

Bulletin

No. 2

SOCIAL ENTERPRISE MODELS, PRACTICES AND TRENDS



TRUNG TÂM PHÁT TRIỂN VÀ HỘI NHẬP
CENTER FOR DEVELOPMENT AND INTEGRATION



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SOCIAL ENTERPRISE MODELS, PRACTICES AND TRENDS

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EDITOR FOREWORD

Social Enterprise (SE), a concept with 5 years history in Vietnam, is understood as a business with the mission of serving society. This type of business in fact existed in Vietnam for many years, but not under the SE name, and included not-for-profit organizations, agricultural cooperatives, villages, and public utility enterprises. Social enterprise is usefully considered as a hybrid model incorporating pure business and social/community purposes. Social entrepreneurs, besides their passion and dedication to helping society - especially those at the bottom of the income pyramid - should be capable to create innovative business models, take product ideas to market and have skills in financial management. Currently in Vietnam there are about 200 to 300 social enterprises, some 20-30 years of history but the majority recently established.

The CSO-CSR project aims to establish a network of Civil Society Organisations (CSOs) in Vietnam to be more committed to CSR in promoting human rights at work, improving environmental practises and monitoring business obligations by active engagement of community. The publication of the 2 Bulletins: Corporate Social Responsibility: from viewpoints to practices and Social Enterprise: Models, Practices and Trends are among project efforts in attaining its objectives of awareness raising and knowledge sharing among CSOs.

This Bulletin No2 is published with the aim not only of introducing the concept of social enterprise, but also sharing ways of organizing this business model. Civil society organizations (CSOs), as not-for-profit entities, and for-profit businesses, are highly committed to implementing

corporate social responsibility (CSR) and can thus fully participate in the process of developing this 'third sector' (i.e. SE) in Vietnam

The Bulletin has four parts:

- **The model:** This section first introduces the model and outlines some challenges that SEs in Vietnam are facing. Fair Trade is then considered as an SE model providing opportunities for the development for vulnerable people in Vietnam. Basic operational models that SEs normally pursue are then introduced.

- **Good Best practices:** two case studies of SEs are presented with the aim of sharing innovative business ideas, and how these SEs achieve success: Tohe in Vietnam and Creative Workshop in Ukraine.

- **Role of CSOs:** in Vietnam, at present, there are two large organizations supporting SE development pursuing two different approaches. CSIP focuses on awareness raising, capacity building through training, development of social entrepreneurship. SPARK focuses on technical assistance and funding for social enterprises. Some CSO Tips work is introduced in this part.

- **For CSR Professionals:** two articles related to enhancing creativity in organizations are presented. The first article considers integrating sustainability into the entire production process of a business. The second provides 4 principles for managers to enhance innovation in companies

We would like to thank colleagues, the civil society organizations involved in contributing articles, sharing views, their vision and funding for the publication of this Bulletin.

Dr. Truong Thi Nam Thang

SOCIAL ENTERPRISE

HISTORY, REALITIES AND CHALLENGES IN VIETNAM

Nguyen Manh Quan¹

HISTORY

The social enterprise model first appeared in London in 1665, when Thomas Firmin set up a manufacturing plant to maintain employment for 1,700 workers. Right from its inception, he claims that the firm did not pursue profit maximization and that profit would go to charity (Howarth C. MacDonald & M., 2008). The change in perspective and approach to charity of rich people in Europe led to the introduction of various forms of economic activity in which the vulnerable/disadvantaged, poor people, were used as a labor force to create benefits for themselves and for others (society), rather than just asking for benefits/gifts from society (the others). A micro-credit fund was first established in Bath, England, with the primary purpose of offering interest-free loans for production. The school of spinning and weaving that was opened in Liverpool in 1790 was the first social enterprise in education and job creation for the blind poor. In other models, some organizations/businesses allowed workers to sign labor contracts or to become business owners, as well as to share profits. They included Cooperatives (Co-ops), affinity (Provident Society), and industrial villages (Industrial Society).

In the 20th century, the social enterprise model was less active and Keynesian doctrines thrones defined the role of State intervention in the economy.

Thus, a series of state welfare models was born in Western Europe and North America after World War II.

Social enterprises began to thrive again, as a mass movement, after British Prime Minister Margaret Thatcher came to power in 1979. She advocated shrinking the role of the State and claimed that the State should not be directly involved in providing social welfare. Since then, Britain has been at the forefront of the SE movement worldwide. According to the latest figures, the number of SEs in the UK in 2011 amounted to 90,000, with a total turnover of £ 70 billions.

CURRENT STATUS IN VIETNAM

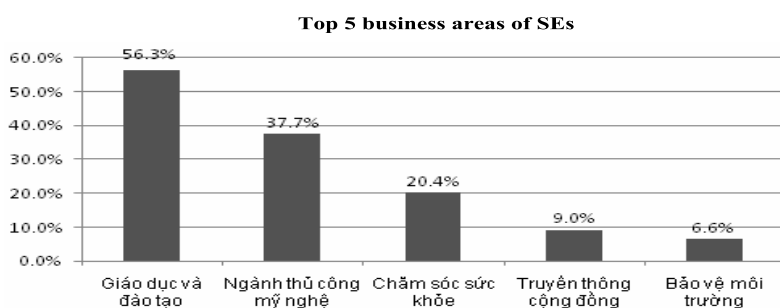
The historical record did not mention the first launch of forms such as state authorities or rich people handing over fields to farmers for planting without rent, the offering of free classes, or the case of traders and shopkeepers who participated in 'loan societies', 'collective savings' (forms of people's credit), and who joined 'trading wards'. But such SEs have been a part of Vietnam's historical development. Upon the success of the revolution, nationalization policies and centrally-planned economy guidelines led to the formation of state-owned enterprises and the strong public sector directly involved in providing social welfare for all people. Public services and social welfare are considered one of the basic state functions. The role of the private sector is lackluster,

especially in areas of industrial production. In rural areas, agricultural cooperative forms (Co-op) are socio-economic development organizations tapping community spirit: cooperation, sharing and mutual benefit. This model has also been established in urban areas, in small-scale and handicraft industries. They may be regarded as typical social enterprise models in Vietnam before the renewal.

