday Inn Parkview believes in giving opportunities to people from all walks of life, whether they have disabilities, disadvantaged backgrounds or are mature workers.

The hotel started employing intellectually-disabled staff over 10 years ago, on the suggestion of one of their housekeeping staff who felt it was important to give people with disabilities the opportunity to find gainful employment. Holiday Inn Parkview currently works with the Movement for the Intellectually Disabled of Singapore to identify potential employees. The hotel recently worked with a social enterprise – Happy Arts Enterprise Ltd – to match two of their intellectually disabled graduates with jobs in the hotel kitchen. The hotel actively finds the most suitable jobs to match the skills of their special employees.





6. There are existing government and community schemes that help place some needy disadvantaged jobseekers into jobs with commercial companies. These schemes facilitate placements by increasing the workers' productivity through training, and by helping employers to lower the costs of hiring such workers. For example:

(i) The Institute of Mental Health (IMH) provides employment services for its ex-patients who are recovering from psychiatric conditions. The Singapore Corporation of Rehabilitative Enterprises (SCORE) and Industrial and Services Cooperative of Singapore (ISCOS) provide employment services for offenders and ex-offenders.

(ii) Employers of needy disadvantaged workers are eligible for government funding under programmes for mainstream workers. These include various programmes and initiatives driven by the Singapore Workforce Development Agency (WDA) in partnership with the National Trades Union Congress (NTUC), the Community Development Councils (CDCs) and the Self-Help Groups.

(iii) There are also government subsidy schemes that provide funding support to employers who hire particular groups of disadvantaged workers - the ADVANTAGE! scheme, which provide incentives for employers to hire mature workers aged 40 years and above, and the Open Doors Fund (ODF), which provides support for employers hiring people with disabilities.

(iv) Needy disadvantaged workers may also go to various agencies, such as SCORE, Bizlink, the Career Centre @ CDCs and NTUC Careerlink Centres<sup>2</sup> for job matching and training assistance. *(More details on the existing support for employers of disadvantaged workers are at Annex 3.1)*

7. Both ADVANTAGE! and ODF provide funding to employers for training, job redesign, workplace modification, and programmes to help mature and disabled workers integrate into the workplace. However, there are no similar funding schemes to assist disadvantaged workers who are not mature or disabled<sup>3</sup>.

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2. The centres were set up by WDA in partnership with the 5 CDCs and NTUC to provide employment and training assistance to job-seekers. The centres offer the following services: a) match job seekers to suitable vacancies b) provide job advice and training assistance to suitable candidates c) prepare suitable candidates for career transitions d) offer post placement aftercare to ensure job retention.

3. One exception is IMH's "Fund-2-Work" scheme for people who have recovered or are recovering from mental illness, which subsidises 50% of a worker's wage, up to a cap of \$350 per month, for 2 months.

## Needs and Gaps

8. The SE Committee has identified several gaps in the existing framework for the employment of needy disadvantaged workers:

(i) Employers reported being unfamiliar with the different needs of disadvantaged workers and their possible strengths. There is no single information point or agency that provides guidance to employers wishing to hire needy disadvantaged workers. While there are individual agencies (e.g. IMH, SCORE and ISCOS) that work with specific groups, employers often do not know which agencies to approach.

(ii) To identify the right type(s) of needy disadvantaged workers for the jobs available, employers have to liaise with several different agencies serving different groups of jobseekers. Having identified the needy disadvantaged jobseekers most appropriate for the job, the employers would have to work with each referring agency on referrals of potential workers. This presents an additional barrier to employers who wish to give opportunities to more than one category of needy disadvantaged worker.

(iii) The referral agencies will provide employers with a list of potential jobseekers, but employers would often still have to approach different agencies for funding support and training needs.

(iv) There are existing working relationships between the Career Centres@CDCs and NTUC CareerLink Centres and other social agencies such as SCORE, Family Service Centres and IMH<sup>4</sup>. These agencies also know of employers who may be willing to hire these workers. The coordination between these agencies should be strengthened to better help the disadvantaged.

(v) There are funds and incentives to support the employment of the disabled and mature workers, but not other groups of needy disadvantaged workers.

(vi) There should be more recognition for employers who make the effort to hire needy disadvantaged workers.

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4. The Career Centres@CDCs refer job seekers to agencies such as SCORE, Bizlink, Family Service Centres, IMH, and SAGE, where specific disadvantaged groups can be assisted to resolve their non-employment related issues before they are placed in jobs. The CDCs have also worked with SCORE to conduct job fairs. WDA has provided funding to SCORE to provide pre-employment training assistance to inmates as well as case management services for inmates placed into jobs.

## Encouraging the Private Sector – The Caring Companies Initiative

9. The SE Committee proposes to develop a Caring Companies initiative to encourage SREs<sup>6</sup> through:

- (i) Providing employers who hire disadvantaged workers (besides the elderly and disabled) with support for the cost of training, job redesign and other integration programmes that these workers might require;
- (ii) Setting up a one-stop focal point to help employers who wish to hire needy disadvantaged workers obtain the right workers, training, and government / other funding; and
- (iii) Providing greater publicity and recognition for employers who employ needy disadvantaged Singaporeans.

### (i) Support for Training, Job Redesign and Integration Programmes

10. The need for training, job redesign and integration programmes provided for under ADVANTAGE! and ODF, is not unique to mature workers or people with disabilities. For example, those from multi-problem families may require flexible working hours to allow them to handle their care-giving issues. Supervisors and colleagues may need training to sensitise them to the needs of people with psychiatric conditions. Ex-offenders may need a mentor to turn to, to help them cope with working life. Employers may have to hire consultants in order to redesign jobs for these disadvantaged workers.

11. To address these needs, we propose that the Caring Companies initiative support SREs who hire disadvantaged workers who are not mature or disabled in all the areas covered by ODF and ADVANTAGE!. The level of support will be aligned to that of ODF and ADVANTAGE! to ensure parity between the help given to the different classes of needy disadvantaged workers.

### (ii) One-Stop Focal Point for Potential Employers of Needy Disadvantaged Workers

12. The SE Committee proposes setting up a one-stop focal point for employers who wish to hire needy disadvantaged workers. Employers could go to this one-stop resource for advice

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6. Social enterprises which have received a grant under the ComCare Enterprise Fund (CEF) should only be able to benefit from these employer incentives after their CEF funding period is over. The CEF funding would have taken into account additional costs social enterprises might have to incur to hire needy disadvantaged workers.

on which workers would be suitable for the jobs that they have to offer. This one-stop focal point would assist the employers in finding suitable workers, applying for funding under the relevant assistance programmes, including the Caring Companies initiative, and arranging training for the workers. The efforts of the various referral agencies working with the different needy disadvantaged groups would be better coordinated through a centralised point. It could have information on the agencies which are training and helping to place disadvantaged workers so that the employer who wishes to employ disadvantaged workers would know which agency to contact.

13. The one-stop focal point could be a physical centre to provide assistance, or a virtual resource linked to the websites of government agencies as well as community agencies involved in training and helping disadvantaged workers, such as the WDA, MCYS, the Ministry of Manpower, the CDCs and the Family Service Centres, and employer-related organizations such as the Singapore National Employers Federation and the Chambers of Commerce.

### **(iii) Greater Recognition for SREs**

14. There is currently no explicit and targeted recognition and publicity for SREs. An employer's efforts in training and integrating the needy disadvantaged into its workforce may be taken into account when being considered for the People Developer Standard. But there is no specific criteria that recognises these efforts for existing employer awards.

15. To acknowledge the role of SREs in job creation for the needy disadvantaged and to recognise the efforts of these employers, the SE Committees recommends that the Caring Companies initiative give out high profile awards to employers who have successfully hired significant numbers of disadvantaged workers, provided them with a suitably supportive working environment and opportunities for advancement through training and incentives.

### **The Public Sector to Lead by Example**

16. The SE Committee is of the view that the public sector must lead by example to encourage more SREs in the private sector. The SE Committee has two recommendations in this regard.

### **(i) Modifying the Manpower Management Framework**

17. The SE Committee suggests modifying the current Civil Service Manpower Management Framework (MMF) to make it easier for Ministries and Statutory Boards to hire needy disadvantaged workers. Under the MMF, there is 3-year freeze on the number of staff each Ministry can have on the permanent establishment. A Ministry will have to pay a penalty of \$10,000 per year, per staff in excess of the baseline<sup>7</sup>.

18. The SE Committee proposes allowing a Ministry which places every additional needy disadvantaged worker on its permanent establishment to increase their MMF baseline by one. In the pilot phase, each Ministry would be allowed to increase its baseline in this manner by no more than 5.

### **(ii) Internship Scheme**

24. To increase the number of public sector employers, the SE Committee recommends that an internship scheme be set up where needy disadvantaged workers are given the opportunity to work in a Ministry or Statutory Board for up to 3 months while receiving a training allowance. This gives needy disadvantaged workers a chance to acquire work skills while drawing a small allowance. The skills they gain will help them find a job after they leave the programme. Each Ministry would be free to work out the details of their own internship programme, and decide which categories of needy disadvantaged workers to hire based on the needs of the organisation.

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7. The baseline for FY07-FY09 is the target set by MOF for the Ministry in FY06.

# Chapter 4

## Building a Pro-Social Enterprise Environment



## Chapter 4

# Building a Pro-Social Enterprise Environment

### Introduction

1. This chapter contains the SE Committee's recommendations for a pro-social enterprise environment to strengthen and support social enterprises.
2. The SE Committee's approach is to put in place systems and structures to enable social enterprises to become viable, revenue-generating businesses, providing for-value products and services. For long term viability, it is critical that social enterprises have good business models<sup>1</sup> which are aligned with the social purpose and the organisation's expertise or competitive advantage. The size and scale of the enterprise, the amount of funding received and even the management team behind the social enterprise, are important factors contributing to its long-term financial sustainability.

### Challenges and Needs of Social Enterprises

3. Almost all social enterprises in Singapore face the same market and resource management challenges that other SMEs face, such as high overheads of doing business in a sophisticated market, demanding customers, recruitment and retention of capable and reliable staff, and competition for sales and revenue. However, social enterprises face additional concerns and challenges as compared to mainstream SMEs:

(i) **Double bottom-lines** – Social enterprises have to achieve social as well as financial goals. There are challenges inherent in balancing these two objectives, as the social objective may sometimes come into conflict with the financial objective. For example, several social enterprises were cautious about increasing their volume of business, as their disadvantaged employees required more support and would not be able to cope with the increase in demand. This presents a limit to the social enterprises' ability to scale up its businesses. According to the LFCSI study, this may be a result of social enterprises

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1. This refers to a good product and/or service combined with a suitable pricing and marketing strategy, and good resource management.



having business models which are not designed to pursue double bottom-lines<sup>2</sup>. Social enterprises which are doing better have simple business models which leverage on the organisation's or employees' unique strengths<sup>3</sup>. This is illustrated in case study 4.

(ii) **Organisational capabilities** – Many social enterprises championed by NPOs were started with the intention of helping their beneficiaries and supplementing the organisations' income streams. However, many social enterprise management teams lack sufficient expertise and experience in running a business<sup>4</sup>. The LFCSI study highlighted that business competence is the key limiting factor to starting a social enterprise. The studies also show that many social enterprises are unable to meet their financial goals due to limited business and human resource management skills, limited financial knowledge, lack of innovation in products and services, limited infrastructure (in terms of systems, processes and IT) to cope with increased business volume, and weak brand management. The challenge for social enterprises is to build organisational and staff capabilities to compete effectively in the market and to achieve sustainability.

(iii) **Diversity of funding sources and access to finance** – Financing is another limiting factor for social enterprises. Social enterprises usually face financial instability if they are reliant on grants, donations and ad-hoc fund-raising. Existing social enterprises are generally able to cover costs through revenue generated and supplementary funds from parent organisations. But social enterprises set up by NPOs<sup>5</sup> have limited access to capital and private financing, due their legal status and the rules governing use of funds in NPOs and charities. Beyond start-up and working capital, social enterprises usually find it difficult to source for funding to scale-up or cover sudden downturns. Because of their double bottom-lines, coupled with the low level of public understanding of social enterprise, they would not attract investors who seek quantifiable returns on their investments.

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2. “For example, a café that employs the needy does offer work integration opportunities. However there is nothing in its business model that suggests that employment of the needy is optimal for performance. Instead the café has to manage potentially lower productivity to pursue its social mission.” – source: State of Social Enterprise in Singapore, Aug 2007, LFCSI.
  3. For example, Salvation Army thrift shops which re-sell donated items – source: “The Limits of Social Enterprise: A field study & case analysis”, Seedco Policy Center, June 2007.
  4. Social enterprise as an alternative source of income to alleviate dependence on grants and donations is an attractive concept to many charities and non-profits. However many NPOs have not ensured that the business venture complements their social mission, and that they have the capabilities and resources to take on the challenges of running a revenue-generating business.
  5. According to the LFCSI study, approximately two-thirds of the estimated 150 SEs were set up by NPOs. According the Stocktake of CEF-funded SEs, about 60% of CEF-funded SEs were set up by VWOs.



Commercial bank loans require collateral and/or a reasonable business track record. Many social enterprises are not able to meet these criteria.

### Case Study 5: O School

O School offers pop, jazz and hip hop dance lessons to the public as well as dance performances. An offshoot of City Harvest Education Centre Pte Ltd, O School offers the youths enrolled with the Education Centre the opportunity to be trained as dance instructors and performers. O School's unique business model taps on the strengths and interests of its beneficiaries – out-of-school and at-risk youth referred by the Education Centre – giving them alternative route to build their self-esteem and employability. The school currently employs 9 youths from its target beneficiary group. It also has 12 contracts to teach dance in schools and also earns revenue through paid performances at commercial events.



4. The following have been identified as the key business needs for social enterprises:
  - Diversify sources of funding – to move beyond reliance on government grants and donations to other forms of financing.
  - Extension of start-up funding to build capabilities - most businesses need at least 2 years to break even and stabilise.
  - Broaden business and market opportunities – including resources such as the suppliers' contacts, potential clients, markets and distribution networks, information on business methods and technologies.
  - Improve business, financial, and resource management capabilities – including business consultancy, management training and mentoring.
  - Access to accounting, auditing, legal, and corporate secretarial services<sup>6</sup>.

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6. Some firms do not wish to serve social enterprises because of their small scale. The fees to be earned from the social enterprises would not justify the work to be put in by the firms.

- Help with product design, innovation and development, marketing and promotion strategies, and brand management.

### Current Business Support for Social Enterprises

5. Social enterprises can tap on an array of business support schemes and facilities that relevant government agencies have put in place for the local SME community. An example of this is SPRING's Startup Enterprise Development Scheme (SEEDS) which provides seed funding for startups to develop innovative processes or products<sup>7</sup>. However, these SME schemes are not sufficient for the needs of social enterprises. Due to their unique challenge of having to manage a double bottom-line, the business models and operations of social enterprises have to be better and more efficient than that of conventional businesses. Social enterprises require intense and customized business support and advice that address their unique position.

6. The SE Committee is of the view that a comprehensive framework is needed to support and strengthen social enterprises, through all the phases of their business cycle<sup>8</sup>, i.e. planning, start-up, operational and growth stages.

### Current Financing Framework for Social Enterprises

7. The financing landscape for the social sector in Singapore is limited, which in turn reduces the financing options for local social enterprises. Most government assistance schemes do not offer seed funding for social enterprises. The exceptions are the CEF which provides seed-funding for start-up capital and first year operating costs to new social enterprises that employ or train disadvantaged Singaporeans; and the Creative Community Singapore's (CCS) Creative Business Fund<sup>9</sup>.

