



BACKGROUND NOTE

Social Entrepreneurship: Conceptual Definition, Brief Literature Review and Some Examples from the Philippines

Raymund B. Habaradas

DISCLAIMER

This background paper was prepared for the report *Asian Development Outlook 2022 Update: Entrepreneurship in the Digital Age*. It is made available here to communicate the results of the underlying research work with the least possible delay. The manuscript of this paper therefore has not been prepared in accordance with the procedures appropriate to formally-edited texts.

The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Asian Development Bank (ADB), its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this document and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

Any designation of or reference to a particular territory or geographic area, or use of the term “country” in this document, is not intended to make any judgments as to the legal or other status of any territory or area. Boundaries, colors, denominations, and other information shown on any map in this document do not imply any judgment on the part of the ADB concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

SOCIAL ENTREPRENEURSHIP: CONCEPTUAL DEFINITION, BRIEF LITERATURE REVIEW AND SOME EXAMPLES FROM THE PHILIPPINES

Raymund B. Habaradas
Department of Management and Organization
Ramon V. del Rosario College of Business
De La Salle University

I. INTRODUCTION

Social entrepreneurship is a management process that produces both economic and social values through the improved use of resources (Mair and Marti 2005; Galera and Borzaga 2009). It is also defined as a business process that produces innovative solutions to address a social issue and that subsequently mobilizes resources for social transformation (Alvord, Brown, and Letts 2004). The vehicle for undertaking this innovative and value-creating process is the social enterprise.

Also known as hybrid organizations because of their pursuit of multiple objectives, social enterprises create new business models for the provision of products and services that cater to basic human needs that current economic and social institutions have failed to satisfy (Seelos and Mair 2005).

Social enterprises can either be nonprofit or for-profit. Nonprofit social enterprises, while adopting business practices in generating and utilizing resources, give more importance to their social mission (Dees, Emerson, and Economy 2001; Ridley-Duff and Bull 2011). They often take the legal form of the traditional nongovernment organizations (NGOs) and civil society organizations. For-profit social enterprises, on the other hand, are “legally incorporated as for-profit entities” and “explicitly designed to serve a social purpose”. They can be distinguished from socially responsible businesses or entities that seek financial gain while respecting ethics, communities, and the planet; and from purely profit-motivated firms operating in the social sector (Dees and Anderson 2002). For-profit social enterprises are also sometimes referred to as social businesses (Meloto 2013, Sebastian 2010, and Yunus 2010).

Ebrahim et al (2014) capture the key characteristics of social enterprises in their definition:

Social enterprises are neither typical charities nor typical businesses; rather they combine aspects of both. Their primary objective is to deliver social value to the beneficiaries of their social mission, and their primary revenue source is commercial, relying on markets instead of donations or grants to sustain themselves and to scale their operations. For these organizations, commercial activities are a means toward social ends (p. 82).

In developing countries like the Philippines, it is not unusual for social enterprises to operate in poor, far-flung areas, or to cater to disadvantaged groups such as farmers, fishers, indigenous peoples, and the urban poor. The products and services they offer range from health services to entrepreneurial training; and from providing microfinance services to procuring agricultural products at fair-trade prices.

Catering to previously underserved markets that belong to the bottom-of-the-pyramid, however, often results to higher operating costs. This creates added pressure for business owners and managers who must adopt and implement appropriate business strategies to keep their operations viable (Habaradas and Aure 2016). For-profit social enterprises, in particular, might succumb to market pressures that could lead to compromising social value (Dees and Anderson 2002), a phenomenon that various scholars have labelled as ‘mission drift’ (Cornforth 2014; Ebrahim and Mair 2014; Ometto, Gegenhuber, Winter, and Greenwood 2018).

To stay true to their mission and to also successfully scale up their operations, for-profit social enterprises need to come up with innovative business models that will allow them to overcome tough challenges that are associated with attempting to simultaneously achieve economic, social, and environmental goals (Habaradas and Aure 2016). It would help if these viable social business models can be replicated in a variety of contexts, and if the appropriate policy and regulatory environments are set in place to support these hybrid organizations.

In this article, I touch on the contributions of social entrepreneurship to economic development as discussed in the literature. After presenting a brief background of social entrepreneurship in the Philippines, I give examples of innovative business models adopted by selected Philippine social enterprises, which allowed them to scale their operations for greater social impact. Based on the

insights generated from the literature and the Philippine experience, I present policy implications for developing Asia.

