



From Left to Right

Kevon Cheung of First Code Academy, Jeffrey Kwok, founder of PMM Media and Michael Ng, director and co-founder of Lensational

BENEATH THE BUSINESS

THE SOCIAL ENTERPRISE LANDSCAPE IN HONG KONG

Written by ERICA LIM & JACINTA PLUCINSKI

Edited by KAH GAY NG

Photography by DAVID LALANNE

While much has been said about the political sea change taking place in Hong Kong, the general perception of the city-state as a business hub remains the same. Thoughts of low corporate taxes, an efficient legal system and inflows of affluence from newly industrialised Asian countries float to the surface.

Within this paradigm – where good business means good profits and social enterprise means charity – seismic shifts are afoot. Disrupting the traditional dichotomy between charities and profit-seeking enterprises, a new generation of businesses seeks to provide people with social value for their money, not merely an exchange of goods and services.

“To a lot of people’s understanding, it would be ‘a business with [a] social mission’. But to me, I think it’s a little bit more than that, it’s more like a revolution. We’re talking about changing values here,” states the maverick founder of PMM Media, Jeffrey Kwok. Jeffrey founded his company after realising the dearth of value-based content in the celebrity-saturated media industry, and aims to publicise the good work of social entrepreneurs throughout Hong Kong.

“We’re brought up in such a money-driven society. Then, suddenly you’re telling me, money is not that important. But there are different ways to measure a person’s success. You can do it by [measuring] not just how much money you make, what car you drive, but instead, by how many people you help, how much social impact you’re making.”

Social entrepreneurship in its current state is certainly revolutionary. Ethical business in 20th century Hong Kong was often as such: a dominant framework of corporations sponsoring charitable causes, as well as foundations with philanthropic tycoon patrons. Social causes were left to charities and non-profit organisations. However, there were exceptions. Senior Citizen Home Safety Association (SCHSA) – one of Hong Kong’s earliest self-sustaining social enterprises – started its “Personal Emergency Link” service for the elderly in 1996. SCHSA’s success in a capitalist system showed that market forces could be used as a force for good.

Fast forward to the 21st century, and the number of social enterprises in Hong Kong has doubled from 222 in 2008 to 457 in 2014. According to Jessica Tam, senior manager of HKCSS-HSBC Social Enterprise Business Centre (SEBC), the increase is largely due to a growing trend of social enterprises globally and the government

Disrupting the traditional dichotomy between charities and profit-seeking enterprises, a new generation of businesses seek to provide people with social value for their money.

becoming more proactive in supporting social enterprises locally. “Since 2006, the government provided lots of capacity, programmes, organised a lot of media campaigns, and after that, we also see some people, social investors, and some people from the private sector engag[ing] in this.”

She notes that “two types of people are particularly interested in and are actively engaged in [social enterprises]. The first one is the young people, the university graduates. After they graduate, [they are exposed to] social enterprise platforms such as the Good Lab, competitions and [other platforms organised by universities like] the Chinese University of Hong Kong [...] And before they graduate they have a lot of chances to participate and understand social entrepreneurship. [These graduates go on to] start up their social enterprises.”

“Another [type] is the elderly, the retirees, the early retirees, not very old, 50, 55 years old, [those in] early retirement. After their early retirement, some of them have brilliant [skills to offer]; maybe they are experts, bankers or professionals retired from their jobs and starting their second careers. They might be lawyers who start up something similar to serve the society.”

“These are two components that are growing. Of course the NGOs still play a very important role in this social enterprise [scene].”

CHALLENGES

This burgeoning expansion of social enterprises and growth in public awareness does not mean it is any easier for social entrepreneurs. Much like their counterparts in Singapore, rent is an issue due to high land prices in Hong Kong. Landlords have been known to increase rentals by 50% with little to no negotiation involved, cutting into the already razor-thin profits of social enterprises.

Furthermore, like most other small and medium enterprises (SMEs) in Hong Kong, it is difficult to sustain a viable business without a strong brand.