8. Social enterprises that grow beyond the start-up phase have to depend on private loans and investments or on the commercial banking sector for loans and working capital. These often

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7. An overview of financing options, including an overview of government financing schemes for SMEs can also be found at the Action Community for Entrepreneurship website:<http://www.ace.sg/Site/index.aspx> - Financing Options. Also see Financing Handbook for SMEs.

8. Adapted from Hanks, Watson, Jansen & Chandler, "Tightening the Life-Cycle Construct: A Taxonomic Study of Growth Stage Configurations in High Technology Organisations", *Entrepreneurship, Theory & Practice*, Winter, 1993.

9. CCS is an initiative under MICA. This fund is targeted at start-ups in the Creative Industries (arts/heritage, design and media sectors).

require a successful track record, third party investment or key performance indicators. Social enterprises which are starting up or have limited collateral are unable to fulfil these criteria.

9. The main financing options for local NPOs, charities and social enterprises are donations, sponsorships and government grants. In the US and UK, a more diverse social investment market provides varied financing options for social enterprises and social entrepreneurship initiatives. For example, Social Investment Scotland runs a system providing preferential loans to charities and social enterprises (*See Annex 4.1 for more information on Overseas Social Investment Markets and Social Investment Scotland*).

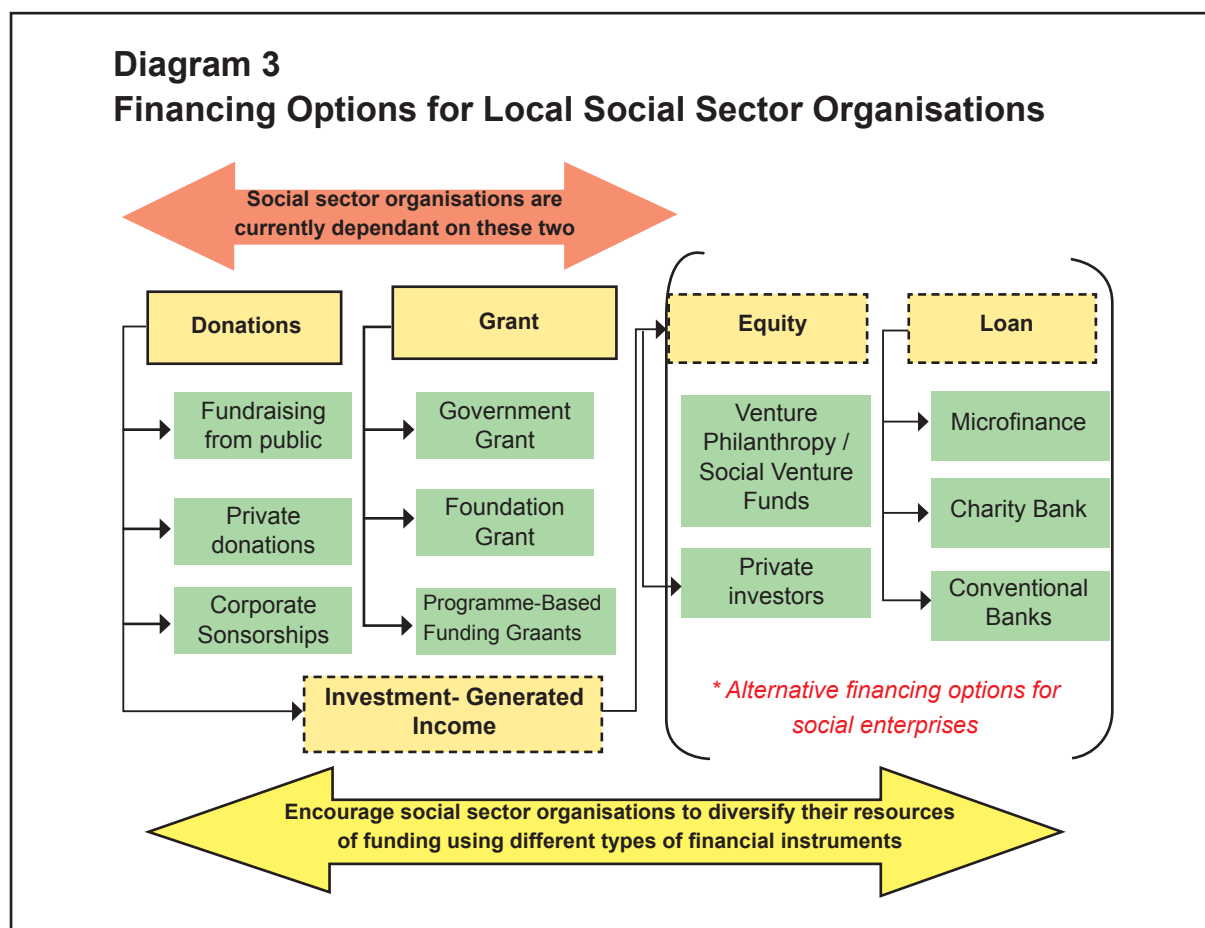
### **Recommendations on Financing for Social Enterprises**

10. The SE Committee sees the need to develop a more sophisticated social investment market in Singapore and to enhance the CEF financing framework for social enterprises that cater to disadvantaged Singaporeans. The Committee's recommendations fall into three broad areas:

- (i) Facilitate the development of more funding options appropriate to the different stages of business development;
- (ii) Revise the criteria, requirements and guidelines for CEF start-up funding to encourage proposals with better business viability and to extend CEF funding to the second year; and
- (iii) Allow profit-sharing for social enterprise champions.

#### **(i) Develop More Funding Options**

11. In addition to grants and donations, the SE Committee encourages the development of equity and loan financing customized for the social sector, so that social sector organisations and social enterprises can diversify their sources of financing for long-term sustainability. Equity and loan options are suited as financing instruments for social enterprises and social entrepreneurship initiatives as these have the potential for social and financial returns on investment. Equity financing can take the form of a community-driven social venture fund, while loan financing may be modelled after Scotland's Social Investment Scotland, the Charity Bank in the United Kingdom, or a customized loan scheme for social sector organisations and social enterprises by conventional banks. Diagram 3 illustrates the range of financing options for social sector organisations.



## (ii) Enhance the ComCare Enterprise Fund

12. The CEF is a grant scheme with a clear focus on helping needy disadvantaged Singaporeans move towards self-reliance. It currently provides social enterprise start-ups with up to 80% of the capital expenditure and 1 year's operating expenditure, capped at \$300,000. The norm for funding is usually 50% of the cap, averaging about \$100,000 to \$150,000 per successful application. Disbursements are made according to mutually agreed milestones achieved by the social enterprises.

13. To maximize the use of resources under the CEF, CEF-funded social enterprises must have strong business viability and clear social benefits to needy disadvantaged Singaporeans. In line with the organising principles and strategies set out in Chapter 2, the SE Committee recommends that the CEF adopt the following funding priorities:

- (i) Greater attention on the viability of the business model when evaluating applications;

- (ii) Focus on WISEs<sup>10</sup>, and provide funding of up to 80% of the operating and start-up costs<sup>11</sup>;
- (iii) Support plough-back-profit social enterprises with compelling and innovative business models, and to provide funding of up to 20% of the total start-up costs<sup>12</sup>; and
- (iv) Consider other innovative social enterprise models<sup>13</sup> on a case by case basis, based on whether it can fulfil an unmet social need.

14. In order to make the best use of the CEF funds, only social enterprises with the most promising business propositions, sound business models and well-developed social support systems should receive CEF funding.

15. The SE Committee recognizes that funding support for social enterprises should be extended beyond the first year as social enterprises need time to establish and mature as businesses. As with conventional businesses, social enterprises have different funding needs during the start-up, operational and growth stages. Diagram 4 shows the recommended CEF funding model.

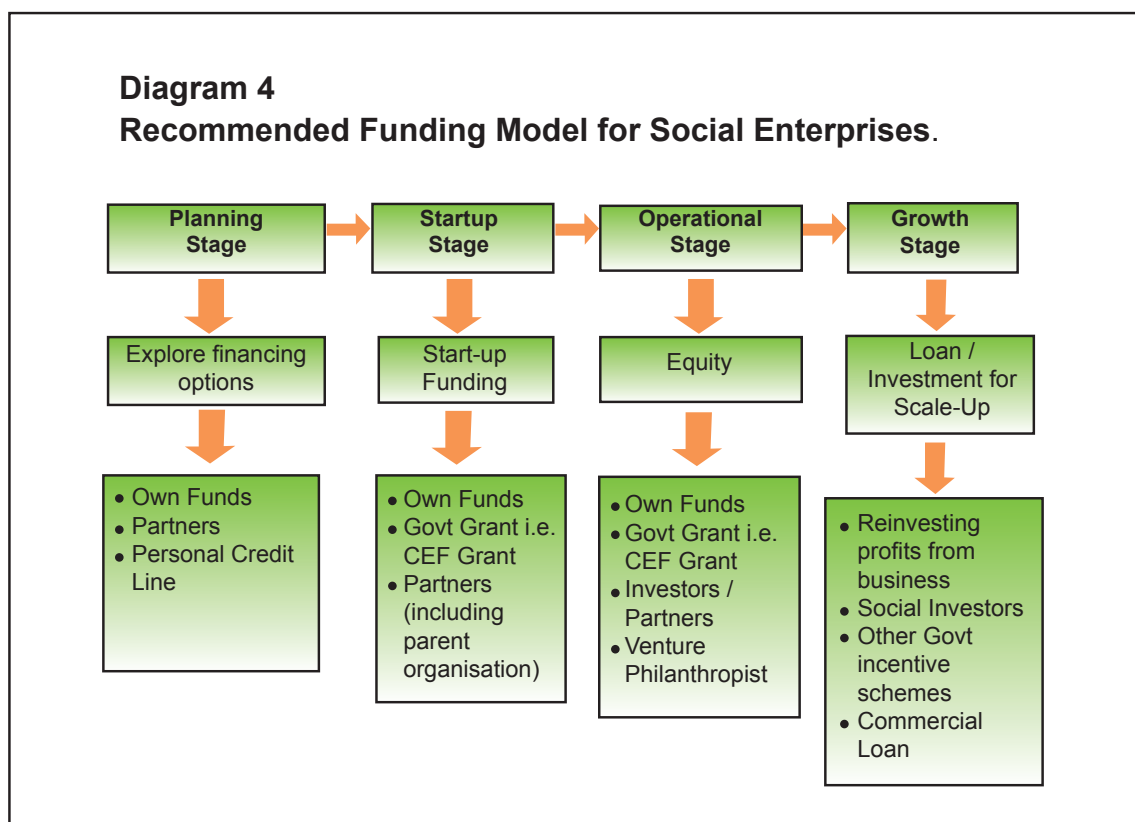
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10. The SE Committee sees WISEs as businesses in which one-third or more of the total workforce is considered to be needy disadvantaged.

11. As stated in Chapter 2, The SE Committee's recommendation is to focus the bulk of government support on the work integration model, as WISEs present the most targeted approach towards achieving self-reliance for needy disadvantaged Singaporeans. Furthermore, WISEs, having a larger percentage of needy disadvantaged workers requiring training and attention, may operate at a competitive disadvantage.

12. Plough-back profit social enterprises should be operating as sustainable businesses, so apart from a small percentage of government support for start-up, they must be able to obtain financing from private financial institutions or investors. The business should be driven by market demand for the product and/or service, and supported primarily by the people and private sectors.

13. This would include the subsidized services model social enterprise which offers subsidized services to meet a community need.



16. The SE Committee proposes to enhance the CEF so that it can provide support for social enterprises at the various stages of development.

*Start-up Stage: Revising the Criteria, Guidelines and Requirements for CEF*

17. The SE Committee is of the view that there continues to be a role for government funding to start-up social enterprises, particularly to encourage socially-minded, business-savvy individuals to come forward and be involved in the sector. There is currently a perception that only VWOs which are starting SEs will be able to qualify for funding<sup>14</sup>. The SE Committee therefore recommends that CEF funding should be extended to existing businesses wishing to create a new subsidiary employing needy disadvantaged employees, or embark on joint ventures with VWOs. This may encourage entrepreneurs with proven business models, ideas and capabilities to work together with social sector agencies to start effective social enterprises.

18. In line with the push for better viability of social enterprises, there should be greater scrutiny by the CEF Evaluation Panel to ensure that applicants have adequate business planning.

14. Source: State of Social Enterprise in Singapore - Case studies of 18 social enterprises, LFCSI, Aug 2007.

Applicants should also be required to show commitment in writing of their own funds and/or the involvement of a third party investor for the balance 20% funding, or in-kind contributions. Social enterprises that are funded by the CEF should be registered as legal entities separate from their parent organisations<sup>15</sup> for clearer accountability and greater business effectiveness. They should be registered with the Accounting and Corporate Regulatory Authority (ACRA) as a Company Limited by Guarantee (CLG), Company Limited by Shares (Pte Ltd), Limited Liability Partnership (LLP) or a Co-operative and should comply with ACRA's accounting and auditing requirements<sup>16</sup>. The limited liability clauses will protect the social enterprise and its champion(s).

19. The SE Committee is of the view that there must be a level of accountability for CEF funds. CEF funding should continue to be disbursed in stages, according to agreed-upon milestones reached by the new social enterprise. To ensure that allocated funds are effectively utilised, MCYS should be able to recall funding if the funds are not utilized within one year of the contract date without good reasons. CEF-funded social enterprises must also adhere to an accompanying reporting and audit framework which includes: (i) quarterly progress reports, and (ii) annual audit on grant utilization, key performance indicators, financial statements, internal control systems and operations, for randomly selected social enterprises.

### *Operational Stage: Second Year Funding*

20. In order to better meet the capacity building needs of the social enterprises, the SE Committee recommends that funding for operating expenses under CEF be extended to 2 years. The revised CEF funding will therefore cover up to 80% of capital expenditure and 2 years of operating costs, while retaining the cap of \$300,000 for each social enterprise. The funding for the second year should be contingent on the first year's performance and disbursed according the operational and social milestones reached by the social enterprise.

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15. Particularly applicable to social enterprises set up by VWOs.

16. Setting up as a Pte Ltd – allows profit-sharing with the social enterprise champion(s), but does not require owners to submit audited statements if their income is below \$5million. This is recommended for individuals setting up social enterprises. Setting up as a Company Limited by Guarantee – does not allow profit-sharing and requires owners to submit audited statements of accounts. This is recommended for charities setting up a social enterprise arm.



*Growth Stage: Profit-sharing for Social Enterprise Champions*

21. Allowing profit-sharing represents a fundamental shift in the approach to supporting social enterprises. This strategy is designed to widen the talent pool to generate more viable businesses, and generate stable, long term employment for needy disadvantaged employees. Profit-sharing provides an incentive for business-savvy entrepreneurs to set up, run, and/or invest in social enterprises. The SE Committee recommends that profit-sharing should not be limited by ratios or based on a percentage of capital contribution, as this makes the process onerous for social enterprises. Instead, the following guidelines are proposed to ensure the necessary checks and balances and to encourage social entrepreneurs to continue to meet their social objectives:

- (i) Social enterprises must continue with their social mission for at least 2 years after the funding period is over;
- (ii) Social enterprises must to continue to submit half-yearly progress reports and audited financial statements for two years after the end of the funding period;
- (iii) MCYS to monitor the number of needy disadvantaged employees in the social enterprises through the progress reports submitted by the social enterprises;
- (iv) MCYS to monitor salary increases and benefits of key staff and social enterprise champions; and
- (v) Stipulate in the CEF contract that the shareholders of the social enterprise cannot draw dividends within 2 years of the date of the last drawdown of government funds, i.e. approximately 5 years after initial start-up.