II. SOCIAL ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT: WHAT THE LITERATURE SAYS

In many developing countries, governments have fallen short in terms of delivering basic social services because of either lack of resources or weak governance (Austin, Stevenson, and Weiskillern 2006). Services meant to satisfy basic human needs such as health and education often do not reach poor people. And if they do, service provision is “often inefficient and of poor quality” (Seelos and Mair 2005; World Bank 2003).

This situation has prompted big businesses to engage in socially responsible programs and activities to help address societal problems, and NGOs to provide services to vulnerable groups and poor communities. The philanthropic efforts of big corporations, however, have largely been fragmented because of a variety of causes that individual firms support. Many NGOs, on the other hand, find it difficult to expand their programs to benefit more communities because of their dependence on donations and grants (Habaradas, Aure, and Mia 2019). This has led to the creation of new organizational forms that sought to “pursue a social mission through the use of market mechanisms” (Ebrahim et al. 2014, p. 81).

By setting up new business models with a strong social component, social enterprises are “filling a void” (Austin et al. 2006) that traditional businesses, governments, and NGOs could not adequately fill. Two well-known examples are Aravind Eye Care Systems and Grameen Bank.

Founded by Dr. G. Venkataswamy in Madurai, India in 1976, Aravind Eye Care Systems is dedicated to curing individuals who are “needlessly blind by providing affordable eye care to all. By adopting an innovative ‘hospital-as-a-factory’ format, Aravind increased the company’s number of patients and improved its turnover rate through a streamlined workflow. Task repetition, through a surgical assembly line, improved the skill of doctors in executing specific procedures, which resulted to better clinical outcomes and less complications. Also, by employing skilled paraprofessionals, Aravind freed up doctors’ time, allowing them to conduct more surgeries, thus

reducing prices as a result of the number of surgeries performed (<https://theartoflivingfree.wordpress.com/2012/09/29/aravind-eye-care-systems-a-social-entrepreneurial-case-study/>).

In addition to its efficient operations, Aravind has also come up with a financially viable business model by adopting an unconventional model for patient fees. Depending on the financial means of the patients, they can choose from among the following categories of payment: premium, regular, minimum, and free. Regardless of the option they pick, however, they receive the same quality of service. Thus, Aravind is able to make eye surgery accessible to the masses, especially those who lack the money and transportation to obtain standard hospital care (<https://theartoflivingfree.wordpress.com/2012/09/29/aravind-eye-care-systems-a-social-entrepreneurial-case-study/>).

Founded by Muhammad Yunus in Bangladesh in 1976 (but officially authorized by national legislation to operate as an independent bank in 1983), Grameen Bank grants loans without collateral to the rural poor. Yunus believed that making such loans available to a larger population could stimulate businesses and reduce widespread poverty in his country.

Grameen Bank targets the poorest of the poor, especially landless villagers. It also lends primarily to women, “who are not only economically but also socially impoverished” (Seelos and Mair 2005, p. 243). Instead of putting up a collateral, the borrower must join a five-member group and a 40-member center, and attend a weekly meeting. It is the group, not the bank, that initially evaluates loan requests. Given that they have shared responsibility over the loans given, the members choose their partners wisely (Seelos and Mair 2005).

As of 2017, Grameen Bank had about 2,600 branches and nine million borrowers, with a repayment rate of 99.6% (Cosic 2017 and Grameen Bank 2017). More important, Grameen Bank has inspired a global microcredit movement that has spread to 65 developing countries, reaching 17 million borrowers (Seelos and Mair 2005).

Clearly, there is reason to believe that social enterprises with innovative business models can scale their operations and effectively complement the efforts of government, big business, and NGOs in pursuing a variety of Sustainable Development Goals (SDGs).

It must be pointed out, though, that social enterprises typically start as small initiatives that seek to address local problems such as access to water, waste management, promoting small-business creation, and reintegration of individuals into the workforce. Given that these initiatives “have a local expression but global relevance” (Santos 2017, p. 335), they have a potential to be replicated in other geographical areas, as exemplified by Grameen Bank’s microfinance model. Social entrepreneurship, therefore, has “profound implications in the economic system” as it results in the creation of new industries, the validation of new business models, and the redirection of resources to neglected social problems (Santos 2017).

III. SOCIAL ENTREPRENEURSHIP IN THE PHILIPPINES

According to a 2017 study funded by the British Council, “social enterprise activity in the Philippines is taking off”, with the number of social enterprise start-ups having more than tripled in just a decade. Extrapolating from a survey of 206 micro, small, and medium-sized enterprises; cooperatives; and NGOs, the study estimated as many as 164,473 social enterprises based in the Philippines, most of which have headquarters in Metro Manila but whose reach often extends to the countryside.