National Economic Reform Policy, 1986, was a milestone marking the recognition of the private sector and individual smallholders. Proactive role of the individuals and the community in the provision and exchange of services to meet the needs of the people has been recognized and developed since then. During this period, numerous social enterprises appeared and operated in diverse forms. International experience, especially that of the UK from 1978, showed that the context of developing social enterprises in Vietnam has in common the downsized role and scope of the public sector that led to the development of another economic sector to take on the public sector in assuming public functions and social welfare.

To date, according to research on SEs in 2011 by CSIP and Spark (two typical SEs in Vietnam), funded by the British Council, in which 167 SEs were surveyed, the distribution in terms of form and scope of the impact of SEs in Vietnam are presented in Figure 1 and Table 1.

¹ Associate Professor, Doctor, National Economics University



Source: 'Vietnam Social Enterprise mapping project' (2011), CSIP/BC

Average Size and Economic Efficiency of All types of SEs

Type	Center	Enterprise	Association/ Club	Cooperative	Other
Average number of Beneficiaries /organization	1,624	2,865	2,343	142	4,204
Average economic value/ Organization (revenue + finance)	\$42,700	\$74,950	\$62,700	\$67,950	\$172,650
Cost/ Beneficiary*	\$80	\$26	\$27	\$478	\$41

Source: 'Vietnam Social Enterprise mapping project' (2011), CSIP/BC
 * Economic value in USD with the exchange rate: 20.764VND/USD.

CHALLENGES

The development of social enterprises in the next period is predicted to be very impressive because of the following reasons. First, the private economic sector in Vietnam has grown. Despite difficulties due to the economic downturn, private businesses, especially local small and medium enterprises (SMEs), have become an important economic force, comprising more than 600,000 businesses, and have made important contributions to the national economy in terms of GDP (40%) and social labor usage (50%). The ups and downs of the world and domestic economy enable businesses to accumulate practical lessons. Second, the state economic sector is increasingly shrinking. Economic renovation and restructuring in general, especially the public economic sector, is not only a major challenge to policy making but also a huge pressure on the economy in terms of ensuring social welfare and security. Experience from the UK economy after 1978 has shown that the development of social enterprises is essential to shoulder this huge responsibility of state-owned enterprises. Third,

awareness of and attitudes to humanitarian issues is better appreciated, due to improved living standards, better education, advanced life quality on one hand and the gap between rich and poor and social inadequacies caused by the economic mechanisms which increasingly creates pressures on the spiritual life of a nation with such rich community traditions as Vietnam. The development of robust systems and modern media also contribute to raising awareness and consciousness for student issues.

However, the development of social enterprises in Vietnam is faces enormous challenges. The first challenge is that social enterprises face lack social recognition. Despite its long-standing, social enterprise is still a new concept to be taken into consideration in the legislative system. Many different opinions with the contradictory empirical evidence from diverse notions prevented social enterprises being formally recognized in the legal system applied to social and economic institutions in Vietnam. This causes major problems to the legality of the social enterprise. Second, because social enterprises have not been legally and formally recognized, there is no specific

regulation for social enterprises to develop and operate. Although there are various articles and chapters related to the relevant objects of social enterprises in the Vietnam's legal system, it is still necessary to establish a formal legal framework for social enterprises to establish, operate and grow, aside from this official recognition. Third, the inevitable consequence due to the lack of a formal legal basis is the limited access to financial resources and capital mobilization and social resources. Although the Vietnamese government has issued many policies and spent resources for the development of entrepreneurship, business, and those who need to be given priority in society, the operation of social enterprises mainly relies on benefactors' charity. Fourth, besides the above-mentioned obstacles, social enterprises are generally faced with limited management and operation capacity. The great humanity and beauty in heading towards disadvantaged/vulnerable peoples through social enterprises becomes an important weakness in their operation. This target audience is hardly considered to have 'market potential', or 'qualified human resources' for social enterprises. It is unjust to require social entrepreneurs to play 'fair competition' with enterprises of other forms which are better equipped in knowledge, abilities, and resources. Despite numerous difficulties, social enterprises still expect a highly promising future not only for the above mentioned reasons, but also because of their own 'missionary' purpose. SEs in Vietnam can positively contribute to the implementation of economic development policies and guidelines by the Party and the Government, as well as the recent progress in the Vietnam's legislative and policy making system.

FAIR TRADE

A SOCIAL ENTERPRISE MODEL IN VIETNAM: FOR A VIETNAM WITH DEVELOPMENT, INTEGRATION AND BETTER EQUITY FOR DISADVANTAGED GROUP

Huong Ngo²



Like many other developing countries, Vietnam has joined the World Trade Organization (WTO) and is currently moving towards an overall free-market economy. The first and massive impact of the WTO integration struck communities in rural areas with the changes caused by the policy on economic restructuring, including the elimination of state protection and protective shields for industry and local agriculture. Without state protection, these communities naturally faced many challenges that they have never previously encountered. Instead of working together for a common goal to build sustainable local livelihoods by reserving natural resources for the collective benefit, individuals compete with each other in

production and trade. This rapidly led to the depletion of natural resources, which inherently belonging to the community, and no interest in adverse effects on the environment, society and community. Small farmers are often coerced by outside agents in terms of prices and asymmetric bargaining capacity. As in the case of coffee farmers around the world, there are many intermediaries between producers and exporters, all intermediaries are trying to squeeze profits while producers can only just maintain survival standards. In Vietnam, there are usually about 7 to 12 intermediaries between producers and exporters. Farmers usually sell coffee at the lowest price level in the supply chain. If they do not accept the price offer, they

may lose their only income opportunity.