22. Once social enterprises have reached the growth stage and are becoming profitable, they should be able to seek alternative sources of funding to diversify their financing and to sustain their business growth and expansion as proposed earlier. Alternative sources include:

- (i) Third party investment from partners, venture philanthropists, and private social venture funds;
- (ii) Commercial loans to fund growth e.g. SME financing programmes from local banks – in this regard, the social enterprises should be able to demonstrate business potential, positive cashflow, and that the purpose of the cash injection should be to fund a business expansion, and not to maintain existing jobs; and
- (iii) Other government loan and incentives schemes, including SPRING Singapore's Loan Enterprise Financing Scheme and Micro-loan Programme.

## Recommendations on Business Support and Development for Social Enterprises

23. The SE Committee recommends setting up a system of business support and development to address the business capability and infrastructure needs of social enterprises.

It should cover the following areas:

- (i) Business consultancy ;
- (ii) Mentorship;
- (iii) Facilitating access to business services;
- (iv) Business development workshops and management training; and
- (v) Facilitating market access and business opportunities.

### Business Consultancy

24. For social enterprises that are championed by those with little experience in business, business consultancy can be critical at different stages of the social enterprise's business cycle. For example, a consultant might be engaged to assess the feasibility of a new business plan, to propose improvements to an existing social enterprise's accounts systems and work processes, or devise a set of marketing strategies to enhance sales. The fees charged by commercial business consultants may put such services out of the reach of most social enterprises. Thus, the SE Committee recommends that business consultancy services should be made available to social enterprises.

25. The SE Committee recommends a subsidized business consultancy scheme for CEF-funded social enterprises. The business consultancy scheme could cover the following:

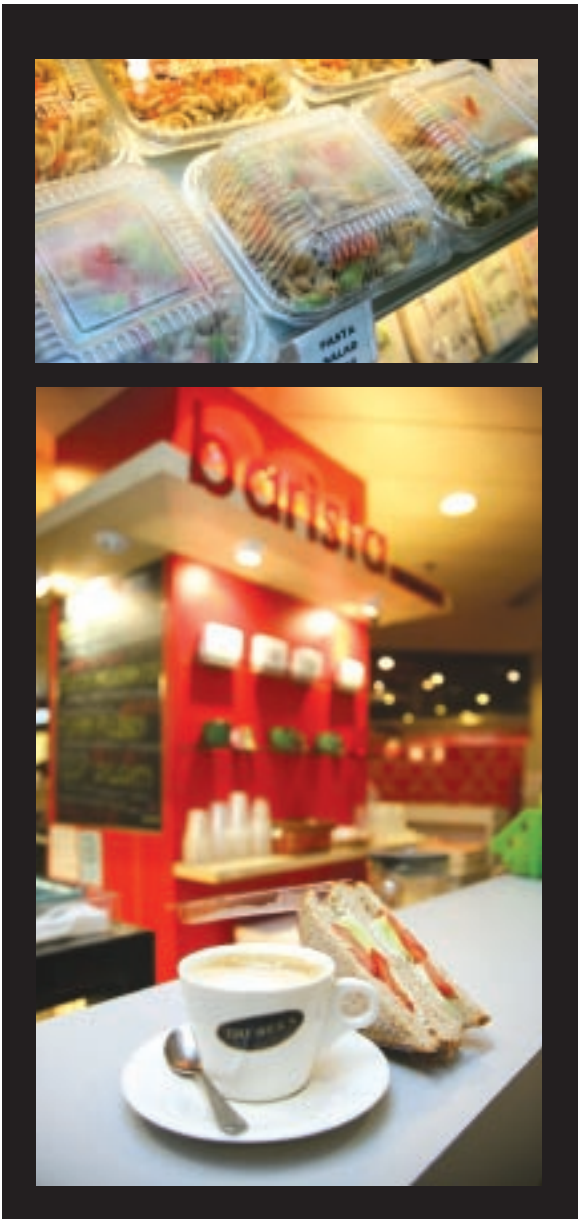
- (i) Evaluation of and advice on the business feasibility of the proposal for all new CEF applications before they are tabled at the CEF Evaluation Panel meeting (Level 1 consultancy).
- (ii) Consultancy services to selected successful CEF applicants (based on the CEF Secretariat's assessment of which new social enterprises would benefit from consultancy services) for up to three months, covering areas such as a roadmap for the social enterprise's progress, and an analysis of the social enterprise's strengths, weaknesses, and areas for improvement (Level 2 consultancy).
- (iii) As a follow-up, periodic monitoring of the implementation roadmap and analysis of the progress of the social enterprises provided with Level 2 consultancy, for a period of at least

one year.

26. The SE Committee proposes that MCYS identifies a suitable organisation to provide such consultancy services for CEF-funded social enterprises, on a co-payment basis. Alternatively, consultancy services provided by various consultancy firms could be coordinated and facilitated by the proposed Social Enterprise Development Centre (See Chapter 5).

Mentorship Scheme

27. The SE Committee is of the view that social enterprises would benefit greatly from being mentored by experienced business entrepreneurs or professionals who would be able to provide



**Case Study 6: Dignity Links’ Barista Café & Secret Recipe**

Barista Express was started by an SE, Dignity Links Pte Ltd, to provide vocational training, wellness programmes and supported employment for individuals recovering from mental illnesses. The cafe’ in the central business district was set up with the active assistance and involvement of the CEO of Select Catering Services Ltd, and is operated by dedicated staff and volunteers with advice from a team of IMH professionals. To improve sales turnover, MCYS facilitated a mentorship with Secret Recipe Cafe’. The operation manager from Secret Recipe provided inputs to improve the mix of products and promotions to attract customers. Barista Express also collaborated with NUS Business School students for their internship. The students developed strategies to improve the processes in the cafe’ and created promotional menus and marketing flyers to generate more business.

valuable advice and insights on a sustained basis on how to improve the strategic and financial performance of the social enterprise. These mentors may also link the social enterprise to useful networks and resources, and offer help in specific areas such as marketing strategy, branding, or product development. The following is a case study of mentorship.

28. The SE Committee recommends that the proposed Social Enterprise Development Centre develop a scheme to match social enterprises to business mentors. This would involve building up a pool of interested volunteer entrepreneurs/professionals and setting up a system to match the interests and capabilities (time commitment, skills and expertise) of these mentors to the business needs of social enterprises. This pool of mentors could be built up through networks with business associations such as Association of Small and Medium Enterprises (ASME), the various Chambers of Commerce, as well as community organisations such as the Rotary Club of Singapore.

### Facilitating Access to Business Services

29. The feedback from social enterprises is that they are either unaware of where to go for certain essential business services (i.e. accounting, auditing, corporate secretarial and legal), or that firms providing such services are either not willing to serve small businesses or VWO-related organisations, or would charge a premium for serving small businesses.

30. The SE Committee recommends that the proposed Social Enterprise Association (see Chapter 5) work with the relevant professional organizations (such as the Institute of Certified Public Accountants of Singapore and the Law Society of Singapore) to identify and form a shared service centre, or panels of accounting/auditing/corporate secretarial/ legal firms or professionals who would be willing to provide services to social enterprises<sup>17</sup>.

### Business Development Masterclasses, Workshops and Management Training

31. Like any other business, social enterprises must build up their business, financial and resource management capabilities in order to remain competitive and sustainable. As highlighted earlier, social enterprises in Singapore are currently hampered by their capabilities in these areas. At the same time, the SE Committee recognises that it is difficult to expect social enterprise practitioners to be competent in both business and social fields. The challenges of

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17. NCSS has also formed a similar panel of auditing firms which offer services to VWOs at preferential rates. There are also agreed upon guidelines established between NCSS and the auditing firms.

working with disadvantaged workers like ex-offenders and recovering psychiatric patients can also take a toll on staff in social enterprises. Several social enterprises have cited this reason for the difficulty in retaining good supervisors and managers.

32. More customised training courses should be developed to equip social enterprise practitioners with the relevant skills to run a successful business alongside attaining their social missions. In addition to general business and financial management courses, the SE Committee recommends that regular business development masterclasses and workshops be customised for social enterprises to help them address specific systems and process issues. For example, masterclasses by established and successful social enterprise practitioners and/or professionals would expose participants to in-depth knowledge and skills needed in running their social enterprises such as, financial capability, marketing and branding, product design, or logistics and inventory management. Workshop trainers can be sourced from specific industries (such as F&B or retail) to teach specialised topics relevant to social enterprises from the same industry. The trainers could also impart knowledge on current market trends and new production and distribution processes. This would increase the exposure of the social enterprises to mainstream businesses, and allow them to pick up business best practices, ideas to improve the quality and efficiency of their processes, and industry innovations.

### ***Expanding the Criteria of the VWO-Charities Capability Fund***

33. Social enterprise practitioners, the majority of whom are from the social service sector, may require additional business management training to enable them to manage their social enterprises more effectively. Social enterprises that are part of a larger VWO or charity, can tap on the VWO-Charities Capability Fund (VCF) to fund their training needs. However, the training courses currently funded by VCF are mostly professional skills-based training for social sector professionals; the fund does not cover business or financial courses. Furthermore, social enterprises which are not NCSS members or registered charities are not able to tap on the VCF as the fund is meant to strengthen VWO capabilities and improve the delivery of services in the social service sector.

34. In order to give social enterprise practitioners access to much-needed training in business management, human resource management and relevant social service skills, the SE Committee recommends extending the scope of the eligibility criteria for VCF funding to

include the staff of CEF-funded social enterprises, even if they are not NCSS-members or registered charities. Secondly, the SE Committee recommends that the training course list be expanded to include business management and other social enterprise-related courses (other than those offered by NCSS' Social Service Training Institute).

### Facilitating Market Access and Business Opportunities

35. Businesses need to generate constant demand for their products and services to be sustainable. Many social enterprises currently rely on word-of-mouth and their network of supporters to publicise their products and services<sup>18</sup>. Most have limited resources to expend on publicity, marketing and promotions, much less brand development. The SE Committee recommends a business support system for social enterprises to facilitate access to new markets, create more business opportunities and stimulate greater demand for products and services.

36. Social enterprises as small businesses, usually started by social sector professionals, often lack the industry networks to be able to build an extensive list of suppliers and potential customers/clients. They may also have limited knowledge of how to take advantage of different distribution channels for their products and services. In order to help social enterprises gain access to these resources, the SE Committee recommends the following strategies:

- (i) Create shared resource listings of potential suppliers, industry experts and links to industry associations. This could be a resource provided by the proposed Social Enterprise Development Centre.
- (ii) Create a platform for social enterprises to network and share recommendations and potential collaborations. The proposed Social Enterprise Association could play a role in this regard.
- (iii) Encourage social enterprises to consider adopting 'vertical' business expansion<sup>19</sup> strategies, i.e. creating different social enterprises along the value chain from production of materials to distribution points. This allows the parent organisation to balance the business risk over a mix of different social enterprises. Case studies 7 and 8 illustrate this strategy.

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18. Based on information from MCYS' Stocktake of CEF-funded Social Enterprises 2007.

19. This strategy involves expanding business operations to include functions directly related to the current business. Examples of this might include purchasing or creating a company which currently supplies materials to the business, or creating a retail platform or distribution channel to sell the products directly to the consumer rather than relying on a middleman or another distributor.





### Case Study 7: New Life Psychiatric Rehabilitation Association, Hong Kong

The New Life Psychiatric & Rehabilitation Association provides a comprehensive range of community psychiatric rehabilitation services to address the residential, vocational and social needs of people recovering from psychiatric conditions. In addition to 5 industrial workshops and an agricultural farm, New Life also manages 5 social enterprises, including the New Life Vegetable and Fruit Stall and New Life Healthy Living Specialty Shop. All the retail outlets provide training and work opportunities for the recovering psychiatric patients under their care. New Life has effectively incorporated a vertical business strategy by retailing the fruit and vegetables grown on their farm at the market stall and healthy living specialty shop.

### Case Study 8: Mendaki SENSE Social Enterprises

The network of social enterprises set up by Mendaki SENSE incorporates a vertical business strategy to encourage sustainability. Through a network of social enterprises, including a childcare centre, sewing business, hair salon and mobile pre and post-natal massage service, SENSE has created a value chain of products and services. The products and services can be cross-marketed through the different social enterprises, ensuring a sustainable customer base. For example, customers who patronise the SURI hair salon will be able to learn about the SURI massage service. SURI Stitch provides training and employment in tailoring and sewing for low-income women. The business in turn provides the school uniforms for SENSE's Junior Network Childcare Centre.





(iv) Engage the business community and encourage collaboration between social enterprises and conventional businesses. One strategy could be to co-opt the social enterprises' processes into the conventional business, making the services of social enterprises part of conventional business's value chain.

37. As earlier stated, most social enterprises have limited resources to spend on advertising, publicity, marketing and brand management. This includes product design and packaging to make the products more saleable. In addition, social enterprises are neither able to command any premiums on their products and services, nor able to price their products lower than others on the market because they lack economies of scale in production. This presents a quandary, as they are not able to differentiate their products from others. Social enterprises could therefore benefit from advice on product design and development, marketing and promotion strategies, and brand management. The SE Committee recommends the following strategies:

(i) Establish a network with industrial design students, product design firms to provide advice and encourage collaboration.

(ii) Create an on-line directory or catalogue of local social enterprises according to the products and services offered.

(iii) Create regular aggregated retail platforms for social enterprises to leverage on economies of scale in publicity and rental. Case study 9 describes such a platform. A permanent space should be set up at the proposed Social Enterprise Development Centre, to showcase the products and services offered by local social enterprises.

(iv) Create a joint Social Enterprise label, much like the global Fair-trade label<sup>20</sup>, to improve brand perception and increase the symbolic value of social enterprises' products and services. This would also encourage social enterprises to ensure their products meet a certain quality standard and may allow social enterprises to price their products and services at a premium.

(v) Encourage social enterprises to explore new marketing and distribution channels, for example trading through the e-Bay charity portal, or taking advantage of e-commerce to sell on-line. This may expand the size of the social enterprises' market as they would also be able to retail their products to an international audience.

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20. The Fairtrade Label is a logo that appears on products that meet internationally agreed Fairtrade standards. The label indicates to consumers the purchasing these products will benefit the producers from the developing countries. Producers have to meet international Fairtrade standards which ensure sustainable development, better trading conditions and rights of disadvantaged producers and workers – source Fairtrade Labelling Organisations International (<http://www.fairtrade.net/>).



### Case Study 9: Pop and Talent Hub (PaTH) Market

The Pop and Talent Hub (PaTH) Market was created by Social Innovation Park (SIP) to provide young, up and coming artists and social enterprises a collective space to retail their work. The colourful market is open at Vivocity for two weekends every month. The organisers also coordinate a group of volunteers who help with the customer service and sales. The artists and social enterprises have the opportunity to market their products and attract a regular customer base, while saving on rental and staff costs – rental is 20% of any income earned. They also get to benefit from the collective publicity generated for the PaTH Market.

38. The SE Committee believes that these efforts should be community-driven, and community-resourced, as far as possible. It is necessary for the social enterprise community to take ownership of the growth and development of its sector. It is therefore critical for the proposed Social Enterprise Association (see Chapter 5) to take the lead in garnering support among the social enterprises to undertake the above recommendations.

# Chapter 5

## Creating a Culture of Social Entrepreneurship



## Chapter 5

# Creating a Culture of Social Entrepreneurship

1. For social entrepreneurship initiatives and social enterprises to develop and achieve sustainable growth, there needs to be a conducive, supportive environment. The SE Committee seeks to encourage a culture of social entrepreneurship and community support for social enterprises in Singapore.

### A Culture of Social Entrepreneurship

2. A vibrant culture of social entrepreneurship entails a high level of public awareness and understanding about social entrepreneurship and social enterprise, support for local social enterprises, rich public discussion about social entrepreneurship initiatives, and opportunities for everyone to learn about social entrepreneurship through training courses, talks and seminars.