According to Jessica, it takes about 7 years for a social enterprise to become sustainable. Even for a traditional SME, the statistics point to a 90% closure rate after three years. However, social enterprises fare better here, surprisingly, because of grants which buoy their nascent stages as a business. That being said, many of these grants only cover the development or prototype stages.

Social entrepreneurship is also hampered by restrictive company structures and the small size of the Hong Kong market.

Whilst registering under Section 88 as a charity provides tax exemptions and makes social enterprises more attractive for corporate donors and partners, it limits the activities and target market of the organisations.

Michael Ng is a final year Business student at the Chinese University of Hong Kong (CUHK) and director and co-founder of Lensational, a social enterprise which teaches photography to women in developing countries, then makes their images available as stock photography and photography merchandise, with revenues going back to the women.

“If in the constitution of your company, there’s such words [like] ‘trade’, or anything that has to do with transactions, commercial implications, they won’t grant you the Section 88 status,” he says.

“To be able to have that status, you need to do two things: one is that you help Hong Kong’s underprivileged people; secondly, you do international things, but only for disaster-related things. We tried to apply [for] Section 88, but we’re not eligible because our target segment is not in Hong Kong.”

Lensational turned to funding through international competitions and foundations, like the Resolution Project from the US which identifies inspiring student leaders and provides mentorship and funding for their social ventures.

“As a social enterprise, you try to have revenue to support your social impact, right?” Michael says, “But in Hong Kong, the company structure system [doesn’t] allow you to do that.”

The Section 88 restrictions reflect the divided opinion on social enterprises making profits, especially if profits return to the shareholders.

“To some people of the public and some traditional family foundations, they are not convinced about this point. If you are making profit you should reinvest all of the profit into the community and into your own social enterprises,” Jessica says. “You should not share the profit [with] social shareholders. For us, we are flexible, because a social enterprise is supposed to make money and if you want to encourage people to invest, you should give some returns.”

For Jeffrey, as a social business, avoiding Section 88 is proof the concept works. “If I change to Section 88, that means I surrender right now to the policy of the whole world. [But] if I’m successful, I can talk really loud and tell people, ‘Come, you can do it! I can do it, you can do it!’”

To get around the restrictions, many social enterprises in Hong Kong use a hybrid model, creating a non-profit or charity status foundation for their social activities and a separate revenue-generating structure for their commercial activities.

Hong Kong social enterprises are also limited by public and governmental preoccupations with a small scope of social issues, with ventures like food banks and traditional charities being favoured. Poverty alleviation and care for special needs garner a lot of attention, due to the relatively domestic nature of these social issues. One example is MentalCare Connect, a social enterprise which hires employees with disabilities. The company runs cafes and convenience stores in hospitals and provides online and direct sales for rehabilitation products, as well as cleaning services. With a staff

To a lot of people’s understanding, it would be ‘a business with [a] social mission’. But to me, I think it’s a little bit more than that, it’s more like a revolution. We’re talking about changing values here.

“We have the awareness of social enterprises, but I’m still not quite sure about the sustainability. The Hong Kong market is so small, if we don’t expand our markets to the mainland or other countries, it’s much more difficult to be sustainable.”

number of 300 and a revenue of 91 million HKD [around 11 million USD], it is certainly successful by any measure, social mission notwithstanding.

For Jessica, there is no lack of funding for starting up social enterprises. However, Hong Kong’s focus on domestic impact limits the diversity and growth potential of social enterprises for the long-term.

“We have the awareness [of social enterprises],” says Jessica, “[but] I’m still not quite sure about the sustainability. The Hong Kong market is so small, if we don’t expand our markets to the mainland or other countries, it’s much more difficult [to be sustainable].”

FUTURE

Despite all these challenges, Hong Kong can seize the opportunity to infuse its business and economic clout with the new values of the post-recession era.

“Social entrepreneurship is part of the economy,” says Jessica, “[but] we are still putting it under the umbrella of Social Welfare Home Affairs and I think that it’s totally wrong. We should pursue it as one thing that can drive the economic development of Hong Kong, to make it more sustainable and bring in more innovation.”

Jeffrey hypothesises that the full impact of Hong Kong’s status as a business hub on social entrepreneurship and its shift towards social businesses will become apparent in five or ten years. “It needs time to nurture. To change the mindset,” he says.