The concept of Fair Trade has generated social awareness not seen in the neoliberal trade theory proposed by the World Trade Organization (WTO), or in economic reform packages imposed on developing countries in the restructuring programs of IMF and the World Bank. World Fair Trade Organization (WFTO), with a global network of Fair Trade organizations and members in over 70 countries, has established 10 principles and standards with which every Fairtrade organization has to comply. The Fairtrade system has several goals. First, regarding social development, small farmers, including women, should have the right to participate in group activities on a regular basis, to be informed and to make decisions in a fair way among group members, to raise awareness about clean and sustainable production. There are also cash benefits contributed by consumers through commercial collecting companies or directly transferred to the cooperatives or fair trade farmer groups. Second, the economic development of households should be based on collectivism which reduces commercial risk. Manufacturing groups should sell through direct export system. The conventional export price is 10% more than the spot market price. Third, Fairtrade promotes environmental

² Director, Center for Development and Integration

sustainability. Fairtrade standards are annually evaluated to ensure cleaner products, and sustainable farmers who do not use toxic chemicals and sustainably protect water and land resources.

Each local Fairtrade organization in developing countries features a particular shape and operates different functions. Government and Non-government organizations, cooperatives and producers work together to benefit producers, workers and traders in different ways, based on the specific needs of their communities and social objectives and their capacity to associate more directly with the market. The establishment of cooperatives, or other types of community organizations, according to the Fair Trade principle partly addresses inequalities and reduces losses on the local market for farmer groups and small manufacturers.

In Vietnam, projects that support the development of fair trade for ethnic groups, brocade, arts and crafts are operated by Oxfam. From 2008, after Vietnam's WTO integration, the cooperative model and Fair Trade Club in agriculture has prospered. The top potential for the Fairtrade model belongs to the export of such strong Vietnamese agricultural products as coffee, tea, cashew nuts and some fruits, vegetables and food like rice and passion fruit. Currently, there are, for example, coffee cooperatives in Dak Ha, and Kon Tum, in Thuan An-Dakmil, Dak Nong Province, and two in CuM'nga district, Dak Lak province. As a result, more than 500 households of small farmers and ethnic minorities in the central highlands have joined the Fairtrade system with export capacity of 3000 - 3500 tons/year. Thus, from direct export to

importers in foreign markets, the Fairtrade system has created and delivered to farmer groups a welfare fund of about 1.300.000 USD/year (about 27 billions dong). Farmers can decide how to use this fund to improve production capacity, coffee quality and market development. As another example, Shan Tea products from Vietnam are present in more than 20 countries around the world through the Fairtrade system. More than 422 Hmong and Dao ethnic families, from 4 communes (Nam Lanh, Suoi Bu, Suoi Giang and Phinh Ho, Van Chan - Yen Bai), are proud of their organic tea products grown at an altitude of 1000 meters asl which provide sustainable livelihoods. Every year, the welfare fund from Shan Tea production devoted to these ethnic groups is approximately 1.2-1.5 billion dong. More importantly, the ethnic groups are more solid and work closely together to sustainably produce and preserve the natural livelihood resources and with good economic position.

However, the effective operation of these cooperatives and Fairtrade, organic-farmer club models, it is necessary to mention the role of commercial units and social enterprises that work closely with farmers to improve their production capacity and market participation. They have supported the development and training on corporate social responsibility values for farmers. Several organizations promote the development of fair trade. Green Fair Trade, JSC, a combination of enterprise development programs (based on community) and other attempts in specific programs to improve the integration capability of small and minority groups, was, for example, founded with the goal of promoting Fairtrade

agricultural products in Vietnam to participate in global value chains. Green Fair Trade applies the principles of Fairtrade and makes Fairtrade commitments through product quality and social and environmental standards. Green Fair Trade tea and coffee products were launched in Vietnam. Another case study, Vi Wine Company, is the first company which registered under Organic and Fairtrade system to support the Yen Bai ethnic group in organic tea production since the early 1990s and is now linked to 20 markets and has successfully introduced Vietnamese tea products into the global value chain. Ms. Hua Thu Hien, Director, Vi Wine Company, said: "I am very happy to see our organic products meeting the Vietnamese customers' demand for unique quality in each product like a gift, made up with a good care and full responsibility and contribute to the preservation and development of Vietnamese culture with the local specificities of various ethnic communities in Vietnam."

Mr. Ban Tran Hung, representative of Fairtrade in Vietnam, noted that: "It is really essential to associate the development of the cooperative model to a social enterprise so that the Fairtrade business model can be replicated for better reach to bring the highest benefit to millions of Vietnamese small farmers. It's not easy to find a new path, but I believe that in many countries, so many consumers want to support the producers. They will pay more and require companies in the global supply chain to purchase Vietnamese goods through the fair trade system to know that their contribution through spending reach to small manufacturers in Vietnam".