3. Presently, public awareness of social enterprises in Singapore is relatively low<sup>1</sup>. The concept of social entrepreneurship has currency mainly among a limited pool of academics, students, the non-profit sector, and socially-conscious business people. It is most appropriate for the people sector to take the lead in creating a social entrepreneurship culture, which is most vibrant and relevant when it develops spontaneously and organically, from within the community.

### Community Support for Social Enterprises

4. The community has an important role in catalysing and supporting social entrepreneurship and social enterprises. A robust network and strong sense of ownership among local social entrepreneurs would form the basis for growth in the sector.

5. A vibrant social entrepreneurship scene entails the participation and support of the following stakeholders:

- (i) Current and aspiring social entrepreneurs and social enterprise practitioners

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1. Case studies on 8 social enterprises by NUS Business School and case studies on 18 social enterprises by the Lien Foundation Centre for Social Innovation.

- (ii) The business community – including prospective funders, investors, business mentors and business leaders of SREs.
- (iii) Public – including students, prospective consumers of products and services provided by social enterprises and co-workers of needy disadvantaged employees.

### Recommendations

#### Form a Social Entrepreneur / Social Enterprise Association

6. The SE Committee's key recommendation is to consolidate the efforts of various social entrepreneurs and social enterprises, through a Social Entrepreneur or Social Enterprise Association. Members of the Association could pool their resources to provide mutual support, engage in dialogue and collaborate to take the social entrepreneurship and social enterprise sector forward. The Association would also be pivotal in promoting more community involvement and support for education and training, funding or organizing social entrepreneurship initiatives and running social enterprises. In addition, the Association can collaborate with the people and private sectors to strengthen social enterprises with creative business skills, ideas and resources.

7. The SE Committee recommends that a Social Entrepreneur / Social Enterprise Association be formed to provide leadership to and be a voice for the social enterprise community through the following ways:

- (i) Help social entrepreneurs and social enterprises access the necessary networks, information and support to make their businesses and their social missions more sustainable. This includes providing platforms for networking, training, and education.
- (ii) Garner greater involvement and investment from the private sector by engaging the business community in networking and dialogue, and by providing donor / investor education on the potential of social investment.
- (iii) Liaise with policy and regulatory agencies on behalf of the social enterprise sector to facilitate the growth and development of social enterprises and their activities, highlight emerging social issues, and work on solutions to address social needs.

8. The Association will serve as a focal point for social entrepreneurs, social enterprises as well as for the public. It could be similar to industry associations like the Association of Small and Medium Enterprises (ASME) or the Singapore Manufacturers' Association (SMA) in



which individual businesses join as members to receive benefits, participate in activities, and contribute experiences. Case study 10 describes associations in the United States and the United Kingdom.

### **Case Study 10: The Social Enterprise Alliance (US) and the Social Enterprise Coalition (UK)**

The social enterprise sectors in the United States and United Kingdom have established industry associations – the Social Enterprise Alliance and the Social Enterprise Coalition respectively – which serve as a point of reference and support for their local social enterprise sectors. These organisations are actively involved in representing the interests of their members to policy-makers and investors, promoting the member social enterprises, maintaining shared platforms for learning and sharing of best practices, and providing resource directories and links to services to their members. They are also engaged in regular research and policy development, the results of which are discussed in their regular series of publications and podcasts. The Social Enterprise Alliance (US) organises an annual social enterprise summit, while the Social Enterprise Coalition is the main organiser of the annual Enterprising Solutions Award and Social Enterprise Day in the UK.

### **Establish a Social Enterprise Development Centre**

9. The Hong Kong Council of Social Service has set up the Social Enterprise Resource Centre<sup>2</sup> in early 2006 as a one-stop service centre for social enterprises and non-profit organisation. It offers training programmes, consultancy services, and marketing and promotional opportunities for Hong Kong social enterprises. It also organises public education programmes and publishes a social enterprise directory to promote new social enterprises to the public.

10. The SE Committee recommends that the work of the Association be augmented and supported by a Social Enterprise Development Centre (SEDC). The SEDC would provide specialised support<sup>3</sup> for the social enterprise sector and form the base of operations from

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2. More information can be found at: <http://www.socialenterprise.org.hk/eng/aboutus.htm>.

3. This includes advice on how a chosen business model can be managed to balance the double bottom-lines; which legal forms are most suitable for the social enterprise and its parent organisation; appropriate financing options; and recommendations on capability building programmes

which services, programmes, workshops, networking and business opportunities for social entrepreneurs and social enterprises could be offered. The SEDC would also aggregate the marketing and promotional efforts of local social enterprises to capitalise on economies of scale. The SE Committee's recommendations for these areas of support for social enterprises have been elaborated on in Chapter 4.

### **Build capability**

11. One key challenge faced by the sector is the lack of sufficient expertise and experience among social entrepreneurs and managers. Hence, the SE Committee would like to build up capability within the social entrepreneur community through more training, education, and research. These efforts could be facilitated and co-ordinated through the proposed SEDC.

12. More young students and potential entrepreneurs would be introduced to social entrepreneurship and enterprises, if academic and professional training institutions develop customised training courses, workshops and modules on these subjects. These courses should balance the emphasis on managing the social mission with relevant business and financial management courses to build business acumen and capabilities. The courses would expose students to the concepts and the necessary training to be able to take up opportunities in the social enterprise sector.

13. For current social entrepreneurs and social enterprise practitioners, the emphasis should be on developing their skills and acquiring a deeper understanding of social entrepreneurship and social enterprise<sup>4</sup>. Academic institutions could offer certificate programmes or diplomas incorporating modules on social entrepreneurship and social enterprise. Masterclasses, seminars and mentorship schemes would also be useful to build the knowledge base in the social entrepreneur community.

14. Some successful entrepreneurs and managers may also be persuaded to become a social entrepreneur, or start a social enterprise. Business leaders should be invited to participate in educational and networking events for the social entrepreneur community so as to introduce the concepts of social enterprise and social entrepreneurship to business people, and to provide opportunities for them to get involved in the sector.

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4. An example is a social entrepreneurship seminar for NPOs – “Changing the World without Breaking the Bank – jointly presented by the Social Service Training Institute, the LFCSI and Carnegie Mellon University.



15. Finally, the SE Committee encourages the conduct of more academic and empirical research to build up the evidence base for different social enterprise models and practices. There should also be platforms for the sharing of research studies and best practices by local and international researchers and practitioners.

### **Attract More Business Community Involvement and Investment**

16. The LFCSI study showed that the current level of involvement by the private sector in social entrepreneurship and social enterprise is relatively weak. One of the key tasks of the Association and the SEDC would be to increase the participation of the business community in the social enterprise sector. The SE Committee recommends the following efforts:

(i) Capability-building – Firstly, private sector individuals and companies need more exposure to the social sector. Many do not know about the work of social sector organisations. Many have not heard of social enterprises and social entrepreneurs. Some confuse social services with volunteer work. The SE Committee sees the need to engage the private sector in building up their knowledge of the work of social enterprises and social entrepreneurs. We should attract the business community to collaborate with social sector agencies in developing social enterprises or to adapt their businesses to become social enterprises.

(ii) Donor/investor education – The SE Committee would like to see greater sophistication in the area of donor/investor education to attract prospective donors or investors to support social entrepreneurship and social enterprises. There is presently no resource or organization which potential investors can tap on to inform them about investment-worthy social entrepreneurship initiatives or social enterprises. More research would have to be done to assess different models of measuring social returns on investment<sup>5</sup>. The SE Committee recommends that the proposed SEDC be positioned to take on this role.

(iii) Pitching sessions - Social entrepreneurs could be invited to regular sessions to “pitch” their ideas to potential investors for funds to start-up their initiatives/enterprises. Representatives of banks, foundations, philanthropists and other potential investors could be invited to these pitching sessions.

(iv) A community social venture fund – To diversify the funding options for social

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5. One example is the Roberts Enterprise Development Fund's (REDF) Social Impact Reports and Social Return on Investment (SROI) Framework, which identifies direct, demonstrable cost savings and revenue contributions associated with an individual's employment in a social enterprise.

entrepreneurship initiatives and social enterprises, the SE Committee would like to see the development of a community fund by social investors who could be professionals and business people with relevant skills and expertise to contribute. One possible model is the Social Venture Partners (SVP) model, which originates from Seattle, U.S, where donors or 'partners', contribute time, money and expertise to help non-profits to be as effective as possible in delivering their programmes and services, by helping to build the organizational capacity of the non-profits (*See Annex 5.1 for more information on the SVP model*).

### **Raise Awareness of Social Enterprises**

17. Case studies on local social enterprises by the NUS Business School and the LFCSI indicate that public awareness and support for social enterprises is low. One misconception is that social enterprises are charities; another is that because social enterprises employ the disadvantaged, the products and services are of inferior quality and should be sold at a lower price. The public also tends to be motivated to purchase out of sympathy and compassion, rather than on need or value.

18. More public education and promotion needs to be done to raise the profile of social enterprises and improve the perception of their products and services. The SE Committee recommends a constant programme of events to ensure momentum and buzz. The events should provide educational and networking opportunities to social entrepreneurs, social enterprise practitioners and the business community to enable them to interact, learn and collaborate. The events can be a mix of large-scale and smaller events, ranging from talks, workshops, conferences, seminars, and roundtable discussions. Examples of such events include the Chatterbox networking sessions, In Conversation series, and Social Innovators Forum organized by SIP; the Roundtable discussions and Distinguished Speaker series organized by the LFCSI; and the Workshops on Venture Philanthropy organized by the Institute of Policy Studies (IPS). Schools, tertiary institutions and other community-based organisations can also organize such events in collaboration with social enterprises or social entrepreneurs to reach out to youths. The events should be organized, supported and driven by the community; with support from the private sector and the government, where appropriate.

19. There should also be more platforms to recognise the achievements and contributions

of social entrepreneurs, for example through awards to outstanding social entrepreneurs or successful social enterprises. Examples include the Schwab Foundation for Social Entrepreneurship's Social Entrepreneur of the Year award, organised by SIP, and the DHL Young Entrepreneurs for Sustainability Awards<sup>6</sup>.

### **Monitor public perceptions and understanding**

20. Finally, to ascertain the extent of public support and the success of the initiatives, the SE Committee recommends that an annual survey be done to measure the level of public perception and knowledge about social entrepreneurship and social enterprise among the various target audiences. There should also be regular engagement with the media so that the contributions of the social entrepreneurship and social enterprise can be publicised and acknowledged.

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6. The UK has an annual national Enterprising Solutions Awards which recognises outstanding social enterprises. It is presented by the UK's Social Enterprise Coalition and sponsored by the Royal Bank of Scotland and the UK government's Office of the Third Sector.

# Conclusion



1. Imagine a country where the needy disadvantaged have opportunities to move towards self-reliance through work. Companies recognise the difficulties they face, and make special efforts to employ and integrate them in their workplaces. With their jobs, they have a stable income, and are able to provide well for themselves and their children. They have peace of mind. They are not objects of pity. They stand tall among fellow citizens, with dignity and pride in their work.
2. Imagine an economy with many flourishing social enterprises. They are confident and compete vigorously alongside conventional companies. They are vibrant and create jobs and services to address unmet needs and make a difference to the needy disadvantaged. They set the standards for ethical business processes, greater inclusion in the workplace, and the creation of social impact with economic value. Some do well enough to expand overseas, and extend their social missions to benefit the world.
3. Imagine a Singapore with some of the best social entrepreneurs in the world. Bringing together the best ideas and practices from the social and private sectors, they develop new and innovative ways to improve Singapore and make it a better society. Though the work is difficult, they are passionate and tireless because the reward is in the ability to make a vital difference.
4. We stand at the cusp of a world of new opportunities with which to bring both economic and social value to society. Social entrepreneurship and social enterprise can marry and transform the ways conventional businesses and non-profit programmes are run.
5. Through social entrepreneurship and participation in social enterprises, successful Singaporeans can go beyond philanthropy to demonstrate their concern for needier Singaporeans, in ways that affirm self-worth and self-reliance. Their efforts can help to bridge the income divide between high-income and low-income Singaporeans and make for a more inclusive and harmonious Singapore.
6. Social enterprise and social entrepreneurship must be community-driven, with the involvement of the private sector and the support of the government and its agencies. The SE Committee believes that its recommendations will invigorate the local social entrepreneurship and social enterprise sector to create new partnerships and platforms to bring about innovative and positive social change.

### Encouraging and Facilitating Socially Responsible Enterprises

<b>Caring Companies Initiative</b>	
1	Provide support for training, job redesign and integration programmes, including supervisor and employee training
2	Develop a one-stop focal point for SREs – a centre or virtual resource for employers on funding support and sourcing for disadvantaged jobseekers
3	Greater recognition for SREs – high profile awards or certification to recognise socially responsible employers
<b>Public Sector Initiatives</b>	
4	Modify the civil service Manpower Management Framework
5	Create an internship scheme

### Building a Pro-Social Enterprise Environment

<b>Financing for Social Enterprises</b>	
6	Develop more funding options - equity and loan financing customised for social enterprises.
7	Enhance the ComCare Enterprise Fund (CEF) <ul style="list-style-type: none"> <li>- Prioritise work integration social enterprises for CEF</li> <li>- Extend CEF funding to second year of operations</li> <li>- Extend CEF funding to businesses creating new subsidiaries or joint ventures with VWOs</li> <li>- Require social enterprises to be registered as separate legal entities – CLG, Pte Ltd, LLP, Cooperative.</li> </ul>
8	Allow profit-sharing for social enterprise shareholders after specified time period, with guidelines & conditions.
<b>Business Support &amp; Development for Social Enterprises</b>	
9	Develop business consultancy services for social enterprises - including subsidised business consultancy for CEF-funded social enterprises
10	Develop a mentorship scheme to match social enterprises with volunteer business mentors
11	Facilitate access to services – corporate secretarial, accounting, auditing, legal services
12	Develop business development masterclasses, workshops and management training
13	Expand the VWO-Charities Capability Fund (VCF) criteria <ul style="list-style-type: none"> <li>- include staff of CEF-funded Social enterprises who are not NCSS members</li> <li>- expand training course list to include business management and other social enterprise-related courses</li> </ul>

**Creating a Culture of Social Entrepreneurship**

	<b>Develop Focal Point and Specialised Support for Social Enterprise Sector</b>
15	Form a Social Enterprise / Social Entrepreneur Association
16	Establish a Social Enterprise Development Centre
	<b>Build Capability</b>
17	Develop customised training courses, workshops and modules on social entrepreneurship and social enterprise for students and potential entrepreneurs.
18	Offer certificate programmes or diplomas incorporating modules on social entrepreneurship and social enterprise for social entrepreneurs and social enterprise practitioners.
19	Build an evidence-base through academic and empirical research on social entrepreneurship and social enterprises.
	<b>Attract More Business Community Involvement &amp; Investment</b>
20	Engage the private sector to build up their knowledge and capacity to work with social enterprises and social entrepreneurs
21	Offer investor / donor education on social enterprises
22	Hold 'pitching' sessions for social enterprises to pitch for investments from corporate investors
23	Set-up a community social venture fund to support social entrepreneurship initiatives
	<b>Raising Awareness of Social Enterprises</b>
24	Organise more public education and promotion through education, networking and promotional events. (e.g. talks, conferences, roundtable discussions, forums, carnivals, workshops, business plan competitions)
25	Create platforms and awards to recognise the achievements and contributions of social entrepreneurs and social enterprises.
26	Monitor public perception and understanding of social enterprises and social entrepreneurship.