About 28% of the surveyed enterprises are led by people who are from 35 years old to 44 years old, while 21% are led by the youth or those below 35 years old. Fifty-six percent of these enterprises are led by men, and 44% are led by women. Compared to similar studies conducted by the British Council in Asia, the proportion of social enterprises led by women in the Philippines is much higher. In Bangladesh, India, and Pakistan, only about 20% of social enterprises are led by women (British Council 2017).

According to the survey, 19% of Philippine social enterprises operate in the agriculture sector. Other sectors where social enterprises predominantly operate are education (9%), business development (9%), financial services (8%), and employment creation (8%). The social enterprises

sampled revealed that their operations benefit multiple stakeholder groups, including the local community (72%), other organizations such as NGOs and micro enterprises (59%), women (54%), employees of organizations (54%), farmers and landless rural workers (47%), young people (16 years old–35 years old) (41%), and indigenous peoples (39%). Other groups identified are victims of disasters and calamities, people from underserved regions or communities, workers in the informal sector, urban poor, disabled and/or differently abled people, children under 16 years old, senior citizens, artisanal fisherfolks, and formal labor and migrant workers.

A. Multiple Objectives

Not surprisingly, these social enterprises identified a variety of objectives from generating employment to alleviating poverty; and from improving a local community to empowering marginalized groups (table).

Objectives Identified by Social Enterprises in the Philippines

Social Enterprise Objectives	Percentage
Creating employment	68
Alleviating poverty	66
Improving a community	63
Empowering marginalized groups	60
Selling a good and/or product	55
Protecting the environment	54
Supporting vulnerable peoples	52
Supporting other social enterprises	51
Supporting small producers in agricultural value chains	48
Enabling women and/or girls as economic actors	46
Promoting education and literacy	46
Improving health and well-being	43
Addressing financial inclusion	38
Addressing food security and agricultural development	37
Supporting vulnerable children and young people	34
Addressing social exclusion	34
Others	4

Source: Reaching the farthest first: The state of social enterprise in the Philippines.

https://www.britishcouncil.ph/sites/default/files/social_report_bc_fa_102517_web-compressed.pdf

B. Challenges Faced by Social Enterprises in the Philippines

While attempting to achieve the above-mentioned objectives, social enterprises in the Philippines, especially start-ups, face a multitude of challenges. These range from obtaining capital and managing their finances, to finding markets for their products and services. Just like traditional business enterprises, they also deal with problems related to taxation and business rates, regulations/red tape/corruption in the government, lack of access to business advice and support services, and extreme weather conditions (British Council 2017).

Social enterprises, however, carry the self-imposed burden of addressing the needs of those belonging to the bottom-of-the-pyramid, at the risk of putting a strain on their already limited resources (Habaradas and Aure 2016). Compounding this situation is the challenge of measuring social benefits, which are often intangible, hard to quantify, and open to dispute. Social enterprise owners and managers “soon realize how hard it is to make strategic decisions on allocating resources or to assess how much to invest in pursuing a particular means of creating social value” (Habaradas and Aure 2014, p. 2). When a conflict between the economic and social goals arises, therefore, some social entrepreneurs favor the economic bottom line just so they will not be driven out of business.

Another major challenge that hampers the growth of social enterprises in the Philippines is the quality of their workforce, who are lacking in certain skills such as accounting, legal, tax, business development and management, marketing, logistics, and distribution (Darko and Quijano 2015). Given that social enterprises typically have limited financial resources, they find it difficult to match the compensation packages offered by large corporations, especially for managerial talent.

It is also not easy to attract talents who can function well in a setting that combines the worlds of business and of the social sector because there is a limited pool of individuals with nonprofit backgrounds who also happen to have a master’s degree in business administration or some business experience. For social enterprises that succeed in assembling a mixed team of business managers and nonprofit workers, the next challenge is managing cultural differences. While business-oriented employees “are generally more used to taking risks, working in fast-paced environments, and setting clear, measurable goals and objectives,” employees coming from the

social sector “are often more consensus-driven, passionate about a particular cause, and focused on responding to needs rather than anticipating or creating them” (Dees and Anderson 2002, as cited by Habaradas and Aure 2014, p. 9).