RECOMMENDED OPERATIONAL MODELS OF SOCIAL ENTERPRISES

Truong Thi Nam Thang³

Operational models illustrate configurations used to create social value and economic value, but not the organizational or legal structure of a company. Operational models are designed in accordance with a social enterprise's financial and social objectives, mission, marketplace dynamics, client needs or capabilities and legal environment. Social enterprises (SEs), in the forms of not-for-profit organizations, pure businesses or social business of a normal company can base themselves on any of the following 9 models (or, indeed, a hybrid of models):

1. Entrepreneur Support Model

This model sells business support and financial services to its target population or 'clients', being self-employed individuals or firms. SE clients then sell their products and services in the open market. The purpose of this model is to facilitate the financial security of clients by supporting their entrepreneurial activities. The SE achieves financial self-sufficiency through the sale of its services to clients, and uses this income to cover costs associated with delivering entrepreneur support services as well as business operating expenses. Economic development organizations, including microfinance institutions, small and medium enterprise and business development service programs use the entrepreneur support model. Common types of businesses that apply this model are: financial institutions, management consulting, professional services (accounting, legal, market research), technology and product that support entrepreneurs.

2. Market Intermediary Model

This SE model provides services to its target population or clients, small producers (individuals, firm or cooperatives), to help them access markets. SE services add value to client-made products, typically these services include: product development, production and marketing assistance, and credit. The market intermediary either purchases the client-made products outright or takes them on consignment, and then sells the products in high margin market as a mark-up. This SE model has mission of strengthening markets and facilitating client's financial

security by helping them develop and sell their products. This SE achieves financial self-sufficiency through the sale of its client-made products. Income is used to pay the business's operating expenses and to cover program costs of rendering product development, marketing and credit services to client. Marketing supply cooperatives, fair trade, agriculture, and handicraft organizations frequently use the market intermediary model of SE. Common types of business that apply this model are: marketing organizations, consumer product firms, or those selling processed foods or agricultural products.

3. Employment Model

This SE model provides employment opportunities and job training to its target population or "clients", people with high barriers to employment such as disabled, homeless, at-risk youth and ex-offenders. Its mission centers on creating employment opportunities for its clients. Social support services for employees such as job coaches, soft skill training, physical therapy, or mental health counseling. This SE model achieves financial self-sufficiency through the sales of its products and services. Income is used to pay standard operating expenses associated with the business and additional social costs incurred by employing its clients. The model is widely used by disabilities and youth organizations, as well as social service organizations serving low-income women, recovering addicts, and formerly homeless people. Popular types of businesses are landscape companies, cafes, bookstores, thrift shops, messenger services, bakeries, woodworking and mechanical repair.

³ PhD, National Economics University

4. Fee-for-Service Model

This model commercializes its social services, and then sells them directly to the target populations or “clients”, individuals, firms, communities or to a third party payer. Its mission centers on rendering social services in the sector it works in, such as health or education. The SE gets financial self sufficiency though fees charged for services. Its income is used as cost-recovery mechanism for the organization to pay the expenses to deliver the service and business expenses such as marketing associated with commercializing the social service. Surpluses (net revenue) may be used to subsidize social programs that do not have a built-in cost-recovery component. This model is the most commonly used SE models among nonprofits. Membership organizations and trade organizations, schools, museums, hospitals, and clinics are typical examples of fee-for-service SE.

5. Low-Income Client as Market Model

This is a variation of fee for service model, which recognizes the target population a market to sell good or services. This model emphasizes on providing poor and low income clients access to products and services whereby price, distribution, product features... bar access for this market. Examples of products and services may include: healthcare, health and hygiene products, utility services. This model target population at the base of the pyramid. Income is earned from product sales and is used to cover operating costs and marketing and distribution costs. However, due to the low incomes of target population, achieving financial viability is a challenge. This SE relies on developing creative distribution systems, lowering

production and marketing costs, achieving high operating efficiencies, cross-subsidizing creative revenue markets to markets that require subsidy. Health, education, technology, utility frequently use this.

6. Cooperative Model

This model provides direct benefit to its target population, cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services etc. The cooperative membership is often comprised of small-scale producers in the same product group or a community with common need. Cooperative members are the primary stakeholders in the cooperative, recapping benefits of income, employment, or services, as well as investing in the cooperative with their own resources of time, money, products, labors, etc. This model achieves financial self sufficiency through the sales of its products and services to its members (clients) as well as in commercial markets. Cooperatives use revenues to cover costs associated with rendering services to its members and surpluses may be used to

subsidize member services.

7. Market Linkage Model

This model facilitates trade relationships between the target population or “clients”, small producers, local firms and cooperatives, and the external market. The SE functions as a broker connecting buyers to producers and vice versa, and charging fees for this service. Selling market information and research services is a second type of business common in the model. This model connects clients to markets. In this model, income generated from enterprise activities is used as a self-financing mechanisms for its social programs. Trade associations, cooperatives, private sector partnership and business development programs use this model of SE. Types of SE include import-export, market research and broker service.

8. Service Subsidization Model

This SE model sells products or services to an external market and uses the income it generates to fund its social programs. The service subsidization model is usually integrated: business activities and social programs overlap, sharing costs, assets, operations, income and often program attributes. Although the service subsidization model is



employed primarily as a financing mechanism--the business mandate is separate from its social mission--the business activities may enlarge or enhance the organization's mission.

Service subsidization model social enterprises can be any type of business. Those that leverage intangible assets such as expertise, propriety content or methodologies, or exclusive relationships tend toward service businesses that commercialize these assets: consulting, counseling, logistics, employment training or marketing. Those that leverage tangible assets such as buildings, equipment, land, employees, computers, etc. may launch any number of enterprises that utilize infrastructure and capital assets: leasing, property management, product-based retail businesses; copying, transportation or printing services, etc.

