



Cambodia Social Innovation Ecosystem

Full Report

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Foreword

With a future defined by health uncertainty, economic instability and a climate emergency, social innovation is becoming an increasingly powerful tool to build a better world for tomorrow.

In order for us to viably meet targets like the Sustainable Development Goals, it is essential that social innovation is fostered. We need a multi-lateral approach that harnesses bottom-up innovation to address the increasingly complex and diverse challenges the world- and Cambodia- faces.

Support for entrepreneurship in Cambodia has been growing over the last few years, and with this comes a huge opportunity to collectively look at how we can as an ecosystem promote, support and inspire entrepreneurs to solve pressing challenges. All types of innovators need to be building responsible business models that care for both people and planet. Cambodia has unique features that make it ripe for bottom-up social innovation, with a nascent entrepreneurship scene, a young, energised population, and an abundance of both need and opportunity.

This research comes at a historical moment, with COVID19 still at large creating economic downturn, communities and livelihoods at risk, and unprecedented environmental disasters. The precious time we have left to radically change our lives has never been more apparent. Circumstances will no doubt change for Cambodia over the next 12 months, but we hope this research provides some insight into where the social innovation ecosystem stands today, and more importantly, what could be done to promote social innovation in Cambodia over the next few years.

A critical decade lies ahead, and we look forward to working alongside social innovators and entrepreneurs to tackle the new wave of challenges we'll face.

Olivia Hough
Managing Director, Impact Hub Phnom Penh

1. Introduction

Social innovation globally is a growing phenomenon and one that has been expanding rapidly in various regions, including Asia. Indeed, across South East Asia itself there is growing interest in social innovation (and particularly social entrepreneurship) amongst business leaders, government officials/policy-makers, investors, Non-Government Organisations (NGOs), and (most importantly) local communities. Nascent social innovation ecosystems are emerging across the region, with increasing amounts of socially innovative activity occurring in Thailand, Vietnam, Malaysia, Indonesia and the Philippines (to name a few countries). This is also the case in Cambodia, where interest in social innovation and social entrepreneurship has grown in the last decade. However, the new nature of the phenomenon in the country means that there remains limited conceptual understanding, lack of specialised ecosystem support and a lack of networks, all of which create significant barriers in developing social innovations. At a time when the world is facing significant social and sustainable development problems, as encapsulated in the United Nation's Sustainable Development Goals (SDGs)¹, barriers to the very social innovations that can help solve some of these problems have to be reduced. Within the Cambodian context, this report seeks to provide the initial roadmap for this, by presenting data and analysis based upon survey and interview data gathered from social innovators and other key stakeholders in Cambodia.

This research has emerged out of a new partnership and collaboration between the University of Northampton² in the UK, and Impact Hub Phnom Penh, funded through Global Challenges Research Funding held by the University and provided by the Higher Education Funding Council for England (HEFCE). The University of Northampton is a globally leading Higher Education Institution (HEI) in the field of social innovation and an Ashoka U Changemaker Campus (the first to be designated in the United Kingdom)³. The University is committed to supporting social innovators locally and globally and is delighted to be contributing to this research. Impact Hub Phnom Penh⁴ is social enterprise based in Phnom Penh committed to supporting impact driven entrepreneurs across Cambodia, and part of the wider Impact Hub global network. Impact Hub's work in Cambodia involves providing training/mentoring to entrepreneurs, facilitating networking and events, promoting social innovation and social impact, and providing physical space and resources to new entrepreneurs. Impact Hub Phnom Penh is thrilled to be partnering on this research with the University of Northampton.

The report is structured as follows: first, there is a brief exploration of social innovation within Cambodia; second, the quantitative data gathered through the survey is presented; third, analysis of the data from the semi-structured interviews is discussed; finally, the overall conclusions and recommendations for supporting the future development of the Cambodian social innovation ecosystem are laid out.