C. Support for Social Enterprises

In the Philippines, there is a pending bill in Congress that seeks to provide support for social enterprises. The proposed law, more popularly known as “Poverty Reduction through Social Entrepreneurship” bill, primarily aims to speed up the poverty eradication efforts of the government. Among the support mechanisms in the proposed legislation are funds for research and development, loans, capacity-building activities, preferential procurement for social enterprises, facilitation of market access and linkage to the value chain, and insurance for social enterprises in times of disaster (Ong 2016).

Recognizing that social enterprises require a great deal of support at the start-up and early-stage phases, several social business incubators have been set up to create an environment that encourages the growth of social ventures as they attempt to scale their innovative, market-oriented solutions. Among the well-established social business incubators in the Philippines are Gawad Kalinga Enchanted Farm (GKEF) and Villgro Philippines.

GKEF is in Bulacan, a province located north of Manila, the capital city of the Philippines. Over the years, GKEF has helped social ventures—mostly set up by young individuals—address the unique challenges resulting from their desire to balance their financial and social bottom lines. Among the social enterprises that are incubating at the farm are Ambension Silk Enterprise, Apicuria, AuraeNatura, Bayani Brew, The Bee Empire, Calaboo, First Harvest, Free Birds, Golden Duck, Grassroots Kitchen, Hamlet, Karabella, Kayumanggi Organics, MAD Travel, MakePeace Bakery, Palamigan Co, and Plush and Play (Habaradas, Aure, and Mia 2019).

Branding itself as a farm village university, as a Disneyland for social tourism, and as a Silicon Valley for social entrepreneurship, GKEF seeks to provide livelihood opportunities for community members, mostly farmers, who live in the farm and nearby areas; to serve as a destination for

individuals and groups who seek a novel tourism experience; and to provide support for budding social entrepreneurs (www.gk1world.com/gkenchantedfarm).

Worth noting is the symbiotic relationship among GKEF's major programs and activities. For example, GKEF's tourism activities augment the support it gives to the social enterprises incubating in the farm. That is because the social enterprises are able to sell their products to the farm's visitors and guests. On the other hand, GKEF's social incubation program has attracted social entrepreneurs—both from the Philippines and abroad—who have provided jobs to community members through their social ventures. The social enterprises serve as a major attraction for GKEF visitors who are interested to hear the inspiring stories of the young entrepreneurs who have committed themselves to helping Gawad Kalinga achieve its mission (Habaradas, Aure, and Mia 2019).

Villgro Philippines is an early-stage social business incubator that supports entrepreneurs by providing them with tools and resources that they need to make a difference at the grassroots. It supports innovative business models that transform the lives of the poor and that seek solutions to challenges in the areas of (i) agriculture and fisheries, particularly access to market for agricultural and fisheries commodities, products and services that increase farm productivity, and technological solutions that make farming profitable for small holder farmers; (ii) affordable health care, particularly access to affordable and quality last-mile health care, improving and accelerating maternal and child-health outcomes, and quick and accurate delivery of medical information; (iii) education and employment, particularly access to affordable and quality education, productive employment and decent work for all, and skilling for future work; and (iv) climate crisis, particularly clean and reliable energy, affordable and climate-resilient housing, and reducing ocean plastic and waste management.

Villgro believes that for social entrepreneurs to tackle the above-mentioned challenges, they need “a thriving ecosystem with people and organizations coming together as a community to share learnings and leverage each other's strengths and collaborate.” Its incubation model is designed to provide social enterprises with highly customized early-stage support that has the following elements: (i) access to risk capital; (ii) high-quality mentoring; (iii) technical assistance; (iv)

dynamic diagnostic panels; and (v) access to talent, networks, and markets (<https://villgrophilippines.org/incubation/>).

Unlike GKEF, which provides support mostly for start-ups, Villgro focuses on early-stage social businesses that seek to scale but that need extra support to bring their ventures to the next level. Villgro promises that, by the end of the incubation cycle, its incubatees would have achieved (i) a market-validated business model that is ready to scale along with a formulated strategy ready for execution; (ii) a core team with structured roles and with appropriate skills, market understanding, and a thriving work culture; (iii) an investment-ready business that has clear financial projections, and has strong financial management processes; (iv) a business that is able to identify performance metrics, and has good governance practices; and (v) an organization that has appropriate strategies and processes, and with built-in trouble shooting mechanisms that will help it manage growth (<https://villgrophilippines.org/incubation/>).

IV. INNOVATIVE SOCIAL BUSINESS MODELS: ILLUSTRATIVE CASES

In spite of the various challenges arising from having multiple goals, there have been several Philippine social enterprises that have not only achieved economic viability, but have also succeeded in scaling their operations through creative, collaborative, and community-oriented approaches. In this section, we feature three of these social enterprises, namely Bote Central, ECHOstore, and Hapinoy.