9. Organisational Support Model

The organizational support model of social enterprise sells products and services to an external market, businesses or general public. In some cases the target population or "client" is the customer. The organizational support model is usually external: Business activities are separate from social programs, net revenues from the social enterprise provide a funding stream to cover social program costs and operating expenses of the nonprofit parent organization. Although organizational support models may have social attributes, profit not social impact is the prerequisite for this type of social enterprise. This model of social enterprise is created as a funding mechanism for the organization and is often structured as a subsidiary business (a nonprofit or for-profit entity) owned by the nonprofit parent. Successful examples of this model cover all or a major portion of the parent organization's budget./.

TOHE

Luong Thu Ha⁴

Currently, social enterprises in Vietnam exist in several forms, including charities, not-for-profit social and community development organizations, for-profit or non-profit social enterprises. Among these, forms TOHE is distinctive as SEs operated in the form of profitable joint-stock companies committed to investing profits in social activities where the key beneficiaries are disadvantaged children who get directly involved in the project.

Initially, TOHE was a short-term project that organized drawing classes and other creative activities for disadvantaged children at social welfare centers, hospitals or schools in poor and remote areas. There were three founding members of the executive: Nguyen Thi Thanh Tu, Pham Thi Ngan and Nguyen Dinh Nguyen. Paintings of the children were to be selected, printed on various products ... such as fashion items, home decorations, furniture, gifts, toys ... then sold on the market under the TOHE brand. Therefore, the program is not only a playground for the children with opportunities for them to learn, interact and have fun, they can also generate income to cover their living expenses.

Since its 'takeoff phase', in 2009 - 2010, TOHE as a profitable social enterprise has officially come into operation in the form of joint stock company. The management board of the company includes founding

members and project managers. TOHE commenced operation in October 2009 with capital of 500 millions dong invested by members, plus more than 200 millions dong financed by the Center for Community Service Initiative (CSIP) and the British Council (BC). The project opens an exciting and rewarding playground for children, helping them to have fun, to learn and to improve their material and spiritual lives. Moreover, TOHE desired to guide people, especially disadvantaged children, to see creative work as a good career prospect. Creative work can bring high economic returns and is a robust trend in the world economy.

Phase of Restructuring and building business model, 2011 - present. After seven years of development, TOHE has created its own mark and certain contributions to social projects although it also faces difficulties and the founders and operators are coping with many challenges. The project even had to suspend operations due to the expansion of the operationing scale, financial difficulties, problems in the regulatory and operating mechanism. Thanks, however, to the enthusiasm of the founders and operators, TOHE is now on the path of business restructuring to build a business model of a sustainable social enterprise.

Restructuring of TOHE's enterprise and business models will focus on the following basic operations:

⁴ PHD Candidate, National Economics University

- TOHE will be positioned as the leading lifestyle brand in Vietnam which offers consumers products with unique and creative designs and special materials. Above all, the products will embody deep humanistic values and high educational significance. With these products, TOHE believe that consumers are willing to accept and pay higher prices compared to industry average to possess the product.

- ❖ About the market, TOHE will keep developing distribution channels in three directions: 1 / Direct sales to customers who are domestic organizations / businesses such as Toyota, World Bank, British Council, WWF, Spark ... and individual customers through TOHE's retail stores; 2 / Distribution through business partners such as online NanaHuchy (Australia), Arrow Global (Japan), Easybizvietnam (Vietnam) ... and 3 / Sales through

the distribution channel of partners such as Weaves of Asia (the Philippines); Nitori (Japan); representative office of Aquarius (U.S.) in Vietnam, Toy City (Vietnam) ...

- ❖ Optimize the advantages of a social business including access to financial resources and other support (counseling, training, networking, partners, market) to stabilize and expand the organization.

- ❖ Restructuring of organizational structure and finances to build a social enterprise with a sustainable business model. Profits are committed to be used as follows:

- ❖ 50% of the profits are used to hold drawing classes;

- ❖ 40% are used for scholarships offered to children under appropriate and practical forms for children centers / schools participating in the program;

- ❖ 10% of to support other disadvantaged children.

So far TOHE has organized more than 40 classes for 1000 children in more than 10 facilities. With these initial results, TOHE is considered a quite successful and profitable social enterprise model in Vietnam today. However, operation of TOHE in particular and other social enterprises in general is facing difficulties partly because they not yet socially recognized and appreciated. For social enterprises to become a large community and to make greater contributions to society, requires regulations to create more favorable conditions for these enterprises. On the other hand, society also needs to have a good understanding, appropriate evaluation and proper recognition of the social enterprises and put them at the right place in the business community in Vietnam.



CREATIVE WORKSHOP

Pham Huong Thao⁵

Creative Workshop Social Enterprise was established to design and sell modern clothing patterns based Ukraine's traditional drawings in natural fiber materials for children and young people. Revenue and profits are used to promote the spirit of national pride, artistic and cultural traditions during skill training for youth work.

In 1992, after the Soviet Union collapsed, Valentyna Sazonova established a women's club in her hometown - Kherson, Ukraine - to help women master their lives in the new era. Initially, the Club supported its members to resolve economic and living difficulties. Then, with the experience of a professional fashion designer, Sazonova developed S Theatre. Each theater program focused on a social problem and used costume and drama to raise social consciousness and encourage collective effort in community activities from the society. In 1996, Sazonova officially named the organization 'Peace Beauty Culture (PBC). The name is derived from the organization's mission to 'build beauty, culture and peace for cultural and social education, for young people, towards the sustainable and human development of Ukraine'. Since its inception, the organization has provided a variety of training services on fashion design, tailored clothing, career skills, computer courses for teenagers (especially for girls and orphans), and a part of clothing products from this manufacturer

