

Challenges and strategies in pursuing financial and social bottom lines: Managing for-profit social enterprises in the Philippines



By Raymund B. Habaradas

Management and Organization Department

De La Salle University

Social enterprises: filling a void



- Social enterprises are “filling a void” that traditional businesses, governments, and non-profits could not adequately fill.

Addressing social problems



- Social enterprises are organizations “seeking business solutions to social problems”



For-profit social enterprises

- ▶ “Have virtues that are not easily mimicked” by their non-profit or public sector counterparts (Dees & Anderson, 2003)
- ▶ Have the following potential benefits:
 - ▶ Promoting efficiency and innovation
 - ▶ Leveraging scarce public and philanthropic resources
 - ▶ Being more responsive to fluctuating market demand
 - ▶ Improving access to skilled personnel



Research questions

- ▶ What are the challenges faced by select Philippine social enterprises in their attempt to generate both financial and social value?
- ▶ Using Dees and Anderson's framework (2002) as a guide, what strategies do these social enterprises utilize to achieve both their financial and social bottom lines? How do they implement them?
- ▶ Are there other strategies utilized by these social enterprises as they pursue both economic and social objectives?



Study's propositions

- ▶ **Proposition 1:** Philippine social enterprises experience tension in their attempts to jointly achieve financial and social objectives, and are likely to comprise one bottom line over another.
- ▶ **Proposition 2:** Social enterprises that utilize Dees and Anderson's proposed strategies better manage challenges associated with having dual objectives.

3 Philippine social enterprises



Jacinto & Lirio



Bayani Brew



ECHOstore

Variables examined

For-profit social enterprises in the Philippines

Social enterprise model

- Embedded social enterprise
- Integrated social enterprise
- External social enterprise (Alter, 2006)

Challenges faced

- Complexity in combining dual bottom-lines
- Market pressures to compromise on social value
- Social and political pressures to compromise on financial performance (Dees & Anderson, 2002)

Strategies utilized

- Avoid strategic vagueness regarding organization's mission
- Craft an integrated and compelling venture model
- Measure performance creatively and test assumptions rigorously
- Maintain control in sympathetic hands
- Invest time and energy creating a committed team
- Anticipate resistance and develop a strategy for dealing with it
- Develop a brand reputation for quality and performance
- Recognize limits of what can be done for-profit and use non-profit partners or affiliates to provide complementary services (Dees & Anderson, 2002)

Methodology



▶ Case study research design

- ▶ Contemporary phenomenon with some real life context
- ▶ Multiple-case design
- ▶ Analytic generalization



Methodology

▶ Data collection

- ▶ Secondary sources: web sites, published sources, other available studies
- ▶ Primary sources: in-depth interviews
- ▶ Case study database

▶ Data analysis

- ▶ Detailed case descriptions
- ▶ Cross-case analysis to uncover patterns and divergences
- ▶ Testing of propositions

Case 1: EcoIngenuity, Inc.



Founders: Anne
Krystle Mariposa and
Noreen Bautista



Brief history

- Started in 2009 as feasibility study submitted by 5 Ateneo students
- Won P350,000 worth of start-up capital for its entry to the Business in Development (BiD) Challenge Philippines
- Product line: Unica (bags), Kwaderno (journals), and tablet covers for iPads

Case 1: EcoIngenuity, Inc.



Social value proposition

- ▶ Worked with a resettled community in Laguna, which turned water hyacinth stalks into woven products
- ▶ Provides livelihood to women in rural communities
- ▶ Addresses an environmental concern by helping restore water bodies previously infested by the water hyacinth plant

Case 2: Bayani Brew



Founders: Xilca Alvarez, Ron Dizon, and Shanon Kadka

Brief history

- Started in 2010 by 3 GK volunteers who stumbled upon a special recipe of Linda Manigas, a GK *nanay*
- Registered business in October 2012
- “Brewing a generation of Filipinos crazy in love with our country”
- Ultimate Taste Test: Best Beverage
- Big break: Exposure in Kris TV

Case 2: Bayani Brew



Social value proposition

- Creates sustainable livelihood opportunities
- Trains farmers and other suppliers
- Sources raw materials (lemon grass, sweet potatoes, pandan) from the farm and nearby communities
- Pays farmers a relatively higher price - “securing the supply chain”