A. Bote Central: Helping Build Community-Based Coffee Enterprises

Founded by the entrepreneurial couple Basilio and Vie Reyes, Bote Central is a social enterprise that aims to “revolutionize the Philippine coffee landscape” (<https://botecentral.com/>). It has three main products (Alamid Coffee, Basilio Coffee, and 18 Days Coffee) that cater to different market segments.

While primarily known as a coffee retailer, Bote Central is also involved in other stages of the coffee supply chain. To pursue its social mission, it deals directly with coffee farmers, particularly those based in the uplands. It has partner communities in Benguet Province and Mountain Province

in Northern Luzon, Mindoro Island in Southern Luzon, and Cotabato in Central Mindanao (Habaradas and Mia 2021).

Bote Central started to help upland coffee farmers by buying coffee beans from them at fair-trade prices. It even bought coffee beans of less-premium quality to encourage farmers to continue producing even as they gradually improve the quality of their produce. Bote Central also linked up the farmers with the Department of Agriculture, which provided training on the proper handling of coffee beans to minimize damage and waste.

Having previously lived for 1 year in Sagada, Mountain Province, Basilio Reyes developed a deep friendship with the local farmers. As a form of goodwill, Bote Central gave the farmers a coffee roasting machine, which enabled them to roast their own coffee either for domestic consumption or for sale to establishments in the local community. The Sagada farmers now sell their roasted coffee beans to restaurants in the local and neighboring communities, generating additional income as a result (Habaradas 2019; Habaradas and Mia 2021).

Drawing lessons from its experience in Sagada, Bote Central launched in 2007 the *Kape't Buhay* (Coffee and Life) Program, an incubation program for community-based enterprises. Through this program, coffee farmers received training in coffee agribusiness, were given access to common-service facilities (e.g., dehuller, solar dryer, depulper, roasting machine, and multipurpose grinder), and learned to process and sell the coffee they produce to local communities. To sustain the program, members of the local community formally organized themselves into the Mountain Province Association of Coffee Growers (Habaradas and Mia 2021).

With a viable proof of concept, Bote Central secured a P2-million grant to offer technical assistance for setting up agribusiness systems and training modules for 10 community-based coffee enterprises (CBCEs) (<https://www.isea-group.net/wp-content/uploads/2021/01/Case-on-Bote-Central-and-Philippine-Coffee-Alliance.pdf>). This involved the development and establishment of community-based roasting facilities that are run, managed, and operated by farmer clusters and women's groups in collaboration with existing NGOs in strategic target areas (Habaradas and Mia,

2021). Under this program, Bote Central sold its coffee roasting machines to participating communities even as it continued to purchase coffee beans from them.

In July 2013, Bote Central turned over *Kape't Buhay* to the Philippine Coffee Alliance, which adopted it as its flagship program. It got additional support from other organizations such as Globe Telecom; Foundation for Sustainable Society, Inc.; and the Peace and Equity Foundation.

Early studies done on community-based coffee enterprises (including those established outside of the *Kape't Buhay* Program) showed that, as of January 2016, 51 CBCEs with 34,221 farming households benefitted from increased coffee margins resulting from activities from production down to distribution. By February 2020, based on the equipment delivered and serviced by Bote Central, there was a total of 90 facilities, about 50% of which are run, owned, and managed by farmer cooperatives and/or associations. About 40% are managed and operated by local government units, and 10% by a private enterprise (Habaradas and Mia 2021).

Aside from the better incomes the farmers have generated through these CBCEs, access to education, food on the table, water and electricity, and the use of gadgets at home are now more visibly apparent. Coffee farmers also seem to have acquired a fresh mindset about their situation. According to Vie Reyes: “I have seen changes in behavior and mindset. Coffee farmers nowadays, at least the ones I am in contact with, are more vocal, passionate with coffee, and they willingly participate to learn more because they know they will earn more” (Habaradas and Mia 2021, pp. 952–953).

Because of the success of the *Kape't Buhay* Program, Bote Central and the Philippine Coffee Alliance was approached by the Forest Foundation Philippines in 2018 to undertake the livelihood component of its comprehensive forest protection and conservation efforts in Mindanao. The groundwork for the planned interventions targeting 14 communities located in Bukidnon and Misamis had already been done (Habaradas and Mia 2021).