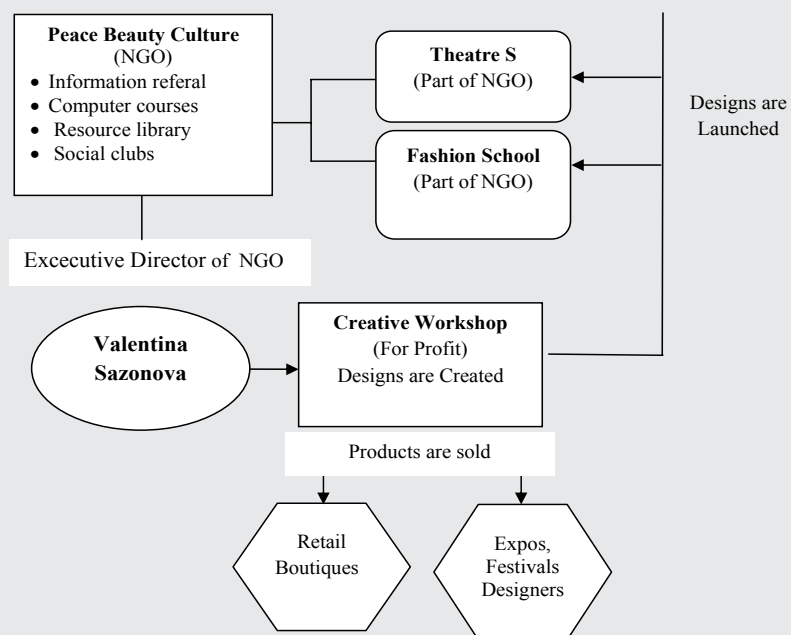
are donated to orphans and low-income families. Under pressure to maintain a strong balance sheet for the long term development of the institution, Sazonova decided to establish Social Enterprise "Creative Workshop" in 2001, focused on producing and selling clothes made from natural materials, with cultural and historical designs for teenagers and children. Business activities of the Creative Workshop help to maintain the financial resources so PBC can realize its mission.

Challenges faced by the Creative Workshop: The retail market for local items (Kherson) is not large enough due to limited economic conditions and small population, so Sazonova has decided to move the headquarters to Kiev and open shops there. At the same time, he opened a chain

of retail stores selling luxury children's clothing in Ukraine and overseas. Interestingly, the development of the Creative Workshop helps PBC to be financially guaranteed, enabling its promotion activities for its brands, and to enhance the participation of its members in education supporting programs and activities.

Finance: in 2001, expenses to cover the activities of PBC (\$ 1,351) was drawn from the profits of Creative Workshop (\$ 6,753); in 2002, 50% of PBC costs (\$ 18,758) were extracted from Creative Workshop's income (\$ 9,379). Sazonova decided the finance allocation of PBC: grants used for short-term projects and investments in new programs.

Operational Model of Peace Beauty Culture



⁵ PHD Candidate, National Economics University

SOCIAL ENTERPRISES IN VIETNAM

Center for Social Initiative Programs

The results of the Peace Beauty Culture organization:

- ❖ Create long-term funding for humanitarian purposes of the organization from the operation of social enterprise Creative Workshop, active in the financial operation of institutions;
- ❖ Provide services to 2,720 clients;
- ❖ Create jobs for 12 employees and several temporary contracts;
- ❖ Raise awareness of the people about the cultural and social issues with 50 volunteers;
- ❖ Change the mindset and nonprofit management approach of PBC to maintain social activities more effectively;
- ❖ Increased brand value and awareness of people about the programs PBC organization

The success factors of Creative Workshop

- ❖ Sazonova and her colleagues have found the same passion, the life ideal, business skills and approach to cater to the significant social activities;
- ❖ The high discipline, team leaders of the PBC include those who trust each other, they understand and perform 2 tasks: non-profit and the need to generate funds for regular activities of the organization;
- ❖ Balance between business and non-profit operations: be always stick to the first operation and business aims at serving the social objectives;
- ❖ Prepare a specific business plan and clear strategy.

According to Virtue Ventures, a social enterprise primer for development professionals, 2005: "Social enterprise is a society-oriented business (non-profit/profit-seeking or mixed) that is founded to address the social problems or market failure of the with a private sector approach, to bring about an increase in the efficiency and sustainability and ultimately create change or benefit to society. "

Currently, in Vietnam, there are nearly 200 organizations considered to be social enterprises. Whilst pioneer organizations were established in the 1990s, the concept of social enterprise is still, however, very new. In Vietnam, despite their not yet being officially recognized, business activities as tools to serve the public interest have been around for a long time. The development process of social enterprises in Vietnam can be divided into three main phases: pre-Doi Moi; 1986 – 2010; the period from 2010. Today, with the transfer of activities from the cooperative model in the early stages to a social enterprise model which operates according to market principles with the funds shifted from external financing to business income is well under way.