# Annexes



## Examples of Social Entrepreneurship and Social Enterprise Projects Worldwide

### Foundations Dedicated to Social Entrepreneurship

1. Ashoka is the world's leading social entrepreneurship organisation. It supports social entrepreneurs – Ashoka Fellows - with stipends and a strong network. It started with an annual budget of \$50,000 when it was founded in 1980. This grew to nearly \$30 million by 2006. Ashoka currently supports the work of more than 1,800 social entrepreneurs in over 60 countries<sup>1</sup>.

2. Ashoka Fellows are chosen for the work that they have done in finding and implementing innovative solutions to social problems. These solutions should have the potential to have long-term positive impact on society. Ashoka fellows receive a living stipend from the organisation to enable them to focus entirely on their social entrepreneurial work without having to be concerned about earning living expenses.

3. Ashoka's work has now been built on by organisations founded more recently, such as the Schwab Foundation for Social Entrepreneurship (founded in 1998), the Skoll Foundation (founded in 1999), and the Omidyar Network (founded in 2004).

### A Growing Number of Social Enterprises

4. Data from a survey of social entrepreneurship activity in the UK, conducted as part of the 2004 Global Entrepreneurship Monitor (GEM) report, suggests that social entrepreneurship organisations and social enterprises are emerging at a faster rate than more conventional commercial ventures<sup>2</sup>. For example, there are now 55,000 social enterprises in the UK, generating £8.4 billion in revenue, almost 1% of the UK's annual GDP<sup>3</sup>.

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1. Source: [www.ashoka.org](http://www.ashoka.org)

2. Source: Nicholls, Alex, 2006, "Playing the Field: A New Approach to the Meaning of Social Entrepreneurship, University Network for Social Entrepreneurship.

3. Source: Poston, Toby, 15 November 2006, "When Profit isn't the Bottom Line", BBC News.

## Social Entrepreneurship Research and Courses

5. Social entrepreneurship is being studied as an academic and research subject in more than 30 universities around the world. Examples include Harvard Business School's Social Enterprise Initiative, Stanford's Center for Social Innovation and the Oxford Said Business School's Skoll Centre for Social Entrepreneurship<sup>4</sup>.

## Examples of Social Entrepreneurs

6. **Fabio Rosa** – introduced a system capable of generating electricity cheaply to rural areas in Brazil, thus enabling many of those dwelling in these areas to have access to electric powered pumps, refrigerators and lights for the first time in their lives. Rosa had obtained technical advice and information on the system from the university professor who had invented it, and worked with local authorities in villages across Brazil to implement the system.

7. **Jeroo Billimoria** - started Childline, a twenty-four hour helpline and emergency response system in Mumbai for children in distress, targeting the millions of children living on the streets of India and working as labourers or begging to survive. Childline worked with the government telecommunications agency to create a toll-free number (1098). Volunteer street children were trained to take calls and link the callers to relevant services, thus encouraging mutual support within the community of street children.

8. **J.B.Schramm** - started College Summit, an organization in the United States that runs SAT preparatory and motivational courses as well as essay-writing workshops, conducts college visits, and provides guidance on writing college applications for low-income youth, thus helping capable young people to achieve their potential by going to college.

## Examples of Social Enterprises

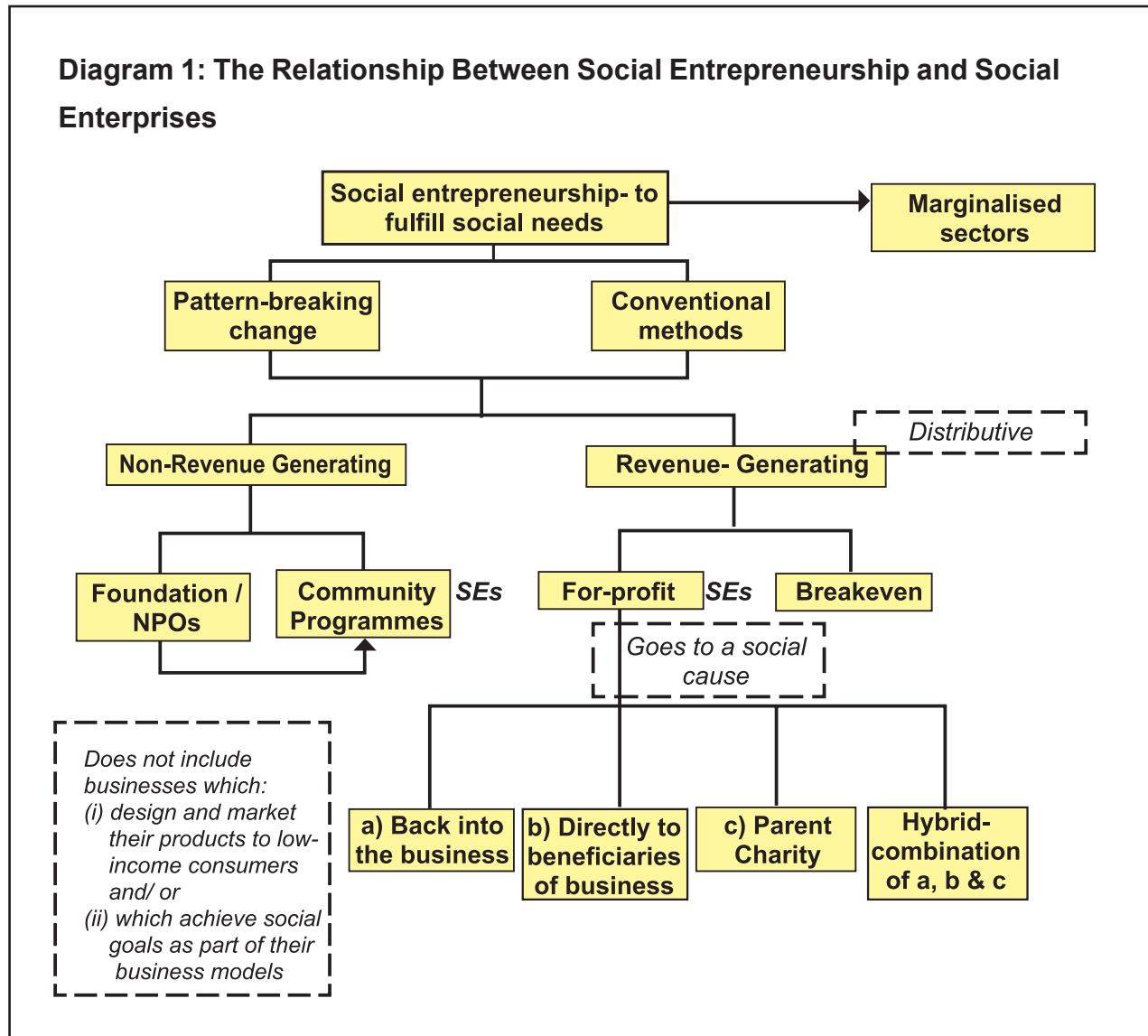
9. **Associacao Nacional de Cooperacao Agricola (ANCA)** – works in areas of Brazil where illiteracy rates are as high as 80% of the population. ANCA created a social enterprise to sell periodicals, audiotapes and publications. The profits from the social enterprise are then used to subsidise literacy training programmes and educational services for children and adults.

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4. Source: "Mainstreaming of the mavericks", The Observer, Sunday March 25 2007

10. **Baldev Farms** – a vocational training initiative established by The George Foundation (TGF) in South India. It focuses on training women from backward communities and lower castes in many aspects of farming, thus giving them a way to earn some income. Profits from the sale of crops are used to finance TGF's other charitable projects. These include EDPS 2000 - a computer software which contains a database of diseases and their characteristics, as well as a diagnostic system which medical practitioners can use to diagnose diseases and nutritional deficiencies among rural populations. The funds also go to Baldev Medical and Community Centre, which provides primary healthcare and emergency medical care for low-income families living in rural areas.

## The Relationship between Social Entrepreneurship and Social Enterprise



1. Diagram 1 illustrates the relationship between social entrepreneurship and social enterprise. (In summary:)

(i) The purpose of social entrepreneurship is to fulfill social needs, usually to help the marginalized sectors of society.

(ii) It may express itself in “pattern-breaking change”, or through conventional, tried-and-tested methods.

(iii) The vehicles that are chosen to advance the social entrepreneurship activity can be either revenue-generating or non-revenue-generating.

(iv) If they are non-revenue-generating, they would usually be in the form of government or charitably-funded programmes, often by non-profit organizations and foundations.

(v) If they are revenue-generating<sup>1</sup>, these would be social enterprises, which can either aim to generate some profit, or just aim to break even. But if any profits are made, they will go back to the social enterprises to help sustain their business, to the beneficiaries of the social enterprises, to a parent charity, or some combination of these. Hence social enterprises are “distributive” – any economic value they create ultimately goes towards helping the marginalised sectors of society.

### **Social Entrepreneurship and Social Enterprise versus Businesses with Corporate Social Responsibility (CSR)**

2. We have left out from the diagram, and from our definition of social entrepreneurship and social enterprise, businesses which (i) design and market their products to low-income consumers<sup>2</sup>; and (ii) which achieve social goals as part of their business model<sup>3</sup>.

3. This is because we believe that the ultimate goal of social entrepreneurship and social enterprise is to fulfill a social mission and that their fundamental enterprise philosophy is distributive. Thus, the primary stakeholders and beneficiaries must be the marginalised sectors,

- 
1. Social enterprises ought to be revenue-generating, though not necessarily profit-making. By definition, a non-revenue-generating entity cannot be called an “enterprise” and should be viewed as a government-funded or charitably-funded social programme.
  2. Examples of this are companies like Danone and Unilever using local women to sell small, individual packets of yoghurt and soap door-to-door in rural villages in countries such as South Africa and Brazil. This enables the companies to increase their sales, while giving low-income consumers access to quality goods. (The New Paper Tuesday, 5 June 2007, page 13)
  3. Banyan Tree Pte Ltd and The Body Shop are good examples of this:
    - Banyan Tree runs resorts and hotels in different countries (usually in areas where there are needy rural communities), and sells ornamental, household and souvenir products. It tries to carry out its work in ways that create a positive impact on the physical as well as human environment. Banyan Tree resorts and hotels are constructed using eco-friendly design and construction techniques and materials, and some adopt environmentally friendly practices such as recycling waste water for irrigation purposes. Banyan Tree also tries to offer job opportunities to local staff in its resorts and hotels. In the production of their line of products, the company tries to source for local materials, and to engage the local people in making the products, thus providing them with a source of income.
    - The Body Shop espouses values such as Community Trade, meaning that it has the practice of trading with communities in need and giving them a fair price for the natural ingredients or handicrafts that it purchases from them. The Body Shop has supported the development of non-animal testing alternatives for cosmetic products. The Body Shop funds a charitable foundation, The Body Shop Foundation. The Body Shop Foundation is funding organizations working on propagating education in Zambia, environmental conservation in Romania, as well as initiatives to stop domestic violence in Europe and halt child trafficking in Asia.

and the primary objective must be a social one. Whereas any “true” business (i.e. a private enterprise, as opposed to a social enterprise), even one which designs and markets products to low-income consumers, or which achieves a social goal as part of its business model, still has profit as its primary objective, and private shareholders as its primary stakeholders and beneficiaries. The enterprise philosophy of a business is accumulation, not distribution. Diagram 2 below illustrates the differences between social enterprise and private enterprise.

**Diagram 2: Social Entrepreneurship and Social Enterprise versus Business with Corporate Social Responsibility (CSR)<sup>4</sup>**

	Business with CSR		Social Entrepreneurship/ Social Enterprise
	CSR- secondary emphasis	CSR- strong emphasis	
Primary beneficiaries	Shareholder		Marginalized sectors
Primary Objectives (motivation)	Single Bottom Line		Double or triple bottom line - social goal equal or superior status to other goals
Enterprise Philosophy	Accumulative		Distributive
Social goal	Separate from business models	Achieved as part of business model	May detract from business model

4. In Diagram 2, we have drawn a distinction between businesses which achieve their social goals separately from their business models, and those which achieve their social goals as part of their business models. The former would include businesses that donate money to charity, or who give their employees time-off to do volunteer work. Examples of the latter would be companies such as Banyan Tree Pte Ltd and the Body Shop<sup>5</sup>. There is great scope for encouraging collaborations between businesses active in the CSR movement and the social

4. Diagram 2 is based on Table 1.1: Key Elements Differentiating Social and Private Enterprise' in Dacanay, Lisa. (2004). Creating Space in the Market: Social Enterprise Stories in Asia. Asian Institute of Management and Conference of Asian Foundations and Organisations.

5. See footnote 3.



entrepreneurship/social enterprise sector (see Chapter 5). However, such businesses have not been included in the definition of social enterprises, as they are essentially profit-driven entities whose primary purpose is to benefit their shareholders.

## State of Social Enterprise in Singapore

Management Report - Prepared by  
Lien Foundation Centre for Social Innovation  
August 2007

### 1. Introduction

1. This study of the social enterprise sector in Singapore was commissioned by the Ministry of Community Development, Youth and Sports (MCYS) to understand the current social enterprise landscape, their contributions as well as attitudes of VWO's towards social enterprises.

2. Data for this study was collected through quantitative surveys and supported by qualitative interviews. Based on our surveys of about 5,460 Non-Profit Organisations (NPO's) and Small and Medium Enterprises (SME's), we received 373 valid responses and have identified 94 existing social enterprises. (*Refer exhibit 1*)

#### Exhibit 1: Sample size and responses received in this project

	NPO's*	SME's	TOTAL
#of surveys sent out**	460	5,000	5,460
# of valid responses	296	77	373
# of NPO's/SME's with existing SE's	66	8	74
# of existing SE's	86	8	94
# of NPO's/ SME's with ceased SE's	4	0	4
# of ceased SE's	10	0	10
# of NPO's/ SME's with strong intent to start SE's	19	9	28

(Numbers valid as of end April 2007)