B. ECHOstore: Enabling Micro Entrepreneurs

ECHOstore Sustainable Lifestyle is the first green retail store in the Philippines. It was founded by Pacita Juan, Jeannie Javelosa, and Reena Francisco (also known as the ECHOtrio), who brought their extensive corporate/entrepreneurial experience to this venture that advocates sustainable living. In September 2008, the ECHOtrio opened ECHOstore Serendra, which targeted the high-end urban market. The retail store provided space for home care, fashion, personal care products, and gift items. It also carried organic, natural, and nontoxic goods, ranging from home cleaning products to staples such as organic rice, sugar, and other produce.

In 2011, the ECHOtrio opened ECHOmarket Sustainable Farms and ECHOcafe, two related concepts that completed the ECHOstore retail triad. In 2013, it launched its online store. Over the years, ECHOstore opened branches in major cities in the Philippines such as Baguio, Cagayan de Oro, Cebu, Davao, Iloilo, Makati, and Mandaluyong, thus expanding the reach of its products.

ECHOstore fulfills its social mission by serving as an outlet for products of small producers, craftsmen, and artisans, especially those coming from cultural communities and other marginalized groups. But, instead of simply sourcing from these groups, ECHOstore helps build their capabilities in branding, product design, packaging, cost accounting, and general business know-how. Working closely with national NGOs that are serving the poor communities, the ECHOtrio volunteered their time and expertise to serve as mentors of these micro entrepreneurs (Habaradas 2019).

The ECHOtrio eventually set up the ECHOSi (Enabling Communities with Hope and Opportunities Sustainable Initiatives) Foundation, which received funds from individuals and institutions that wanted to support their advocacy and social mission. This allowed the ECHOtrio to receive support from the government, and to work in partnership with various groups, especially NGOs, that are similarly concerned with developing communities. For example, they have worked with the Peace and Equity Foundation and the Partnership and Access Center Consortium, Inc. in setting up ECHOVILLAGE stores throughout the country. They have also worked with the Department of Trade and Industry and the Philippine Commission of Women for the GREAT

Women Program. Through these partnerships, ECHOstore is able to spread its advocacy for sustainable living across the supply chain (Habaradas and Aure 2014).

As was stated in the company's website, ECHOstore carried at least 3,400 products in various distribution points throughout the country. Working with more than 80 organizations and foundations, it has reached at least 131 micro entrepreneurs, 8,000 households, and 34,420 beneficiaries (ECHOstore 2011, as cited by Habaradas 2016).

C. Hapinoy: Going Beyond Microfinance

Sari-sari stores are small neighborhood convenience stores that sell various things, mostly basic commodities. Often owned by female micro entrepreneurs, these stores are almost always an extension of the store owner's home. With more than a million of them in the country, *sari-sari* stores have become a major part of many Filipinos' way of life, as they supply their community's daily needs. Often times, *sari-sari* store owners engage in this business to augment their family's income. However, they generate limited income because they usually procure goods at higher prices and sell them with very small margins (Habaradas and Aure 2014).

In 2007, MicroVentures Incorporated launched the Hapinoy Store Program, which is geared towards helping *sari-sari* store owners increase their income. Upon realizing that 15%–20% of microfinance borrowers use the capital to put up stores or to expand their inventory, MicroVentures Incorporated used this knowledge to execute a simple, yet innovative, business model.

A play on the words “happy” and “Pinoy” (the colloquial word for Filipino), Hapinoy is a social enterprise founded by Paolo Benigno Aquino IV, Michelle Pabalan, and Mark Ruiz. It leverages microfinancing as a way to empower socially and economically challenged families. Its business model is anchored on the economies of scale, i.e., it aggregates these *sari-sari* store owners to get bulk product discounts from large manufacturers.

The Hapinoy Store Program starts with the infusion of capital to an existing *sari-sari* store in a specific town. This store is converted into a community store, which is set up to service 100–120

smaller stores on average. These stores are provided a Hapinoy franchise, which brings with it several benefits. By providing these stores with a direct link to the factories of companies such as Unilever and Nestle, Hapinoy enables store owners to gain as much as 15% savings in acquiring goods. This has resulted to higher margins for the store and lower prices for its buyers (Habaradas and Aure 2014).

Hapinoy has since evolved into a full-service micro entrepreneur enhancement program, which includes (i) education: developing and deploying business management and personal development trainings that provide store owners with the skills and tools necessary to better operate their businesses; (ii) linkages to capital: partnering with microfinance institutions to provide access to additional capital to grow their businesses; (iii) new business opportunities: helping store owners expand and level up by, including value-added goods such as generic medicines and photo printing services into their regular operations; (iv) technology enablement: equipping store owners with basic skills training on digital technology, and providing them opportunities to use smartphones in expanding their businesses through Hapinoy BizMo; and (v) Samahang Hapinoy: creating a network of Hapinoy Negosyantes through business cells, which serve as a peer learning and support group (<https://www.hapinoy.com/our-story>).