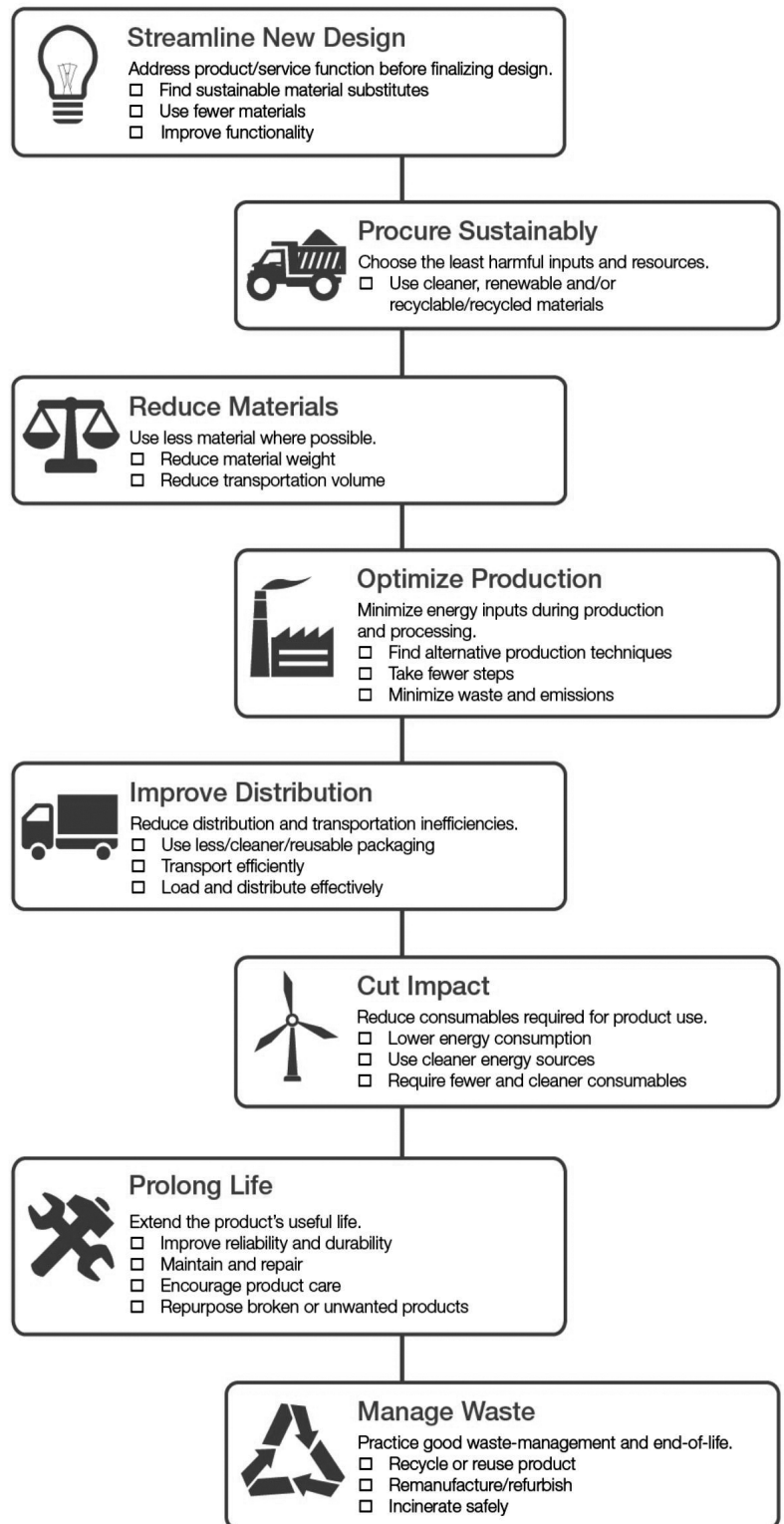
SE is now widely known as the model for social initiatives contributing to supporting the achievement of economic and social goals through:

- Providing services to improve the lives of vulnerable communities
- Creating jobs, improving capacity and creating opportunities to improve life for people with special circumstances and the marginalized
- Offering innovative solutions for new domains and also investment in energy, recycling, waste management.

Currently, resources for social enterprise development in Vietnam are huge. The nation country has the advantages of a young and dynamic population, high levels of entrepreneurship, high levels of determination, despite facing economic difficulties, social investment capital, and financial support are abundant, both domestically and abroad. Besides financial resources, social entrepreneurs have the opportunity to receive technical assistance, including science and technology. In addition, preferential policies to encourage cooperatives, non-public facilities, public enterprises and business units, will bring favorable conditions for activities of these organizations and social enterprises. Another noteworthy point is that Vietnam's communications infrastructure has made significant improvements to facilitate exchanges and connections

8 STEPS TO DESIGN SUSTAINABLE PRODUCTS

How to Design Sustainable Products



between social enterprises and intermediary organizations to promote social enterprises in the region.

Social enterprises are nevertheless a new field of work, so difficulties during establishments phases are inevitable. Specifically, there is no legal framework governing the operation of social enterprises. This creates obstacles in the establishment and operation of businesses. Funds remain difficult to access, human resources are typically low quality, management capacity is weak and there is limited executive leadership of teams.

To support networking by social entrepreneurs, CSIP - Center is seen as one of the leading active units. One of the typical activities of CSIP is its program to support social enterprises (SESP). An annual event, SESP searches, evaluates and invests capital for social enterprises in two stages: seed capital (up to USD7000 dollars) for social entrepreneurship at start-up phase and up to USD30,000 for social entrepreneurs at take-off stage of business development.

CSIP more broadly aims to assist social entrepreneurs to build organizational and business development capacity. At the same time, it helps to develop the social entrepreneurship movement by raising awareness about social entrepreneurs, government advocacy for good recognition and support to social enterprises, as well as to attract participation of other stakeholders, including government agencies, businesses and community.

References:

- Research report "Social Enterprise in Vietnam - concept, context and policy announcement" made by the CSIP at the Institute for Economic Management and the Central Council of England, 2012.
- www.csip.vn





4 RULES FOR INNOVATING

1 Rule 1: Change Where You're Headed

Set Big, Audacious Goals. To really push innovation, set goals that are a stretch. The Rocky Mountain Flatbread company, based in Canmore, Alberta, worked with Canadian nonprofit The Natural Step to create their vision of a sustainable restaurant. That vision included deriving 100% of their energy from renewable sources, having zero waste and zero carbon impact, and encouraging people to live more sustainably.