Case 3: ECHOstore



The ECHOtrio: Pacita "Chit" Juan, Reena Francisco and Jeannie Javelosa

Brief history

- Opened doors in September 2008, as first green retail store in the country
- First branch: ECHOstore Serendra
- Two related concepts: ECHOmarket Sustainable Farms and ECHOcafe
- Other branches: Podium, Salcedo, Centris Walk, Davao, Cebu
- Online store launched in 2013

Case 3: ECHOstore



Social value proposition

- Focuses on fair-trade products (home care, personal care, fashion, gifts) made by small communities
- Helps build the capabilities of women's groups, cultural communities, and other groups in product design, packaging, etc.
- Works closely with national NGOs through ECHOsi Foundation

Findings: Business models

Ecolngenuity, Inc. (J&L)

Sourcing indigenous raw materials (e.g. water hyacinth fiber) from target communities, such as Laguna, Pasig, Rizal, and Pampanga

Outsourcing conversion of raw materials into stylish products (e.g. luxury bags, leather journals, tablet covers)

Selling products at a premium price to high-end markets through traditional stores, online selling, and targeted corporate accounts



Findings: Business models

Bayani Brew

Buying raw materials at relatively higher prices from GK Enchanted Farm and other local communities

Producing Bayani Brew in a rented brewing facility in Bulacan

Selling its bottled iced tea using different distribution channels



Findings: Business models

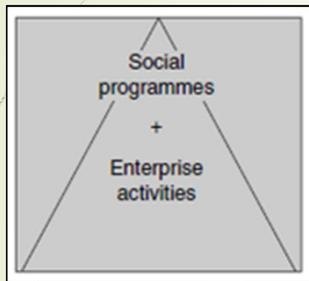
ECHOstore

ECHOsi Foundation develops capabilities of women entrepreneurs to design, produce and package quality products and to effectively manage other aspects of their business

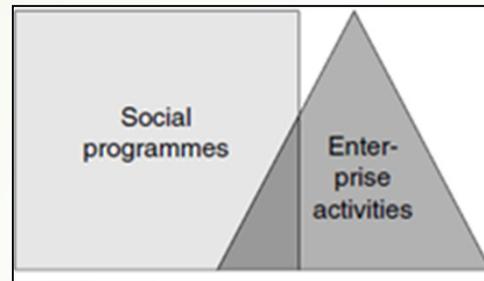
ECHOstore buys, displays, and sells these products, using its own brand, in its retail outlets



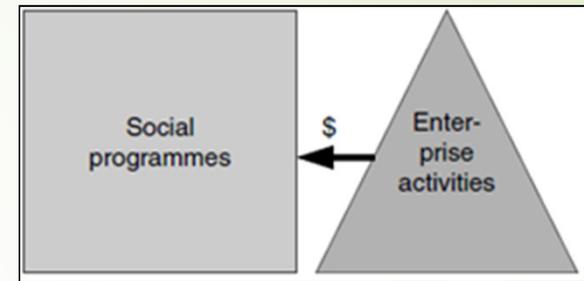
Findings: Business models



- **Embedded social enterprise** - shows how the social programmes and the enterprise activities are synonymous, meaning the implementation of activities simultaneously pursue the money-mission relationship



- **Integrated social enterprise** - shows how social programmes only overlap with business activities. Instead of synchronicity between enterprise activities and social programmes, there is only a sharing of costs, assets, and attributes.



- **External social enterprise** - shows social programmes and business activities as distinct from one another; business single-mindedly focuses on making money, often funding the efforts of non-profits

Findings: Challenges



- **“One thing I learned is that a social entrepreneur must not attempt to do everything. We wanted to go into production and even into material development. *Ang dami naming gusting gawin, pero hindi talaga kaya.*”**

– Noreen Bautista, EcolIngenuity co-founder
(personal communication, October 25, 2013)

Findings: Challenges



- **“That was the decision I had to make, and my partners had to force me to make that decision. We realized that we can’t be all heart, but we can’t be just all money either. We needed to make some compromises.”**

– Noreen Bautista, EcoIngenuity co-founder
(personal communication, October 25, 2013)