Since its inception, Hapinoy has trained more than 14,000 micro entrepreneurs, helping uplift their lives and allowing them to provide more for their families and their communities. It has become a wide network of micro, small, medium-, and large-sized enterprises, through which community stores and *sari-sari* stores serve as hubs for goods and services that are then made conveniently available to buyers that mostly belong to the base of the pyramid. This serves to highlight how a social enterprise can benefit hundreds of thousands of individuals through an innovative business model.

V. IMPLICATIONS FOR POLICY AND PRACTICE IN DEVELOPING ASIA

The experience of social enterprises in the Philippines provides some useful lessons for other developing countries in Asia. To overcome the challenge of simultaneously achieving their economic, social, and environmental goals, social enterprises can create a brand identity that will

distinguish them from their competitors; and enhance their social value proposition by co-creating value with multiple stakeholders. On the other hand, the government can set the stage for an ecosystem of support for social enterprises by channeling resources to social business incubators, and by encouraging cross-sector collaborations that address the SDGs.

A. Creating a Distinct Brand Identity

The classic differentiation strategy calls on a business to offer a product or service that is distinct from one's competitors so that it can capture a particular segment of a market. For social enterprises, the differentiation can be derived from creating a brand identity that is anchored on one's social mission. The products and services can then be used as vehicles to communicate this distinct brand identity. This is evident in Bote Central, which is seen as the champion of an inclusive coffee supply chain; and ECHOstore, which is a primary advocate of a sustainable lifestyle. Needless to say, social enterprises that bank on their brand identity must be able to deliver on their brand promise. Otherwise, their target markets will see through their false claims, and their business models will fall apart.

B. Co-creating Value with Multiple Stakeholders

Social enterprises are more likely to succeed when they work closely with other groups in fulfilling their social mission. This means that they must be open to collaborative arrangements with other businesses, government agencies, and/or NGOs, especially those that bring along resources and expertise that the social enterprise might not have. Hapinoy, for example, works closely with large fast-moving consumer goods companies, telecommunication companies, and microfinance institutions "to create opportunities for *sari-sari* store owners to learn, to grow, and to provide for the changing needs of the community" (<https://www.hapinoy.com/our-story>)

C. Channeling Resources to Social Business Incubators

Given that social business incubators play a critical role in encouraging the creation of social enterprises, it might be a good idea to provide support to initiatives such as GK Enchanted Farm,

which has served as a business incubator for several emerging social enterprises; and Villgro Philippines, which has been helping early-stage social enterprises professionalize their operations to enable them to secure investments that they need to maximize their social impact.

D. Leveraging Resources through Cross-sector Collaboration

While individual firms have a limited pool of resources, whether human or material, there is an abundance of resources at the aggregate level (i.e., beyond the traditional confines of a typical for-profit social enterprise). Working with government and NGOs, as well as other social enterprises, enables them to leverage on the resources and expertise of other institutions (Habaradas and Aure 2016).

A good example is how ECHOstore (through the ECHOsi Foundation) took an active role in the GREAT Women Project, which was spearheaded by the Department of Trade and Industry and the Philippine Commission on Women with funds provided by the Canadian International Development Agency. Under this cross-sector collaboration, the government mobilized the vast resources at its disposal to provide women entrepreneurs with access to credit, information, and skills training; local government units expedited the business registration process and provided local support; while the private sector (including ECHOstore) contributed by offering their technical expertise, and by providing market access to the products of these micro entrepreneurs. Under this partnership, ECHOstore did not have to carry the financial burden of providing grassroots training, but still provided social value by providing women entrepreneurs market access for their products (Habaradas and Aure 2016).

The lesson is clear for the government agencies that are tasked with formulating policies and establishing mechanisms that seek to support businesses that address the SDGs. Making substantial inroads in reducing poverty, ensuring universal education and employment, providing affordable health care, and mitigating climate change requires multisectoral collaboration. By working with big business, the government, NGOs, and, by utilizing innovative business models, social enterprises in Asia can achieve their potential as vehicles of economic development and social transformation.

