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## Social Entrepreneurship in Hong Kong

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### Abstract

*Social enterprises are self-sustainable, scalable, replicable and profitable whereas a charitable organisation runs on the grants or contributions by society. Since, the advent of social entrepreneurship in Hong Kong is unconventional affair, the article discusses about its importance, opportunities, getting started with social enterprise, government policies, removing distrusts about social enterprises along with success stories of existing social organisations.*

**Keywords:** *Social Entrepreneurship, Self-sustainable Organisations, Solving Social Problems, Social Enterprises, Future Research.*

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### Objectives

The Objectives of the study are as follows:

- Highlighting the opportunities and challenges for social entrepreneurs in Hong Kong.
- Portraying policies initiated by government and ease of starting social enterprise.
- Helping social enthusiasts to have clear understanding of social enterprises and disclosing major myths about it.

### Introduction

Social Entrepreneurship is budding concept of providing solutions to social, cultural or environmental problems by using various strategies and business models such as hybrid organisation. The trending fields for social enterprises in Hong Kong are namely Domestic chores and personal services, tourism, catering, beauty and wellness, retail, packers and movers and renovation works, recycling and cleaning services. (Home Affairs Department of Hong Kong, 2008). The influence of social entrepreneurship is strong among people who are socially aware and doubt the working of government and profitable businesses. (Harding, 2007). The review of social entrepreneurship definition says that it is not about running a charitable trust for social welfare, entrepreneurs' aims to create self-sustainable, scalable and replicable enterprise having an obligation of catering needs or solving challenges of specified community.

The mission of social enterprise should not be achieved at cost of economic value as it will not be self-sustainable in future.

### **Opportunities for Social Entrepreneurs in Hong Kong**

- **Domestic Chores and Personal care** – Activities such as laundry, dry cleaning, hostels, beauty parlours, elderly care services, patient escorting services, services for discharged patients and people in need, physical exercise programmes including yoga and pilates classes, take care homes for children, domestic service for post –natal women and infant babies have great potential in Hong Kong and the hybrid (mix of both for profit and not for profit enterprise) business model will suit it as the customer segment will range from lower class, Upper and Lower middle, and Higher class. These enterprises can charge low prices covering operational activity from needy people or lower strata and can charge reasonable prices covering profits from upper strata or creamy layer. Such types of enterprises are easily replicable in urban and rural areas. The profits earned by these enterprises can enable them to scale their business. Such type of enterprises can sustain themselves even if the grants or contributions are taken out of them.
- **Tourism** – Hong Kong being alluring tourist destination can offer organisers mini exhibition on horticulture and fishermen culture, ecology and culture tours, ecological activities to schools, cycling tours, and Eco photography.
- **Catering** – Enterprises dealing with variety of food having local Hong Kong cuisine touch for students, staff, teachers, events, and other parties. The catering business can be profitable as the economies of scale will bring down the cost of production and the prices can be charged per head for individual bookings or even at wholesale price for bulk orders.
- **Beauty treatment and Massage** –Hong Kong being a tourist destination has potential for creating a target market for beauty and wellness activities such as spa. Acupuncture and Bone setting therapies can also be accommodated under the same domain.
- **Retail** – The market of fast moving consumer growth is facing shift from cheap and low quality goods to good quality and health oriented products such as oats biscuits, fresh and cold pressed fruit drinks with less preservatives and others under same domain.
- **Gardening** –Products such as bonsai are not only plants but they are ideal for gifting corporates and individuals instead of flower bouquet. The exotic variety of plants such as peace lily, money tree, pothos and others also acts as air purifiers as it is recommended by NASA. The gardening enterprise is easy to run though the executions of operations are timid as plants can wither if they are not watered and kept in sunlight suitably. The cost of operations will be low and prices can be set at 2.5 times the cost model.
- **Movers and Renovation services** – Though the market for logistics and movers and packers is quite stagnant but services such as providing domestic local helpers, shop renovation or spatial designing has good scope because it not only enhances the aesthetics of shop or property but also use the space provided judiciously and efficiently.
- **Recycling** – Recycling units can be set by the enterprises – which are into manufacturing of products having material of wood, steel and metal, paper and plastic. This will not only cut their cost on raw material but will also lead to fulfilment of social obligations and decomposition of left over things can be appropriately done. (Hong Kong Government , 2017)

### **Challenges in Social Entrepreneurship**

The challenges in social entrepreneurship are not geographic location centric and major challenges are as follows:

- **Funding** –The entrepreneurs under social domain has to convince the investors and approaching investors is not an easy task as the investors are more focused on returns they are getting instead of serving for noble cause to the society. Some of the potential donors and contributors do not believe in such enterprises as it can be a hoax or donations gathered can be used for wealth maximisation instead of serving rightfully to society.
- **Pitching** –The idea of social entrepreneurship is largely driven by the needs of specific community and passion of entrepreneur. So, pitching the idea in rightful manner to investors, donors, and people in community say, villagers, farmers, etc. Pitching must be done with keeping in mind the idea of building trust that social and economic value will be balanced.