Findings: Challenges



- ▶ **“We need people, such as accountants and operations managers, who really know what they’re doing. [Even if we wanted to involve fresh graduate], “we cannot train them since, in the first place, even we, as co-owners, do not know the details in managing these functions.”**

– Xilca Alvarez, co-founder, Bayani Brew

Findings: Challenges



- **“We were struggling at that period helping communities, selling products, and trying to manage the whole process of bringing products to the market.”**

– Jeannie Javelosa, co-founder, ECHOstore

Findings: Strategies

Strategies (Dees and Anderson, 2002)	Jacinto & Lirio	Bayani Brew	ECHOstore
Avoid strategic vagueness regarding organization's mission	No	Yes	Yes
Craft an integrated and compelling venture model	No	Yes	Yes
Measure performance creatively and test assumptions rigorously	No	No	Yes
Maintain control in sympathetic hands	No	Yes	Yes

Findings: Strategies

Strategies (Dees and Anderson, 2002)	Jacinto & Lirio	Bayani Brew	ECHOstore
Invest time and energy in creating a committed team	Yes	Yes	Yes
Anticipate resistance & develop a strategy for dealing with it	No	No	Yes
Develop a brand reputation for quality and performance	Yes	Yes	Yes
Recognize limits of what can be done for-profit & use non-profit partners or affiliates to provide complementary services	No	Yes	Yes



Theories used for analysis

► Resource dependence theory

- Businesses depend on the environment for scarce and valued resources needed for survival (Pfeffer and Salancik, 1978)
- To minimize dependence, firms attempt to acquire control over these resources (Ulrich & Barney, 1984)
- When faced with resource or supply constraints, firms adapt to or alter interdependent relationships (Daft, 2007)



Theories used for analysis

► Stakeholder theory

- Looks into how managers see the purpose of the firm and how they create relationships with the firm's stakeholders to deliver on that purpose
- Managers must “develop relationships, inspire their stakeholders, and create communities where everyone strives to give their best to deliver the value the firm promises” (Freeman, Wicks and Parmar, 2004)