REFERENCES

- Alvord, S., L. Brown, and C. Letts. 2004. Social Entrepreneurship and Societal Transformation. *Journal of Applied Behavioral Science* 40(3), pp. 260–282.
- Austin, J. 2000. *The collaboration challenge: How nonprofits and businesses succeed through strategic alliances*. San Francisco: Jossey-Bass.
- British Council. 2017. *Reaching the farthest first: The state of social enterprise in the Philippines*. https://www.britishcouncil.ph/sites/default/files/social_report_bc_fa_102517_web-compressed.pdf.
- Cornforth, C. 2014. Understanding and Combating Mission Drift in Social Enterprises. *Social Enterprise Journal* 10(1), pp. 3–20.
- Cosic, M. (29 March 2017). “‘We Are All Entrepreneurs’: Muhammad Yunus on Changing the World, one Microloan at a Time”. *Guardian*. <https://www.theguardian.com/sustainable-business/2017/mar/29/we-are-all-entrepreneurs-muhammad-yunus-on-changing-the-world-one-microloan-at-a-time>.
- Darko, E. and T. Quijano. 2015. *A Review of Social Enterprise Activity in the Philippines*. British Council. https://www.britishcouncil.org/sites/default/files/social_enterprise_activity_philippines.pdf.
- Dees, J., J. Emerson, and P. Economy. 2001. *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs*. New York: John Wiley & Sons.
- Dees, J. and B. Anderson. 2002. For-Profit Social Ventures. *International Journal of Entrepreneurship Education* 2, pp. 1–26.
- Ebrahim, A., J. Batillana, and J. Mair. 2014. The Governance of Social Enterprises: Mission Drift and Accountability Challenges in Hybrid Organizations. *Research in Organizational Behavior* 34, pp. 81–100.
- Galera, G. and C. Borzaga. 2009. Social Enterprise: An International Overview of its Conceptual Evolution and Legal Implementation. *Social Enterprise Journal* 5(3), pp. 210–228.
- Grameen Bank. 2017. “About Us”. <https://www.grameen-info.org/about-us/>
- Habaradas, R. 2016. Social Innovation in the Philippines: Pursuing SDGs through Cross-sector Partnerships, *Asia-Pacific Tech Monitor* 33(3), pp. 45–48. United Nations Economic and Social Commission for Asia and the Pacific.
- Habaradas, R. 2019. Innovative Business Models of Social Enterprises in the Philippines. *Asian Research Policy* 10(2), pp. 71–80. Korea Institute of S&T Evaluation and Planning.

- Habaradas, R. and P. Aure. 2014. Creative and Collaborative Strategies for Social Enterprises in the Philippines. *DLSU Business Notes and Briefings* 2(4), pp. 1–4.
- Habaradas, R. and P. Aure. 2016. Managing Social Enterprises in the Philippines: Challenges and Strategies. *Journal of Legal Ethical and Regulatory Issues* 19(2), pp. 39–56. Allied Academies.
- Habaradas, R., P. Aure, and I. Mia. 2019. A Platform for Social Business Incubation in the Philippines: The Case of Gawad Kalinga Enchanted Farm. *DLSU Business & Economics Review* 28(3), pp. 91–101.
- Habaradas, R. and I. Mia. 2021. Bote Central: Creating a Chain of Happiness for Philippine Coffee Farmers. *International Journal of Business and Society* 22(2), pp. 941–959.
- Meloto, A. 2013. *Builder of Dreams*. Gawad Kalinga.
- Ometto, M., T. Gegenhuber, J. Winter, and R. Greenwood. 2018. From Balancing Missions to Mission Drift: The Role of the Institutional Context, Spaces, and Compartmentalization in the Scaling of Social Enterprises. *Business & Society* 58(5), pp. 1003–1046.
- Ong, T. A. 2016. Social Enterprise Advocates Push for PRESENT Bill Passage. *Rappler*. <https://www.rappler.com/move-ph/issues/poverty/111074-social-enterprise-advocates-bill>.
- Ridley-Duff, R. J. and M. Bull. 2011. *Understanding Social Enterprise: Theory and Practice*. London: Sage Publications.
- Santos, F. 2017. A Positive Theory of Social Entrepreneurship. *Journal of Business Ethics* 111(3), pp. 335–351.
- Sebastian, A. 2010. *Blue Way 2: Case Studies on Social Business Enterprises*. Pasig City: Anvil Publishing, Inc.
- Seelos, C. and J. Mair. 2005. Social Entrepreneurship: Creating New Business Models to Serve the Poor. *Business Horizons* 48, pp. 241–246.
- Yunus, M. 2010. *Building Social Business: The New Kind of Capitalism that Serves Humanity's Most Pressing Needs*. New York: Public Affairs.