Use “Back-Casting,” Not Forecasting. For radical improvements, start with a vision of the future and work backwards to today. This type of goal-setting is called “back-casting” and is the opposite of forecasting. Forecasting examines what happened in the past to plan for the future, and it delivers only minor, incremental improvements.

Ensure Everyone Owns Your Goals. To promote a culture of innovation, make employees at all levels responsible for them. Put someone in charge of your environmental or community goals. Have your purchaser or supply chain manager vet potential vendors not just for price but for sustainability.

Questions to Ask Yourself: What would our company or product(s) look like in a sustainable society? Starting from a vision of 20 years from now, what should we do differently today? How can we share our vision with our employees and suppliers?

2 Rule 2: Change What You Know

Ask Employees for Ideas. Your employees see opportunities every day for saving money or doing things better. Ask for their ideas.

Scan Unfamiliar Places for Inspiration. Read books and magazines, and watch videos and presentations on topics you wouldn't normally. Attend conferences in seemingly unrelated fields. Pay attention to products or company ideas coming from other countries.

Get Inspired by Nature. Think about how nature would solve your design or process problem. Tree limbs and human skeletons inspire the engineers designing automobile frames. And understanding how fireflies glow has helped scientists make LED lights 55% more energy efficient.vii

“Unlearn” Outdated Knowledge. Challenge the way you've always done things. Maybe you could get materials from sustainable sources or buy wind- or solar-powered electricity. If it used to be too expensive to use hybrid vehicles in your delivery fleet, maybe that's no longer the case.

Questions to Ask Yourself: How can we get employees to suggest ideas for saving money or doing things better? What could we learn from companies doing the same thing as us in India, China or elsewhere? What could we learn from Canadian companies in different industries than ours? How would nature solve our biggest business problem? What assumptions do we make about our products or services?

3 Rule 3: Change How You Work

Rethink Your Business Model. Could your company - or part of it - serve a social purpose? Quebec-based company Insertech reconditions and refurbishes old computers and electronics. Companies donate the used electronics, which Insertech refurbishes and sells at reasonable prices to local non-profit and community organizations. Because the company also hires and trains young workers struggling to enter the job market, they receive funding as part of the Quebec Social Inclusion Enterprises Collective.

Replace Products with Services. Challenge your assumptions about what your business does. You may be able to increase revenue and decrease your environmental impact by focusing less on selling products and more on providing services.

Turn Garbage into Gold. Other companies might be able to use your waste. Montreal company Leigh Fibres would pick up fabric scraps from jacket manufacturer Quartz Nature to use in carpet manufacturing. Leigh Fibres got material for free, and Quartz Nature reduced its environmental footprint and eliminated waste removal costs.

Questions to Ask Yourself: Could we offer a product or service that's good for the environment and people? If we sell a product, could we also sell a maintenance plan or lease the product entirely? Could another company use something we currently throw away? Would they pay for it?

4 Rule 4: Change Who You Work With

Broaden Your Networks. Build contacts beyond the usual suspects. In addition to employees, suppliers, investors and customers, broaden your network to include community action groups, lobbyists and social entrepreneurs, non-governmental organizations (NGOs), industry associations and economic development groups. Work with, rather than against, your most vocal critics to diffuse situations before they hurt your reputation. Building bridges into unrelated fields and industries sparks fresh ideas and opens up new markets.

Embrace “Co-Opetition”. It's hard to imagining joining forces with your competitor, but that's exactly what a group of 30 competing furniture manufacturers in Ontario did. Faced with the industry-wide threat of low-cost producers in China, the Ontario business owners formed the Bluewater Wood Alliance to become more competitive, together. Among their solutions: Group purchasing and greening their businesses to curb waste and reduce production costs.viii

Go Back to School. Find academic centres with expertise that will help your company. Contact the Research Services department at your local university to discuss contract research options and find potential researchers. Check out funding. Contact an organization which provides free academic resources on innovative business practice.

Questions to Ask Yourself: Could we save money or pool resources by working with our competitors? How could we lead change in our industry?

XH CSR & CSOs in Vietnam

Background

Corporate social responsibility is receiving growing interest. A number of initiatives were introduced in Vietnam through multinational companies and their supply chain in their codes of conduct. Most of these CSR practices were initiated by the business sector and the government, with support from international donors. Promoting CSR as a comprehensive approach, especially monitoring corporate accountability is still a fairly new territory for NGOs in Vietnam, even for those engaged in a single theme of CSR such as labor issues, environment, or supporting small rural enterprises. On the one hand CSR is a subject with high potential and opportunities for NGOs to explore and grow, while, on the other hand, NGOs' engagement in CSR could contribute effectively toward sustainable development.

Objectives

- To strengthen the capacity of Vietnamese civil society organizations in addressing issues relevant to corporate social responsibility.
- To improve the visibility of network member's expertise and best practices for international donors, enterprises...
- To strengthen communication, to develop partnerships between civil society organizations and other stakeholders involved in the field of corporate social responsibility: public authorities and enterprises.

Priority

This initiative aims to establish a network of Civil Society Organisations (CSOs) in Vietnam to be more committed to CSR in promoting human rights at work, improving environmental practises and monitoring business obligations by active engagement of community.
Period: 2012-2013

Activities

- A mapping study on civil society involvement in CSR and its relationship with state and private sectors.
- Setting a new civil society network on CSR of 10-15 interested organizations.
- Training needs assessment and capacity building in CSR for the newly established network of CSOs and for universities.
- A resource group of experts in Vietnam on the thematic issues of human rights, environment and labor rights.
- Conduct 2 roundtable dialogues on CSR issues with relevant stakeholders (governmental authorities and companies).
- Organize 2 workshops in 2012 and 2013 dedicated to these exchanges.



A joint project of



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