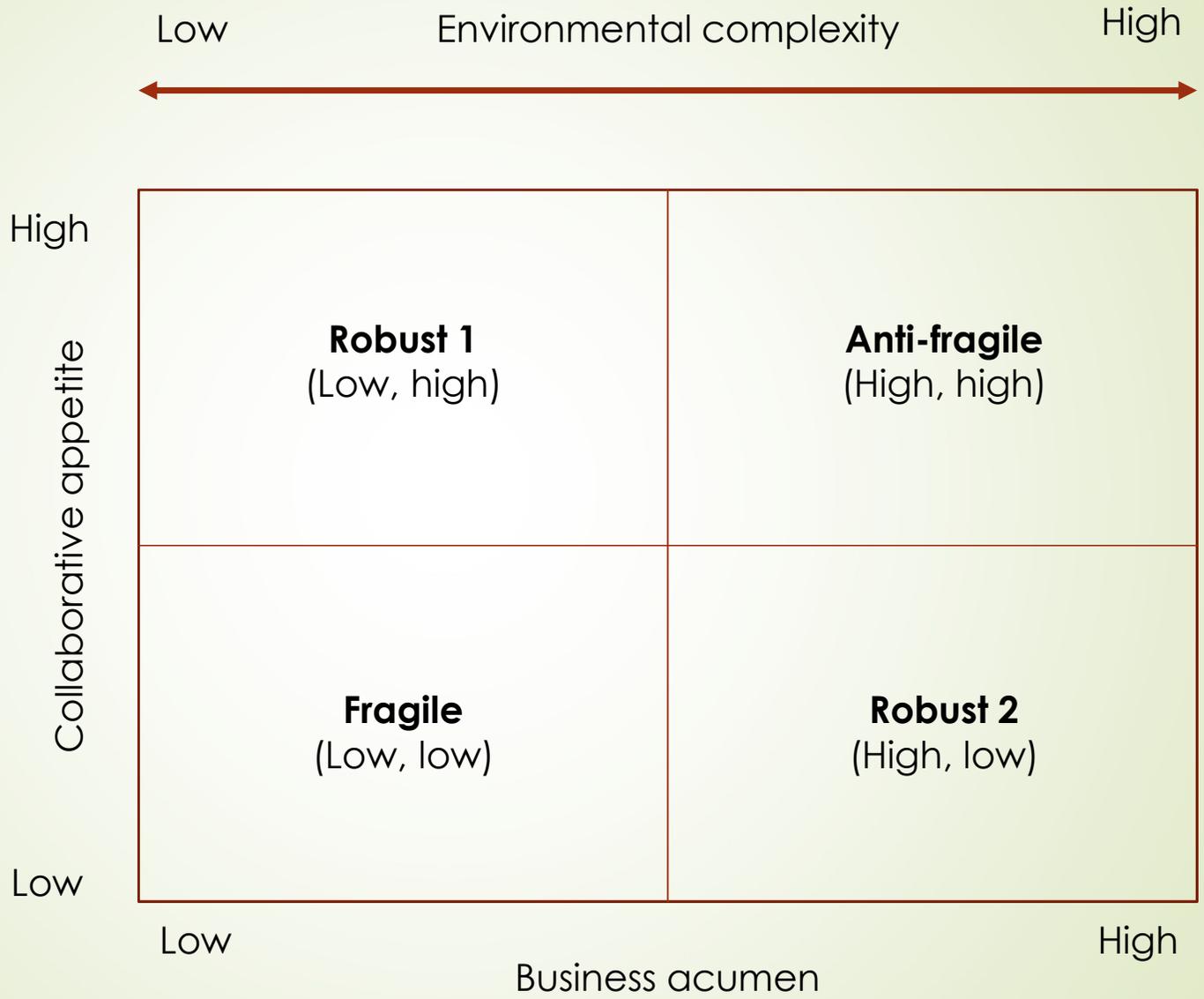


Conclusions

- ▶ There are, indeed, tensions in the attempts of Philippine social enterprises to jointly achieve financial and social objectives. In some cases, they had to comprise one bottom line over another.
- ▶ Social enterprises that utilize Dees and Anderson's proposed strategies seem to better manage challenges associated with having dual objectives, but not all of the proposed strategies are relevant to some enterprises.