- **Long term plan and strategy** – Strong strategy must be developed to retain it for long term as most of the social enterprises shut down because they end up serving society as charitable trusts and they do not make strategy for earning constant revenue.
- **Maintaining the motive of enterprise** – Keeping the motive of social enterprise is difficult so for running successful social enterprise reviewing plans and controlling the activities of enterprise periodically will not let the entrepreneur wander to different domain and will keep the enterprise on track of the motive set initially.

### **Distrusts**

Enthusiasts are misinterpreting the concept of social entrepreneurship and the distrusts are as follows:

- **No Business Knowledge, No Profit** –Social enterprises can be for profit, not-for-profit or hybrid which is mix of both. Social entrepreneurs target the least exploited or targeted markets and provide solutions by using worst infrastructure and serve people on bottom crust and manage to have profits.
- **Focus more on Impact but not on Revenue** –Though the word social enterprise is self-explanatory that making positive impact and solving social problems are its core operations but it does not mean that social value is created on the cost of economic value. Without revenues, no enterprise can sustain be it social or corporate. So, Stable cash flows, good revenues and better profits helps in betterment of community or society.
- **Not Scalable** –Though there may be hardships faced by social entrepreneurs with scalability because social enterprises are started having specific and situational problem in viewpoint. Scalability is determined by keeping various factors in mind such as enterprise model, planning, execution and implementation of plan, stable growth etc. So, any enterprise is scalable if it is backed with good growth.
- **Social worker, not real entrepreneur** –Social entrepreneurs undergoes the hardships of following their passion and raising funds as any businessman or entrepreneur undergoes. Social entrepreneurs face more challenges in reality and the result generally takes long time.
- **Pay by heart, Not wallet** –Social enterprises not only let the customers open their heart towards the noble cause enterprises has taken, but it also makes them pay for the goods and services provided to support the cause. Sometimes, customers of social enterprises are moved by the generosity of social entrepreneurs that they also provide those grants or corporate social responsibility. (Punia, 2013).

### **Policies and Support for Social Enterprises in Hong Kong**

- **Government support** –Hong Kong government is supporting social enterprises so that non creamy or disadvantaged strata can be employable with minimum skills training for stipulated work so that they can be self-reliant and can enter into employable range. The enterprise can boost social harmony by catering to the needs of different social groups with unconventional methods.
- **Promotion Units** –Units which are set to promote exports, tourism etc. are type of units set up to promote products and services of social enterprises under the supervision of Home Affairs and Development to draft execution schemes for various programmes and making of policies for development of social enterprises. The activities undertaken by such units include partnership programme, organisation of promotional activities, etc.
- **Training Programs and Challenge** –Home Affairs Bureau (HAB) and the Social Enterprise Advisory committee had launched a series training programmes. Challenges such as “Hong Kong Social Enterprise Challenge” has been instrumental in providing funding to the Center for Entrepreneurship of the Chinese
- **Partnership and Collaborations** –Partnership programmes with the name of “Friends of Social Entrepreneurship Award Scheme” and “Social Enterprise Summit” organised by Home Affairs Bureau (HAB) annually has become vital platform for facilitating cross-sectoral collaboration for social enterprises. Such programmes open markets connect opportunities in which the entrepreneurs join hands with leaders. It promotes the culture of “Business for good” and a caring community.

- **Social Enterprise Award Schemes** –The HAB and Social Enterprise Advisory Committee (SEAC) organises the Social Enterprise Award Scheme which started in year 2011 to recognise successful social enterprises. The assessment is done by the panel of non-governmental organisations, business sectors, academia and governmental departments which is based upon social impact, business performance, financial situation, innovation, performance at interviews and physical environment of Social enterprises.
- **Seed funding** –There are schemes and programmes which provide seed funds to enterprises based upon their idea and how much people will be benefitted by it.