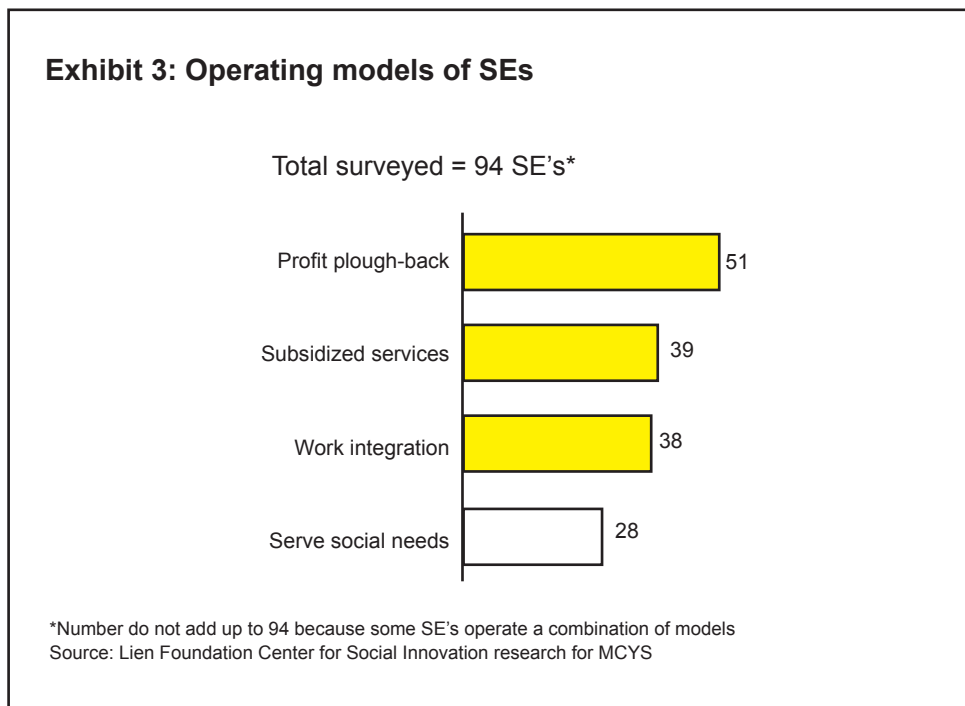
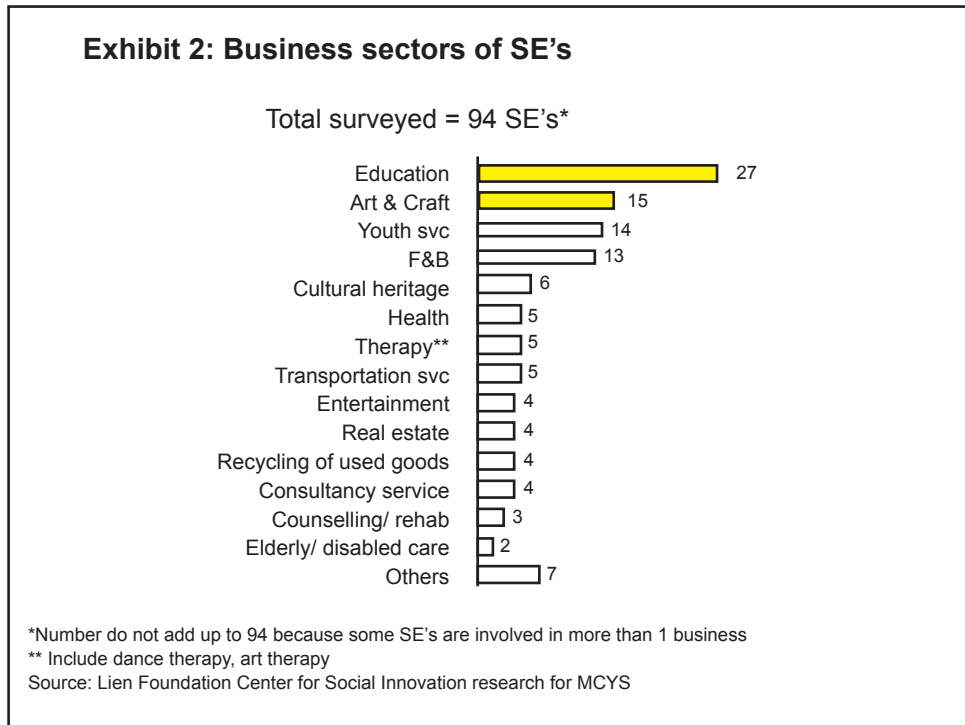
\*Shows the number from first and seconds series of surveys

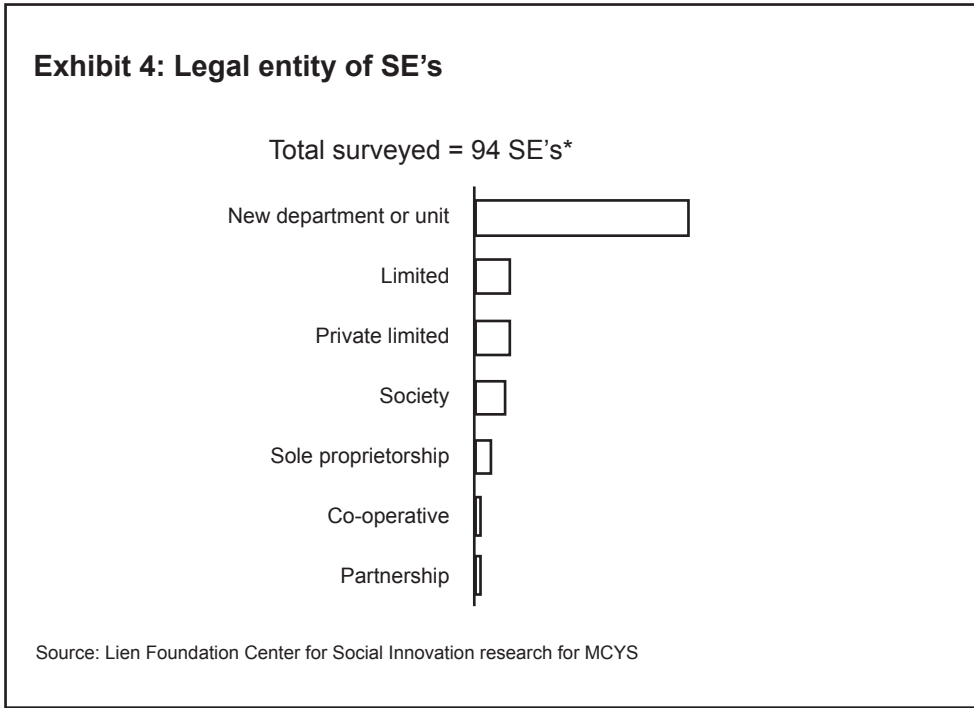
\*\* Includes surveys sent via email/ internet and mail

Source: Lien Foundation Center for Social Innovation research for MCYS

### Current state of Social Enterprise in Singapore

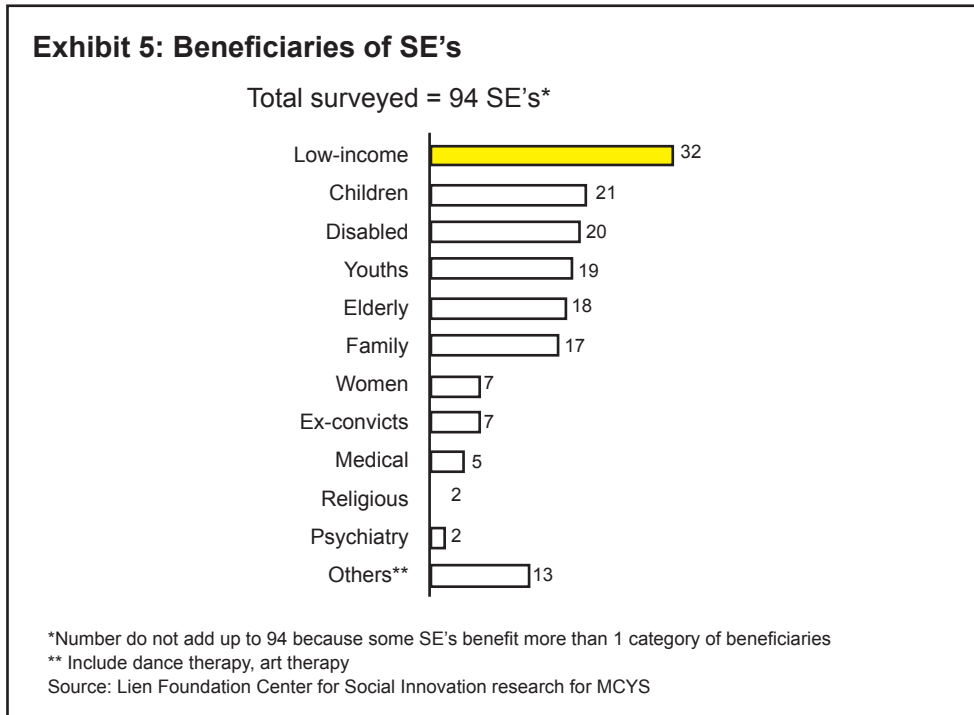
3. We estimate 150 social enterprises existing today, with an estimated 100 of these NPO-led with the remaining 50 being SME-led. The social enterprises cater to diverse social causes including education, environment, health and the arts. (Refer exhibit 2) The social enterprises





surveyed typically employ a combination of business models – profit plough back, subsidized services, work integration and serving social needs – with 51 of the 94 employing a profit plough-back model. (Refer exhibit 3) The majority of social enterprises are established as a new department or unit of an existing parent organization. (Refer exhibit 4)

4. Low-income individuals are the most common beneficiaries, with 32 out of 94 social enterprises catering to their needs, followed by children and the disabled. (Refer exhibit 5)



Social enterprises offer mainly community development opportunities and social services to these beneficiaries. This overlaps with MCYS' focus. We believe this is a reflection of both the effectiveness as well as the dependency on government-led initiatives. MCYS has been the key if not the sole social enterprise champion in Singapore, offering incentives and support to social enterprises who pursue similar causes as it does.

5. We note the low involvement of the for-profit private sector in the social enterprise sector, our survey of SME's had a low response rate and we only identified 8 social enterprises. (*refer exhibit 1*) The majority of the social enterprises we identified have their roots in NPOs. In contrast, the private sector in UK and US play much more active roles.

6. At its foundation, a social enterprise is a business with a social objective. Attempts by various individuals and institutions to define social enterprises consistently identified several elements: presence of at least a social bottomline combined with exposure to competitive market forces, aspires to be a sustainable enterprise and fulfils an unmet need in the market. This will be the working definition of social enterprises that we employ.

7. However, the perception of social enterprises among our respondents is more varied.

### Exhibit 6: Understanding of social enterprise

#### Average score of response to questions by NPO's or SME's

Score range from 1 (strongly disagree) to 100 (strongly agree)

	NPO's/SME's with SE's		NPO's/SME's without SE's	
	Segment A	Intent to start SE within 1 year		No intent to start SE at all
		Segment C	Segment D	
<b>SE's should aspire to be self-financing</b> (Qn A21)	79	81	59	
<b>Products and services offered by SE's should be offered at market competitive rates</b> (Qn B6)	78	86	74	
<b>Where possible, SE's should address needs unmet by the commercial sector</b> (Qn B3)	60	71	71	

\*Based on scale of 1 (strongly disagree) to 100 (strongly agree); refer to technical report for statistical analyses and explanations

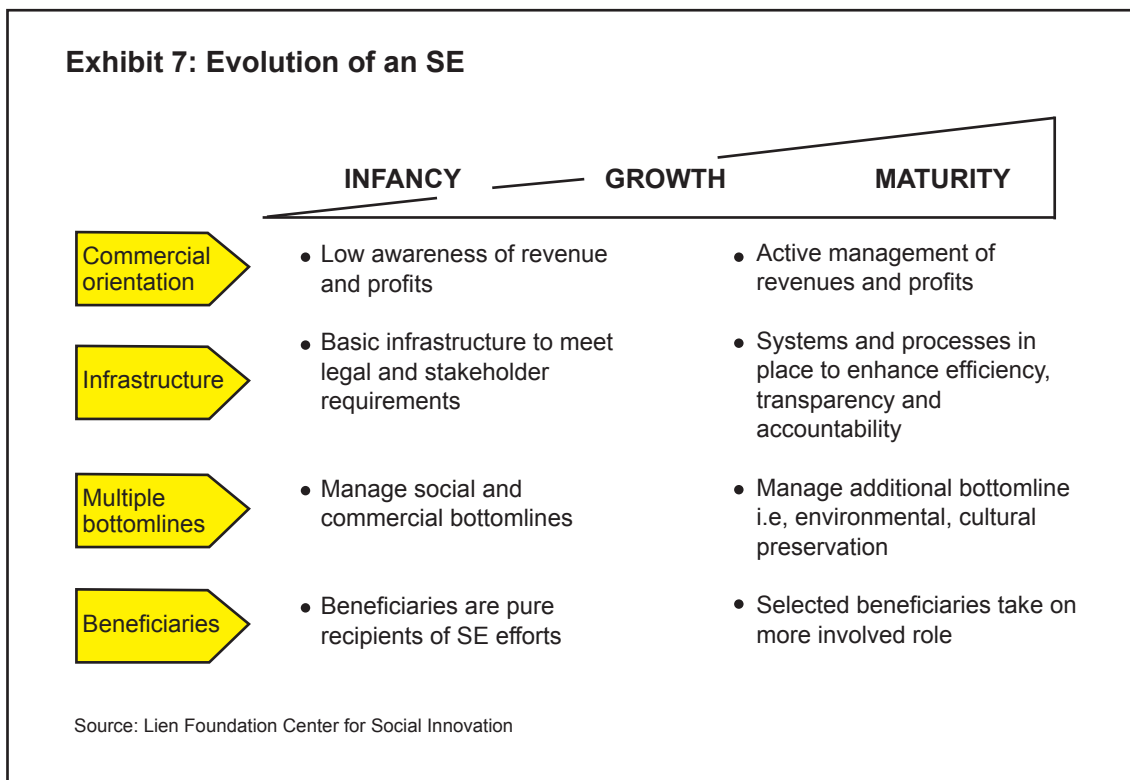
Source: Technical report for State of Social Enterprise in Singapore

NPOs or SMEs with **no intent** to start social enterprises believe **least strongly** that a social enterprise should be self-financing (average score of 59 out of 100) and believe **most strongly** that the product and service offerings should not be offered at market competitive rates (Average score of 74 out of 100). This exhibits the perspective that a social enterprise is more like a charity and should be entitled to support and subsidies. This ‘handout’ mindset may pose challenges moving forward.

8. Interestingly, NPOs/SMEs **with** social enterprise experiences are **least convinced** that social enterprises should aspire to fulfill needs not met by the commercial sector (Average score of 60 out of 100). We interpret this as social enterprises with experience in the commercial marketplace have realized that with the right **business model**, social enterprises can compete against for-profit companies. (Refer exhibit 6)

### Lifecycle of Social Enterprises

9. Social enterprises develop along largely different criteria from for-profit enterprises. Based on our research and consultation, we identified at least 4 sets of criteria along which a typical social enterprise develops.



10. First, an established social enterprise exhibits increased commercial orientation through active management of revenues and profits. Second, an established social enterprise has in place the infrastructure to enhance efficiency, transparency and accountability, such as a performance assessment framework that is measurable and agreed by stakeholders. Third, an established social enterprise may include additional bottomlines such as environmental and cultural preservation. Last, beneficiaries of an established social enterprise take on a more involved role beyond being a recipient. (*Refer exhibit 7*)

11. In contrast, for-profit enterprises develop along dimensions of scale, profitability and ownership of the value chain. Our survey consisted of 10 social enterprises which have ceased operations. The challenges highlighted that have led to their closure are financial viability, human resource and market demand for their offerings. While the number is not large enough to be statistically sound, we observed that these 10 social enterprises identified donations and grants as their primary and secondary sources of income. Other sources such as earnings from operations were conspicuously absent.

## **Funding and financials**

### **Performance**

12. The survey respondents paint a positive picture of their financial health. Of the 94 social enterprises, 42 are reportedly profitable in the most recent financial year. In addition, 31 identified their primary source of income as their own earned income reflecting a self-financing philosophy.

13. However, this positive picture needs to be understood in the context of data limitations. As with any snapshot survey of existing players at a particular moment in time, this study was also subject to survival biases. In other words, we can only capture information of social enterprises in existence today. This results in an overly optimistic view as the poor performers would have already exited the sector and not be captured. A more accurate but time-consuming alternative is to track individual social enterprises over time.



### **Sources of funds**

14. Funding support is available for social enterprises from the larger Singapore private companies and Singapore-based MNCs, including M1, Singapore Press Holdings, DHL, Exxon Mobil, Standard Chartered and Citibank in Singapore. These companies typically aspire to be responsible corporate citizens of the countries they operate in and as such, allocate funds and other resources to social missions. However, the qualifying criteria are often not transparent and proposals are evaluated on a case-by-case basis. Thus social enterprises may encounter difficulties in trying to access such resources.

15. The Singapore government is active in funding social causes, not excluding social enterprises. Sources of such funding schemes include the National Art Council, Creative Community Singapore (MICA) and National Council of Social Service. MCYS' ComCare Enterprise Fund (CEF) in particular, aims to support the development of the social enterprise sector in Singapore. 28 social enterprises in our survey are funded by the CEF. In terms of awareness, about 53% of social enterprises surveyed indicated awareness of CEF and its criteria; another 34% indicated awareness of CEF but not its criteria; the remaining 18% are not aware of CEF.