¹ <https://sdgs.un.org/goals>

² <https://www.northampton.ac.uk/>

³ <https://ashokau.org/changemakercampus/>

⁴ <https://phnompenh.impacthub.net/>

2 Cambodian Context: Nascent Social Innovation

2.1 Social Innovation & Social Entrepreneurship

Social innovation can be defined as ‘changes in the cultural, normative or regulative structures [or classes] of the society which enhance its collective power resources and improve its economic and social performance’ (Heisala, 2007:59), whilst a key component of socially innovative movements is the empowerment of disadvantaged people (Mulgan, 2019). Social innovations tend to be at their most effective and impactful when they are delivered locally and from a bottom-up perspective (Kruse et al., 2019), which is why they are often characterised as local reactions to/against globalisation and the problems that arise from it (Roy and Hazenberg, 2019). Typically, social innovations are delivered by a multitude of stakeholder groups, ranging from social entrepreneurs, through to policy-makers and NGOs (Murray, Caulier-Grice and Mulgan, 2010), albeit in South East Asia the predominant form of social innovation remains social entrepreneurship (Sengupta and Sahay, 2017; Hazenberg, Ryu and Giroletti, 2020). When understanding the problems that social innovation seeks to solve or alleviate in the developing world, most social innovations seek to solve one or more of the following four SDGs: SDG 1: No Poverty, SDG 3: Good Health and Well-being, and SDG 4: Quality Education, and SDG8: Decent Work and Economic Growth (Eichler and Schwarz, 2019).

Social entrepreneurship ‘...encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organisations in an innovative manner’ (Zahra et al., 2009:519). Social entrepreneurship can be undertaken as an organisational form through social enterprise, or individually through socially entrepreneurial actions. Social entrepreneurship can also occur within other organisational types (i.e. public services or corporates), although it is then more commonly referred to as social intrapreneurship (Kistruck and Beamish, 2010). Whilst globally there is increasing interest in social innovation and social entrepreneurship as constructs that can help solve complex societal problems, understanding of these phenomena in local contexts remains under-developed. Certainly, ecosystems and the networks within them are crucial to the flow of resources and hence the plurality of development in the medium to long-term (Hazenberg et al., 2016). This is certainly the case in Cambodia, where the concepts of social innovation and social entrepreneurship have only entered the mainstream economy in recent years (Lyne, Ngim and Santoyo-Rio, 2018), and is an area that this report seeks to illuminate.

When considering social innovation and social entrepreneurship, it is crucial to look at the full ecosystem around them in identifying barriers and enablers to success. The Babson Entrepreneurship Ecosystem project identified six pillar of entrepreneurship ecosystems. These are Policy, Human Capital, Finance, Supports, Culture, and Markets. Although developed for mainstream entrepreneurship, these pillars are relevant here and all six are explored throughout the research.

2.2 The Cambodian Context

Cambodia is a low to middle income country with a GDP of USD \$27.1 billion, a population of nearly 16.5 million people, and GDP growth of around 7% per annum over the last four years⁵ (World Bank, 2020a). The country faces several significant challenges in relation to social and environmental sustainability, with 13.5%⁶ of the population living in poverty (World Bank, 2019), a Human Capital Index (HCI)⁷ of 0.49, average life expectancy of under 70 years, whilst there is no data currently held for the country in the GINI index measure of income inequality (World Bank, 2020a). It should be noted that during the ongoing Covid-19 crisis, whilst Cambodia has not been one of the worst hit countries globally in terms of health (registering zero deaths and only 273 cases) (WHO, 2020), the impacts economically could be more serious. The World Bank estimates that the impact on tourism (which accounts for 70% of Cambodia's growth and nearly 40% of employment), will lead to increases in poverty of between 3-11% and rising government debt (expected to reach 35% of GDP by 2022) (World Bank, 2020b). Therefore, the country is in more need than ever of social innovations that can help the country to recover post-crisis and support those people most affected.