Here are some of the programmes for getting start-up fund:

- **Enhancing Self-Reliance through district partnership programme of Home Affairs Development (ESR programmes)** –This programme provide funding or seed funds to the enterprises working for sustainable poverty prevention and alleviation at district level by making them entering into employment range. This can be done by vocationally training socially disadvantaged groups or creating or rendering products and services meeting their particular needs. The limit of funding is \$3 million and the maximum funding period is 3 years.
- **Enhancing employment of people with disabilities through social enterprises** – This project aims to create jobs for persons with disabilities so that they are self-reliant and no more alienated from general public. The funding is provided to non-governmental organisations to support the creation of enterprises and business having space for people with disabilities. The upper limit of grant is \$3 million per business with maximum of 3 years of funding.
- **Revitalising Historic buildings through partnership schemes of development bureau** –This schemes aims to preserve and promote historic buildings and monuments into innovative use. Changing historic buildings into unique culture landmarks. Promoting public participation in historic avenues and creating job opportunities at particular district level. The enterprise has to select one of the governments owned historic building which for bringing them under re-use. The not for profit organisation are eligible to submit the proposal for the grant of covering the cost for major renovation to buildings (full or partially), nominal rental for buildings, meetings set up cost for the first 2 years of operation. The fund upper limit is \$5 million with a condition that the enterprises will be self-sustainable after this initial period. (Hong Kong Government, 2016).

### **Literature Review**

1. Social Entrepreneurship-A Critique and Future Directions (Dacin, Dacin, & Tracey, 2011)

Social Entrepreneurship consists of a number of fields which includes entrepreneurship, social welfare and non-profit management. This field has started emerging and showing signs of future potential. In this paper authors are trying to suggest different research area which are helpful for the future perspective. On the general observations on the variety of definitions in the paper suggest that the definition of Social Entrepreneurship includes four key factors, characteristics of the entrepreneur, the domain of the operations involved, the processes involved and the resources used. It is basically a field in which an individual entrepreneur with his innovation and creativity, using all the available resources will lead to the activities that will contribute towards the social welfare.

The authors also mentioned about the characterization of Social Entrepreneurship which constitutes heroic characterization and theoretical & methodological dilemmas. First character states that the social entrepreneurship is considered to be individualistic. Social Enterprises is associated with individual social entrepreneur and there are many examples of being successful but it also leads to a bias that individuals do not learn from there failure. But instead of all these individuals is characterized as heroic as they somehow play an important role in saving the world.

The second characteristic of social entrepreneur is theoretical & methodological dilemmas. Social entrepreneurship is an emerging field but still there is lack of resources for theoretical knowledge and methodology. In the current context many authors have published various journals and articles to develop a theoretical framework regarding to the social entrepreneurship.

So as observed this paper concludes that social Entrepreneurship is an emerging field with a potential to grow in the future. And despite of various limitation of lack of theoretical knowledge and availability of resources, it's still a good sector to look upon.

2. Non-Profit Organisations, Entrepreneurship, Social Capital and Economic Growth (Bahmani, Galindo, & Mendez, 2012)

According to this article the main focus of enterprises is to earn more and more profit so there is no place of non-profit organisations as it is hard to survive in the present competition. But there is an emerging market and high demand for these non-profit organisations as they have a high relevance in the society and are important for the betterment of the world. In this article they have analysed the effect of these non-profit organisations on the society and towards the economic growth through improvement in the human resource and the education system. So, the authors had engaged in an analysis of the above-mentioned issues taking 11 countries into consideration.

Traditional literatures focus mainly on the effect of the for-profit organisations on the economy. They are providing their goods and services to the consumers in such a way that both the parties are satisfied but in such a situation there may be other agents like government that may negatively affect this situation. But in case of non-profit organisations, it also enhances the economic growth, provides goods and services to the consumers and also involves in the operations that may lead to the welfare of the society.

Now, if we will see whether these non-profit organisations are important? There are various problems in the society of inequality and unemployment and due to advancement in the networking system, there is a necessity of maintaining good relation with the customers and to solve their problems. The social capital approach states that the above-mentioned factors lead to the need of non-profit organisations which intern will positively affect the economic growth.

Taking into account the different approaches namely Schumpeterian approach and economic growth model the authors had tried to test different hypothesis. First one states the positive effect of investment, public expenditure and human capital on the economic growth, second is positive effect of social environment on the entrepreneurship, third is positive effect of entrepreneurship on investment, fourth, positive effect of non-profit organisations on human capital and the last one is the indirect positive effect of non-profit organisations on the economic growth.

As conclusion we can say that non-profit organisations affect the market. And the effect on non-profit organisations on the economic growth is indirect and mainly divided into two parts namely entrepreneurship and the human capital.

### **Conclusion**

Though Hong Kong is wealthy country but money is not which can solve every obstacle. In 2013, £50m of fund was invested in promoting social entrepreneurship. One of the prominent social enterprises such as iBakery which provided jobs to people with disabilities (Patton, 2018). In short, social entrepreneurship is about encouraging people to bring forth new ideas with social issues.

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