### **Effectiveness of CEF**

16. Government funding is a much welcome support. However, it is not surprising that it alone is not sufficient. While all respondents favour government support, the differentiating factor between an NPO/SME that has started/has serious intent to start a social enterprise versus an NPO/SME with no intention at all to start a social enterprise is that of business competence. Also, a comparison of CEF-funded and non CEF-funded social enterprises' financial performance does not indicate any significant advantage.

17. This suggests that CEF's seed funding, while extremely helpful, does not actively address the core issue of capability. We understand the seed funding nature of CEF is to encourage social enterprises to develop a self-financing entity in the short term and also allows for ease of management by MCYS. However, in the current social enterprise sector, where lack of capabilities is a more inhibiting factor than lack of funding, its effectiveness is limited.

## Challenges faced

18. The issues highlighted by the social enterprises, from both the quantitative surveys as well as the more in-depth qualitative surveys, can be grouped into issues of Capabilities, Business model & Financials and lastly Environment & Infrastructure.

### Capabilities

19. Staff lack business management capabilities because people attracted to working in the social enterprise currently tend to come from the social services and other non-business backgrounds. The root causes of this are possibly the lack of overlap in the formal education system between social and business sectors and the public perception that the social sector has little need for business competence.

20. Social enterprises also face challenges in tapping into the pool of business professionals. Volunteers are a good solution to plug the lack of capabilities. The difficulties perhaps arise from the dominant mindset in Singapore that cash donations is the most useful and easiest way of giving back. In addition, while there are organizations that attempt to match volunteers with opportunities, they have not gained critical mass to be the single one-stop-shop that can efficiently and effectively match volunteers and opportunities across all social enterprises and NPO's.

### Business Model & Financials

21. Most social enterprises face both pricing and cost disadvantages. Customers in Singapore sometimes perceive products and services of social enterprises as being of inferior quality and hence justifying a lower price. This perception is in stark contrast with countries with well-established social enterprise sectors where products and services are sold at a premium because the customers are getting both the functional benefits as well as giving back to society.

22. The cost disadvantage results from the typical social enterprise having a business model that has to pursue double bottomlines. More often than not, social enterprises' business models are no different from that of a for-profit model, with a social mission attached to it. For example, a café that employs the needy offers work integration opportunities; but the café has to manage

potentially lower productivity to pursue its social mission. On the other hand, the example of 'O School' in Singapore highlights where the business model is designed to pursue both social and commercial objective, but does not face a cost disadvantage in employing at-risk youths to be dance instructors. In fact, the at-risk youths may be the best people to do the job.

23. Financial instability is another challenge highlighted. Whilst funds through donations are available and income is generated through the business, they tend to fluctuate as a result of changing donor sentiments, limited fund-raising capabilities and operational challenges. Hence most social enterprises are not able to plan strategically but have a tendency to think short-term and fight the fires as they arise.

24. A social enterprise business model as discussed previously, presents unique constraints. One worth mentioning is the difficulty of scaling. Unlike a for-profit enterprise where diseconomies of scale set in much later, social enterprises are constrained almost from the onset. For example, a social enterprise we spoke to was a victim of its own success because demand for their services was too great, and their beneficiaries who were employed in the social enterprise were not able to cope with the volume of business.

25. Lastly, the current small scale of most social enterprises implies that they are not able to afford business support services, such as IT, audit and business advisory. These needs are often addressed by existing staff with limited knowledge or volunteers who lack continuity.

### **Environment & Infrastructure**

26. The government-led efforts at stimulating the social enterprise sector are currently skewed towards social services for the needy disadvantaged as a result of MCYS' leadership. Social enterprises that champion other causes such as environment, arts, sports, and health receive less support.

27. The poor understanding of social enterprises and their contributions is another obstacle in the effort to stimulate an active social enterprise sector. We observed previously that a significant majority of social enterprises are NPO driven, instead of SME driven as in countries such as the UK. This lack of public awareness contributes to difficulties social enterprises face in attracting employees and marketing to their customers.

28. Whilst support available for social enterprises exists through private and public entities, social enterprises encounter difficulties identifying and accessing them. Each programme has its unique social objective, qualifying criteria, application procedure, timeline and funding amount. Often such information is not transparent and there is no central repository of such information.

29. Social enterprises can benefit hugely from cooperating and collaborating with other social enterprises. However there is no natural and regular platform in Singapore for social enterprises to gather with the explicit objective of working together. There are multiple efforts currently led by various institutions, including LF-CSI, NUS, IPS and SIP.

### **The Case for Social Enterprise**

30. The social enterprise sector in Singapore is already contributing to the traditional metrics of employment and GDP. The 94 social enterprises surveyed accounted for 1,212 full time employees and 341 part-time employees. In terms of work integration, the 94 social enterprises are employing beneficiaries, 254 on a full-time basis and 236 on a part-time basis.

31. Moving forward, the social enterprise sector is able to contribute even more richly to Singapore gauging from international examples. Along economic terms, the social enterprise sector in the UK accounts for 1% of GDP and in Canada, the non-profit sector relies on government grants for only 20% of its needs, indicative of support from the active social enterprise sector.

32. In social terms, the Furniture Resource Centre Group in the UK which refurbishes unwanted furniture for sale at low prices to low-income families is an illustration of how social enterprises can deliver goods and services that are required but not provided by the commercial sector. The Big Issue Magazine in the UK fosters social inclusion and empowers marginalized segments by offering the homeless a legitimate way of supporting themselves as well as giving them a voice in the media. The Cabbages and Condom restaurant chain in Thailand decentralizes the provision of public services through their promotion of family planning and safe sex education. Also, social enterprises foster an innovative and entrepreneurial environment, as the Grameen Bank illustrates.

### Next steps

33. The various stakeholders need to understand the challenges involved in building an active social enterprise sector. MCYS has made good progress on this front. Just as importantly, MCYS now has to determine the optimal role that it can play, in line with its unique strengths. No single entity will be able to play all the required roles effectively. It is a useful question to ask each stakeholder to understand what each is uniquely good at and how best it can contribute to the development of the social enterprise sector in Singapore.

## Information on the ComCare Enterprise Fund

### Q1 What is the ComCare Enterprise Fund (CEF)?

A1 The CEF provides seed funding for sustainable social enterprises with social objectives that are aligned with the Ministry of Community Development Youth and Sports' (MCYS) mission of helping the needy and disadvantaged, particularly in helping them to become self-reliant.

### Q2 What are the conditions to qualify for CEF funding?

A2 The social objective of the social enterprise must be directly related to MCYS' mission of helping the needy and disadvantaged. The CEF therefore does not fund social enterprises with arts, cultural, health or environmental objectives as their mission. The social enterprise's core activities must also be carried out in Singapore.

Generally, the CEF funds projects that have:

i) A compelling social objective

- Currently the focus of the CEF is on funding work integration social enterprises, i.e. enterprises which provide employment opportunities to needy disadvantaged Singaporeans such as people with disabilities, ex-offenders, people with psychiatric conditions, and older less educated workers from multi-problem families.

ii) A viable business proposition

- The feasibility of the business model and the operations plan will be assessed in light of market conditions.
- The organizational capacity of the enterprise will also be considered, i.e. whether it has a well-articulated plan for growth and sustainability.

The funding is intended for viable business projects which can sustain themselves in the long-term with the revenue they generate, and not intended for social programmes which depend on external sources for funding.

iii) A committed team to drive the project, where the team members have:

- Experience and expertise in the relevant markets and industries; and
- A mindset geared towards results, accountability and sound business principles.

**Q3 How much funding will CEF give to each social enterprise?**

A3 The norm for CEF funding is about \$100,000 - \$150,000 per application for capital expenditure as well as first year operating expenses. On a case-by-case basis, the funding may go up to 80% for these items, capped at \$300,000.

**Q4 Can an individual apply for the CEF?**

A4 Only organisations which are registered legal entities (e.g. limited liability partnerships, companies limited by shares or companies limited by guarantee, or co-operatives) can receive CEF funding in order to set up social enterprises.

**Q5 Who evaluates applications for CEF and what is the application and evaluation process like?**

A5 Applications for CEF have to be submitted to MCYS on the prescribed business plan template. The CEF Secretariat will do a first-level evaluation of the proposal and work with the applicant to refine the proposal and ensure all the relevant information is included.

In assessing the social enterprise proposal, the CEF secretariat will make an evaluation of the following:

- 1) Sustainability (commercial viability) of the proposed enterprise; and
- 2) Social impact of the enterprise.

To evaluate the commercial viability, the secretariat will look at the business plan and the cash flow forecast. The secretariat will also look at whether the project champion and the

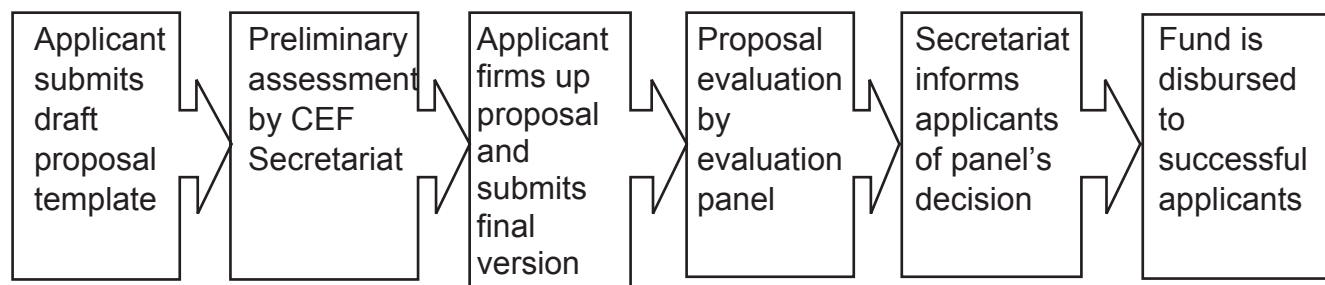


management team have the necessary drive and experience to run the enterprise.

To evaluate the social impact of the enterprise, the secretariat will look at the reach and sustainability of the social benefit which the proposal claims will be achieved. For work integration social enterprises, the secretariat will assess the training and support provided to the target beneficiary group, as well as the average income and career prospects of the employees.

After refinement of the application, the proposals are then tabled at the CEF evaluation panel, which makes the final decision on CEF applications. The panel, chaired by Mr. Gerard Ee (Chairman, National Kidney Foundation), comprises people and private sector representatives. The CEF Evaluation Panel meets every quarter and the closing date for application is 4 weeks before the panel meeting.

The following diagram lays out the workflow of the CEF application and evaluation process:



**Q6 What are the obligations of a CEF-funded social enterprise?**

A6 Organisations whose applications have been approved for funding are required to sign a contract with MCYS before the CEF grant is disbursed. Certain Key Performance Indicators (KPIs) will be set for the CEF-funded social enterprises in the financial and social areas. For example, KPIs could be related to revenue and turnover, number and salaries of the needy disadvantaged employed, etc. The CEF-funded social enterprise is contractually obliged to carry out all that is required to meet these KPIs. It has to submit quarterly progress reports to the CEF Secretariat together with a statement of accounts. The social enterprise will also be subject to random operational audit checks and site visits.

## Terms of Reference and Composition of the Social Enterprise Committee

### Terms of Reference

The terms of reference of the Social Enterprise Committee are to:

- (i) Make recommendations to MCYS on the policies and framework which should be adopted to encourage social entrepreneurship and help develop a pro-social enterprise environment in Singapore.
- (ii) Promote and facilitate the development of social entrepreneurship and social enterprises in Singapore.
- (iii) Evaluate and decide on the applications for funding from the CEF and track the impact of the Fund on the social enterprise sector.

### Composition of Social Enterprise Committee

	Name	Designation
1	Mr Philip Yeo (Chairman)	Chairman, SPRING Singapore
2	Mr Niam Chiang Meng (Deputy Chairman)	Permanent Secretary, Ministry of Community Development, Youth & Sports (MCYS)
3	Mr Alfie Othman	Managing Director, Ikhlas Holdings
4	Mr Darrell Chan	Manager, Legal & Corporate Affairs, FJ Benjamin
5	Mr Chew Hock Yong	Deputy Secretary, Ministry of Community Development, Youth & Sports (MCYS)
6	Ms Elim Chew	Founder, 77th Street
7	Mr Gerard Ee	Chairman, National Kidney Foundation (NKF)
8	Mr Goh Eng Ghee	Deputy Chief Executive, Singapore Workforce Development Agency (WDA)
9	Ms Penny Low	Founder & President, Social Innovation Park and MP, Pasir Ris - Punggol GRC
10	Mr Koh Juan Kiat	Executive Director, Singapore National Employers Federation (SNEF) and Singapore Business Federation (SBF)
11	Mr Png Cheong Boon	Deputy Chief Executive, SPRING Singapore
12	Ms Sim Sin Sin	Managing Director, Secret Recipe
13	Ms Norma Sit	Founder, Youth Life Ownership
14	Ms Josephine Teo	Assistant Secretary-General, NTUC and MP, Bishan - Toa Payoh GRC
15	Mr Andrew Wang	Management Consultant, Shell

## The Social Enterprise Committee and its Sub-Committees

The Social Enterprise Committee oversees the work of 4 Sub-Committees:

- (i) The Strategic Planning Sub-Committee;
- (ii) The Project Development Sub-Committee;
- (iii) The Financing Sub-Committee; and
- (iv) The Publicity and Promotion Sub-Committee.

### Strategic Planning Sub-Committee

- Develop overall framework and strategy to grow the social enterprise sector and integrate it with the business and people sectors
- Coordinate efforts to encourage social entrepreneurship across the whole of government and community

	Name	Designation
1	Ms Norma Sit (Chair)	Founder, Youth Life Ownership
2	Mr Chew Hock Yong	Deputy Secretary (MCYS)
3	Mr Alfie Othman	Managing Director, Ikhlas Holdings
4	Ms Lydia Goh	Managing Director, Excelsea Consulting Pte Ltd
5	Ms Elim Chew	Founder, 77 <sup>th</sup> Street
6	Ms Farah Fami	Manager, Special Projects, SPRING Singapore
7	Mrs Shirley Chen (Resource Person)	Senior Consultant, Organisation Development, EDB

### Project Development Sub-Committee

- Explore ways to support social enterprises through measures such as business consultancy, mentoring, shared services, and marketing and design input.