When asked about his thoughts for the future, Kevon Cheung of First Code Academy spoke passionately: “I’m pretty positive that this will only get better. Speaking from a tech start-up perspective, younger people don’t join start-ups for money. We make a lot less money than working

in a bank. But we get to create something, and get satisfaction. I can foresee, in the next ten, twenty years, that things will get better.” First Code Academy teaches children to code their own applications, and also runs workshops for underprivileged children who cannot afford it.

With people from every demographic doing their own soul-searching, the future of social entrepreneurship looks optimistic. For aspiring entrepreneurs, there is a way to make things work.

Cao Yu, assistant manager at the Good Lab, Social Ventures Hong Kong, offers three tips: “Find the right passion.... If you don’t... it’s hard to sustain the social enterprise at an early stage. The second one is people. Because passion is from the people, and you [cannot do things] alone, it’s just like any business start-up. Find the right people to support your mission, passion, and [who] are willing to commit the time and the resources. And [the] third one, I think, is just... action.”

He adds, pithily, “[if] you just talk, talk can never change the world, right? So it’s all about the action. Take a little step, take action to support, instead of just complain[ing] and criticis[ing]. Just try.” •



From Left to Right
Kevon Cheung, Michael Ng, Jacinta Plucinski,
Cassie Lim, Jeffrey Kwok.

**JEFFREY KWOK**

founder of PMM Media, on life as a social entrepreneur.

“My life has become like a game of Mario Brothers. [Most] people [are] looking for money, but I’m trying to get the mushrooms...I’m looking for smiles from people.”

PMM Media is a media organisation that produces content with values and soul. Through its Community Journal, PMM Media raises awareness of social issues in Hong Kong, and the social enterprises and non-profits tackling them.

<http://www.pmmmedia.com>

**MICHAEL NG**

director and co-founder of Lensational, on finding and committing to a cause.

“It’s really about trying different things... for some [types of] service, you feel really emotionally attached...don’t commit yourself to a social enterprise that easily. After you meet a social enterprise, or you have your own social enterprise idea, wait for maybe a few months...see if you’re still so, so passionate about that idea, before you really pursue it.”

Lensational is a social enterprise which empowers women in developing countries economically and emotionally through equipping them with digital cameras and photography training to creating a unique stock photo platform with authentic photos from Asia.

<http://lensational.org>

**KEVON CHEUNG**

from First Code Academy, on passion and skill.

“[We were] all programmers before. So we know that we love this thing so much, and it makes sense for us to have the passion, to spread it to more people [for social impact].”

First Code Academy provides coding classes to children, including the underprivileged. Its vision is to empower the next generation to use technology as a tool for self-expression and creativity, not just communication and entertainment.

<http://firstcodeacademy.com>

**CAO YU**

assistant manager at the Good Lab, Social Ventures Hong Kong, on sustainability.

“It’s all about the balance. Social enterprise is an enterprise after all, so you have to think about sustainability. But the sustainability COMES from the social element. If you [have a] mission, if you find a good market, if this market has a need, and you have a right business model, it can become sustainable.”

The Good Lab is a co-working and hub for social entrepreneurs and changemakers in Hong Kong.

<http://goodlab.hk>

**JESSICA TAM**

senior manager of HKCSS-HSBC Social Enterprise Business Centre (SEBC), on big business and corporate social responsibility.

“To [corporations], CSR is mainly donations, voluntary service. But...some corporations [have] started to revamp their business model to [involve social value]. For example, Hong Kong Broadband...works with a social enterprise [called iEnterprise] and they outsource their whole [enquiry] call centre. The staff [of iEnterprise] have disabilities and they [are provided with] training....So this is already changing in Hong Kong. There are not a lot of cases, but [it] is happening.”

Jointly funded by the Hong Kong Bank Foundation and the Social Welfare Department’s Partnership Fund for the Disadvantaged, the Hong Kong Council of Social Service

established HKCSS-HSBC Social Enterprise Business Centre in 2008, to advance social entrepreneurship and mobilise social innovation.

<http://socialenterprise.org.hk/>