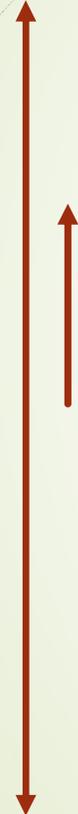


Low Environmental turbulence High

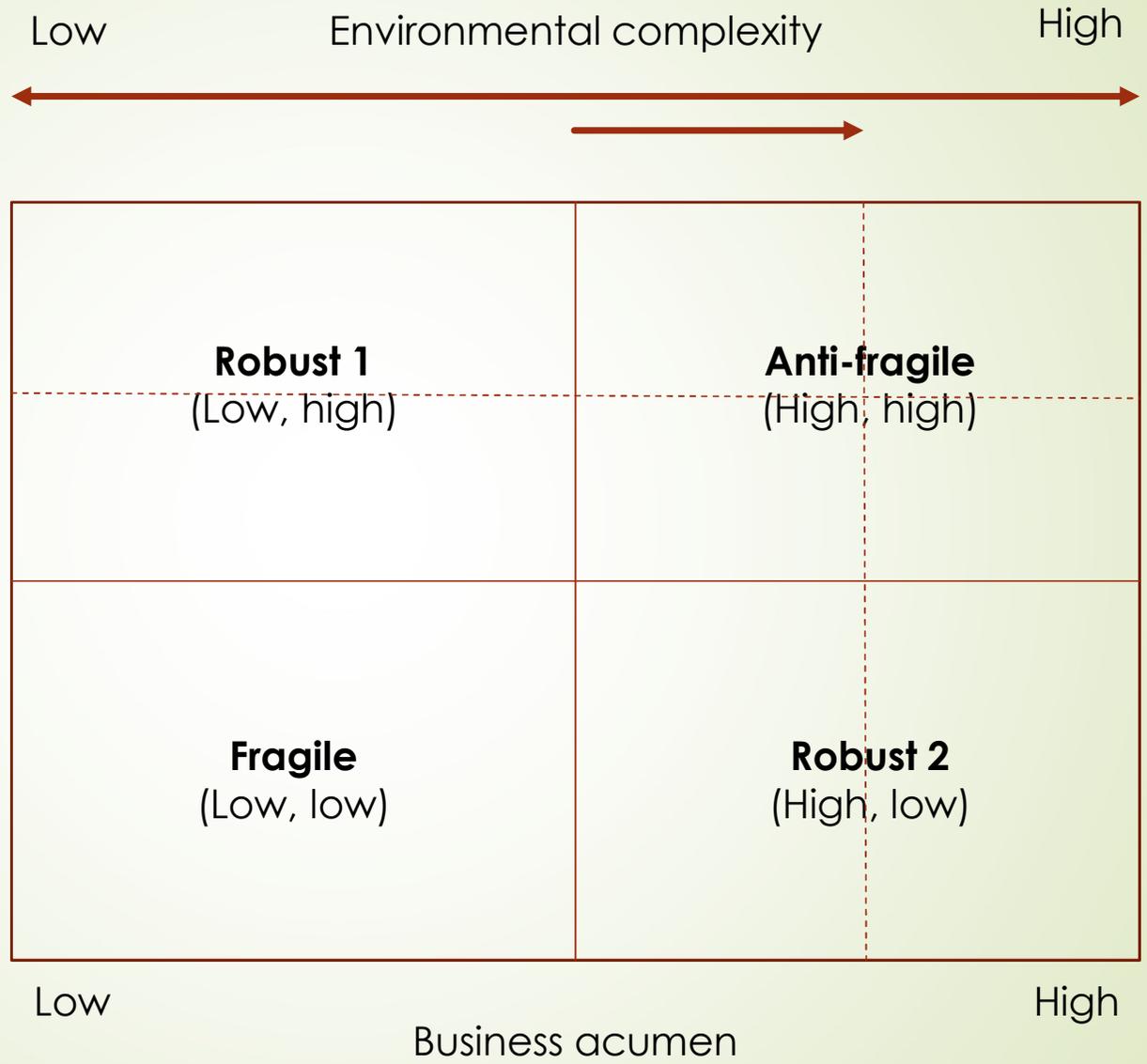




Low Environmental turbulence High

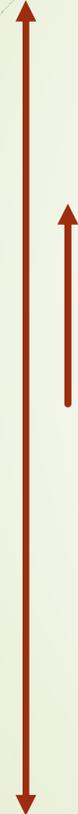


High Collaborative appetite Low





Low Environmental turbulence High



High Collaborative appetite Low

Low Environmental complexity High



High	Robust 1 (Low, high)	Anti-fragile (High, high)
Low	Fragile (Low, low)	Robust 2 (High, low)

Low Business acumen High





Recommendations

For social enterprise owners / managers

- ▶ Work closely with other groups in fulfilling social mission
- ▶ Collaborate with other businesses, government agencies, or NGOs, especially those that bring along otherwise unavailable resources and expertise
- ▶ Get managers with qualifications and / or experience in running a business
- ▶ For young entrepreneurs, speed up the learning curve (e.g. training, mentorships)



Recommendations

For policy makers

- ▶ Create an ecology of support for enterprises that attempt to address specific community needs; spread the burden of creating social value among several concerned players
- ▶ Provide support to initiatives such as the GK Enchanted Farm, which has served as a business incubator for several emerging social enterprises
- ▶ Replicate similar business incubators in the Visayas and Mindanao



Recommendations

For other researchers

- ▶ Do more case studies, especially on social enterprises based in the Visayas and Mindanao
- ▶ Test whether the following are indeed important factors in the success of social enterprises: (a) business acumen of social enterprise owners / managers, (b) collaboration with other groups, and (c) ecology of support
- ▶ Conduct a random-sample survey, the results of which can be generalized to a bigger population of social enterprises



“So massive and pervasive is poverty in our country that our response to it cannot be small.”

- **Tony Meloto**, Gawad Kalinga founder; recipient of the 2006 Magsaysay Award for Community Leadership; recognized as ‘Social Entrepreneur of the Year, Philippines’ by the Schwab Foundation in 2010

Bayanihan



**Let us bring
'our house' to
a new and
better place**

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