	Name	Designation
1	Ms Josephine Teo (Chair)	Assistant Secretary-General, NTUC and MP, Bishan - Toa Payoh GRC
2	Mr Andrew Wang	Management Consultant, Shell
3	Ms Sim Sin Sin	Managing Director, Secret Recipe
4	Ms Elim Chew	Founder, 77 <sup>th</sup> Street
5	Mr Damien Wong	Director for Project and Portfolio Management, Hewlett Packard Software, Asia Pacific and Japan
6	Ms Farah Fami	Manager, Special Projects, SPRING Singapore

### Financing Sub-Committee

- Explore the most efficient and useful ways to finance social enterprises,
- Evaluate applications for funding from CEF (ComCare Enterprise Fund)
- Track progress of CEF-funded SEs

	Name	Designation
1	Mr Gerard Ee (Chair)	Chairman, National Kidney Foundation (NKF)
2	Ms Sim Sin Sin	Managing Director, Secret Recipe
3	Mr Alfie Othman	Managing Director, Ikhlas Holdings
4	Mr Zulkifli Baharudin	Managing Director, Global Business Integrators Pte Ltd
5	Mrs. Christine Laimer	Founder, Food from the Heart
6	Mr Kong Mun Kwong	Chairman, Singapore Corporation of Rehabilitative Enterprises (SCORE)
7	Mr Tony Chew	Executive Chairman, Asia Resource Corporation Pte Ltd
8	Mr Woon Tek Seng	Managing Director, Killiney Kopitiam
9	Mr Lawrence Leow	Executive Chairman, Crescendas Group; President ASME
10	Ms Elim Chew	Founder, 77 <sup>th</sup> Street
11	Ms Joy Koh	Manager, Special Projects, SPRING Singapore
12	Ms Josephine Tan	Business Development Manager, Secret Recipe

### Publicity & Promotions Sub-Committee

- Spearhead public education on social enterprise and social entrepreneurship
- Provide networking and training opportunities to local social entrepreneurs

	Name	Designation
1	Ms Penny Low (Chair)	Founding Director, Social Innovation Park and MP, Pasir Ris - Punggol GRC
2	Ms Elim Chew	Founder, 77 <sup>th</sup> Street
3	Ms Chua Foo Yong	Executive Advisor to Mediacorp Group CEO's office, and Managing Director
4	Mr. Andrew Thomas	Managing Director, Ogilvy & Mather (S) Pte Ltd
5	Mr. Telly Tan	Managing Director, Clear Channel Singapore Pte Ltd
6	Mr. Terry Alan Farris	Head of Philanthropy Services, Asia Pacific, UBS AG Singapore
7	Mr. Felix Soh	Deputy Editor, Straits Times, Singapore Press Holdings Ltd
8	Mr Steve Okun	Vice President, Public Affairs, UPS Asia Pacific

## Public Feedback on Recommendations

No	Proposals and Proposers	Rationale/ Concerns	SE Committee's Comments	Outcomes
1	<p>Proposal: Provide more information on the needy disadvantaged in Singapore and overseas.</p> <p>Proposers: Social enterprises, employers</p>	<p>With more information, social enterprises and employers will have a better understanding of the needs and profiles of the needy disadvantaged.</p>	<p>A one-stop focal point for employers who wish to hire needy disadvantaged workers. It will also coordinate the efforts of the various referral agencies working with different needy disadvantaged groups in Singapore such as the WDA, MCYS, the Ministry of Manpower, the Community Development Councils and the Family Service Centres.</p> <p>The needs of local needy disadvantaged groups should come first.</p>	<p>Agree. Recommended in Chapter 3.</p> <p>Not supported for overseas needy disadvantaged.</p>
2	<p>Proposal: Customized workshops for social entrepreneurs.</p> <p>Proposers: Social entrepreneurs, social enterprises</p>	<p>Social entrepreneurs need specialized training which is not currently covered by conventional courses on entrepreneurship.</p>	<p>Social enterprises need to build business, financial and resource management capabilities in order to be competitive and sustainable. More customized training such as business development masterclasses and workshops are needed to equip social enterprise practitioners with the relevant skills.</p>	<p>Agree. Recommended in Chapter 4.</p>

3	<p>Proposals: Joint promotion of products and services of social enterprises.</p> <p>A directory of all social enterprises and their products and services.</p> <p>Proposers: Social entrepreneurs, social enterprises</p>	<p>Social enterprises tend to be of small scale and lack resources to market their products. They will benefit from collective branding and marketing.</p>	<p>Many social enterprises rely on word-of-mouth and their supporters to publicise their products and services. A joint social enterprise label, similar to the Fair-trade label, will help to improve brand perception and increase the value of social enterprises' products and services. An online directory or catalogue of products and services by local social enterprises can also be developed.</p>	<p>Agree. Recommended in Chapter 4.</p>
4	<p>Proposal: Extend ComCare Enterprise Fund (CEF) funding beyond the first year.</p> <p>Proposers: CEF-funded social enterprises.</p>	<p>Social enterprises need a longer period of support to allow time for the business to stabilize.</p>	<p>Funding for operating expenses under CEF should be extended to 2 years. The funding for the second year should be contingent on the first year's performance and disbursed according to the milestones reached by the social enterprise.</p>	<p>Agree. Recommended in Chapter 4.</p>
5	<p>Proposal: A common platform for social entrepreneurship stakeholders.</p> <p>Proposers: Social entrepreneurs, social enterprises, public</p>	<p>A common platform will facilitate interaction among social entrepreneurs and other stakeholders in the people, private and public sectors.</p>	<p>The community has a key role in catalyzing and supporting social entrepreneurship and social enterprises. A Social Enterprise Association will serve as a focal point for the social enterprise sector. It will play a pivotal role in promoting more community involvement in and support for social enterprises.</p>	<p>Agree. Recommended in Chapter 5.</p>



6	<p>Proposal: More support for social enterprises.</p> <p>Proposers: Social entrepreneurs, social enterprises</p>	<p>Many social enterprises do not have business expertise. They need support in business consultancy, marketing expertise, product development, research, mentoring and networking.</p>	<p>A Social Enterprise Development Centre should be set up to provide specialized support for the sector. The Centre will provide business training and support, networking and aggregated marketing and promotional opportunities for social enterprises.</p>	<p>Agree. Recommended in Chapter 5.</p>
7	<p>Proposal: Social enterprise/ entrepreneurship modules to be offered in schools and tertiary institutions.</p> <p>Proposers: Social entrepreneurs, social enterprises</p>	<p>Building the capabilities of the young will create a vibrant social entrepreneurship scene. Education and training in social enterprise/ entrepreneurship will enable a pool of trained personnel to develop and run social enterprises.</p>	<p>It is important to build expertise for the social enterprise sector through training, education and research. It encourages academic institutions to offer certificate programmes or diplomas incorporating modules on social entrepreneurship and social enterprise.</p>	<p>Agree. Recommended in Chapter 5.</p>

8	<p>Proposal: Clarify the differences between social enterprises, Voluntary Welfare Organisations (VWOs) and charities.</p> <p>Proposers: Social entrepreneurs, social enterprises, public</p>	<p>The general public do not understand the concepts of social entrepreneurship and social enterprise. Many confuse social enterprises with VWOs and charities.</p>	<p>Studies indicate that public awareness of social enterprises is low, with a common misconception being that social enterprises are charities. There should be more public education to clarify the role of social enterprises and promotional events to raise their profile.</p>	<p>Agree. Recommended in Chapter 5.</p>
9	<p>Proposal: Preferential location and subsidized rental for social enterprises.</p> <p>Proposers: Social entrepreneurs, social enterprises</p>	<p>The high costs of doing business in Singapore mean that social enterprises, which are small businesses, will not be able to afford prime locations.</p>	<p>As far as possible, social enterprises should operate on a level playing field – i.e. they must be subject to the same market discipline and conditions as conventional businesses, and not be given any unfair competitive advantages. The Government should not provide concessionary rentals, subsidies or specially allocated space. However, social enterprises can collectively negotiate with their landlords for preferential locations, rates and business opportunities.</p>	<p>Not supported.</p>

10	<p>Proposal: Address the poor work ethics of the needy disadvantaged.</p> <p>Proposers: Employers</p>	<p>Needy disadvantaged persons have difficulty holding on to their jobs as they usually have other issues such as low self-esteem, multiple family problems etc.</p>	<p>CEF-funded social enterprises which hire needy disadvantaged workers are encouraged to partner with social agencies working with needy disadvantaged groups, e.g. family service centres for single mothers. The social agencies provide counselling and referrals to sources of help which may help mitigate some of the difficulties needy disadvantaged workers have in holding on to jobs.</p>	Not supported.
11	<p>Proposal: Support self-funded, individual social entrepreneurs.</p> <p>Proposers: Social entrepreneurs, public</p>	<p>It is perceived that there is a bias towards funding organisations rather than individuals.</p>	<p>Individuals who want to set up social enterprises are encouraged to register as legal entities such as a company or co-operative in order to receive CEF funding. This is to ensure accountability for the use of public monies to fund the proposed social enterprises.</p>	Not supported.

## Existing Support for Employers of Needy Disadvantaged Workers

1 Employers of needy disadvantaged workers are eligible for government funding under programmes for regular workers. For example, the Skills Development Fund, run by WDA, subsidises a portion of the training costs for employers who send their employees for training. WDA also provides absentee payroll to employers to defer their manpower cost when they send workers for training.

2 In addition, there are government subsidy schemes that provide funding support to employers who hire certain groups of workers:

(i) The ADVANTAGE! Fund provides support for employers to hire, re-employ or retain mature workers. This is administered by WDA.

(ii) The Open Doors Fund (or “ODF”, formerly the ENABLE Fund) provides support for employers who hire the disabled. This is administered by the Singapore National Employers Federation (SNEF).

Details of ADVANTAGE! and ODF are given below.

### ADVANTAGE!

The ADVANTAGE! scheme offers a grant of up to \$400,000 to support a company’s initiatives and efforts in the following areas:

1. Recruitment of new workers aged 40 and above,
2. Retention of existing workers aged 55-61, and
3. Re-employment of existing workers aged 62 and above.

It also supports initiatives to implement human resource systems for the retention and re-employment of mature workers. These may include, but are not limited to:

- Institutionalising re-employment policy
- Wage restructuring to move away from seniority-based wages to more job-based, competency-based and performance-based wages

- Institutionalising non-discriminatory recruitment/hiring policy
- Provision of career and retirement counseling especially for workers withdrawing their CPF at the age of 55
- Redesigning medical benefits - Restructuring medical benefits to fixed quantum per workers so as not to disadvantage cost competitiveness of mature workers
- Introducing part time work to attract economically inactive mature workers
- Improving working environments to help mature workers be more productive
- Skills upgrading or re-skilling of mature workers
- Health promotion programmes
- Institutionalising career guidance programmes
- Implementing performance management systems
- Re-designing jobs to raise productivity and introduce new roles and responsibilities for mature workers

The grant will fund the cost of a company's efforts to recruit, retain or re-employ mature workers, including developing and/or implementing re-employment systems. These may include costs incurred for training, consultancy, Intellectual Property Rights, equipment, absentee payroll and staff salary (pro-rated to direct involvement in development or implementation of the initiatives). However, the grant cannot be used for the purposes of retention bonus or salary support.

### **ENABLE / Open Doors Fund**

The ODF provides funding up to a maximum of \$5,000 per person with disabilities hired, and up to \$100,000 per project. The components supported are:

Job redesign	Up to 70% funding for salaries of company staff engaged in the job redesign and consultancies paid to third parties.
Workplace modification	Up to 90% funding of actual cost of leasing (up to 12 months) or purchase cost of equipment and building modifications.
Intellectual property rights	Up to 30% funding of actual cost of intellectual property rights such as licensing fees and royalties.
Integration programmes	Up to 90% funding of other items such as mentorship or other adjustment programmes to integrate the persons with disabilities into the company.
Training	Up to 90% funding of the training cost of persons with disabilities (including both in-centre and on-the-job training).

## Overseas Social Investment Markets and Social Investment Scotland

### Overseas Social Investment Markets

1. The UK and US have social investment markets that provide financing options that include grants, equity and loans for charities, social enterprises and enterprises. Some examples include:

- Commercial bank loans for social purposes (eg. Charity Bank, Unity Trust Bank and Triodos)
- Mix of loans and business support (e.g. Social Investment Scotland)
- Mix of loans, grants and business support (e.g. FutureBuilders England)
- Mix of private equity and business support (e.g. Breakthrough at CAN, Impetus Trust, Social Venture Partners Seattle)

### Social Investment Scotland

2. Social Investment Scotland (SIS) is a partnership between Scotland's four biggest banks and the voluntary and public sectors. SIS provides loan finance and business support to social economy organisations that are unable to raise any or all of the loan finance they need from normal commercial sources. "Social economy organisation" refers to a venture offering services for community benefit or employing people for job creation purposes, which retain any surpluses earned, to sustain and develop its activities for the further good of the community. This includes the trading operations of charitable bodies, community businesses, co-operatives, social enterprises, charitable trusts, community development finance initiatives (CDFI) and housing associations.

3. Organisations may apply to SIS for a loan if their activities have a strong social purpose which benefits disadvantaged or vulnerable groups. The social impact achieved should make a



real difference to the community in which the organisation operates and that difference should be of a long lasting nature.

4. SIS will also lend to established Community Development Finance Initiatives (CDFI) which will then be able to on-lend funds to local social economy organisations which share the same characteristics as mentioned in the first paragraph above. SIS does not lend to individuals.

5. Loans are available for amounts ranging from £10,000 to £500,000. SIS provides loan finance for:

- Asset purchases - Funding can be made available for purchases or refurbishment of existing property or the purchase/construction of new property. SIS will also assist with loans for equipment, machinery etc. where these will enable the organisation to function more efficiently or to bring additional community benefit.
- Working capital - All businesses will experience peaks and troughs in their cash flow and the peak borrowing requirements can be covered with an appropriate loan.
- Bridging finance - A loan from SIS which bridges the timing gap in instances where grant funding has been agreed or approved, but where delays of 1 - 12 months occur in receipt of the funding.

6. The period of the loan can be from 12 months to seven years although in the case of property loans this repayment period can be extended to 10 years. The periods mentioned are by way of general indication only as individual loan characteristics play a part in assessing the period required for repayment.

## Social Venture Partners (SVP)

### History

1. SVP was created in 1997, in Seattle, Washington, under the inspiration of Paul Brainerd, founder and president of Aldus Corporation. Additional founding members included Scott Oki (former senior vice president at Microsoft and owner, Oki Foundation), Ida Cole (former Microsoft executive), Bill Neukom (senior vice president of law and corporate affairs at Microsoft) and Doug Walker (president of WRQ, a Seattle-based software company).

### Vision

2. The vision of the founders was to build a philanthropic community using a model that paralleled venture capital practices. This model became known as venture philanthropy. Key tenets of this approach to philanthropy include long-term, highly engaged investments of money, resources and business expertise to develop the capacity and sustainability of local non-profit organisations (termed investees).

### The SVP Model

3. The SVP model brings together worlds that typically do not overlap: grant making, volunteerism, nonprofit capacity building and philanthropic education.

4. SVP partners are individuals who want to make a meaningful contribution to nonprofit organisations – through sharing their skills, time and financial resources. SVP investees are non-profit organisations that seek new resources and approaches for addressing a variety of issues.

5. SVP Partners make an annual contribution of at least \$5,000 to the fund, and make decisions about how to share their collective investment. Partners provide volunteer support to their investees in capacity-building areas such as marketing, finance, technology, strategic planning, and human resources management. Capacity building investments contribute to increased organisational effectiveness and impact.

6. Thus, the key thrust of the SVP model is investment that is intended to build the long-term capacity of organisations, rather than short-term projects or programmes. Capacity building investments include cash grants, skilled volunteers, professional consultants, leadership development and management training opportunities.

7. What the SVP model also achieves is the mobilisation of a community of lifelong, informed and inspired philanthropists. Through engagement with investees, connections with SVP partners and participation in education events, SVP partners are inspired to reinvest and make new investments in organisations associated with SVP, as well as in the broader non-profit sector.

### **Growth of SVP**

8. As interest in this new approach to philanthropy grew, SVP organisations began developing throughout North America. Much of this growth was due to SVP's unique model of fusing philanthropy with capacity building. This model struck a chord with individuals who were looking to increase their personal philanthropy in a way that would make the most impact. Through SVP, partners' interest in other types of philanthropic activities increased, partners increased their knowledge of community issues and saw the value of providing general operating support to non-profit organisations<sup>1</sup>. By 2001, a loose network had formed and SVP International (SVPI) was created to support and advance this network. As of April 2007, there were 23 SVP organisations across North America and one in Japan.

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1. Transforming Philanthropic Transactions: An Evaluation of the First Five Years at Social Venture Partners Seattle.

[Source: <http://www.svpseattle.org>]