In relation to social innovation in Cambodia, the literature remains sparse, with the papers that do exist focusing on social entrepreneurship or social enterprise. Lyne et al. (2018) explored the social economy in rural Cambodia, identifying that there are competing models of social entrepreneurship emerging in Cambodia, with both market-orientated approaches imported from abroad (mainly the global north), but also community focused (and often led) enterprises also growing. These latter types of social enterprises exist within the ecosystem in tension with the more economic models espoused for instance by development models but may be just as important in Cambodia if social independence and community management of resources are to be upheld (Lyne et al., 2018). Further, research by Impact Hub Phnom Penh into social enterprise in Cambodia in 2019 identified that Cambodian social enterprise operates within a typology that includes four main types of organisation, namely: Employment Type; Entrepreneur Support Type; Fee for Service Type; and Service Subsidisation Type (Perriman, 2019). Further, the research demonstrated that the social goals of Cambodian social enterprises are broadly aligned with those identified by Eichler and Schwarz (2019), albeit SDG3 is replaced by SDG 12 (four main SDGs of focus in Cambodia being: SDG 1: No Poverty; SDG 4: Quality Education; SDG8: Decent Work and Economic Growth; SDG12: Responsible Consumption and Production) (Perriman, 2019). Finally, the Impact Hub Phnom Penh research also identified that over one-quarter (27%) of social enterprises were unregistered and operating in the informal economy, whilst 50% were registered businesses and 13% were run by NGOs (Perriman, 2019).

Existing research in Cambodia is more commonly looking at the entrepreneurship ecosystem, innovation, and small growing business (SGB) more broadly. Examples include Cambodia's Vibrant Tech Startup Ecosystem (Mekong Strategic Partners and Raintree Cambodia, 2019), Entrepreneurial Cambodia (World Bank Group, 2018) and a Social Network Analysis, Connecting the Phnom Penh Entrepreneurial Ecosystem (SwissContact

⁵ The Covid-19 crisis is forecast to lead to -1% GDP reduction in 2020, followed by growth again in 2021 of 6%.

⁶ Based upon data from 2014.

⁷ See <https://www.worldbank.org/en/publication/human-capital> for more information.

and Impact Hub Phnom Penh, 2020). The later focuses on the connectivity of the ecosystem and findings complement some of the qualitative observations identified through interviews in this research, particularly when considering the Cambodian business environment.

There has been some recognition of support for social innovation by government, with a forum focused on 'inclusive businesses' being held in August 2019 by the Ministry of Industry and Handcrafts (UNESCAP, 2019). This forum recognised the importance of inclusive businesses to Cambodia's efforts to meet the SDG targets, and the Ministry established a framework for supporting inclusive businesses based within the ASEAN Inclusive Business Framework (ibid). The aim of this framework is to ensure that inclusive businesses are supported to help generate economic growth and support low-income households in relation to housing and insurance (ibid). Further, conversations between social start-ups and government Ministries are also growing, with a recent Impact Hub Phnom Penh workshop titled 'Bringing entrepreneurs and government together to foster collaboration' held in September 2019 involving 14 start-ups and six Ministries (Perriman, 2019). Further, the Ministry of Tourism is working with Impact Hub Phnom Penh on a Sustainable Tourism Incubator, and Khmer Enterprise is providing grants for startups in response to COVID-19 (among other initiatives). Such efforts will be key in future in helping to grow the ecosystem, as the data in this report will demonstrate.

2.3 Summary

The prior research into social innovation demonstrates the transformative effect that it can have on communities suffering from social or environmental sustainability issues, especially if the innovations are led by the communities themselves in bottom-up social innovations (Kruse et al., 2019). However, whilst social innovation in Cambodia is growing, data related to the sector remains limited and the understanding of how to improve social innovation emergence and scale is thin. Certainly, the challenges facing Cambodia around poverty, Covid-19, housing and education (to name a few) are significant, and social innovators can have a significant impact in improving these areas, but such change can only occur if the barriers inherent to the ecosystem are properly understood. This research seeks to develop this understanding and provide the basis for improving the social innovation ecosystem moving forwards.

3. Quantitative Data Analysis

3.1 Participant Demographics

Data was gathered from a total of 53 Cambodian organisations that were identified through a desk review as being socially orientated⁸. The purpose of the research was to be open with regards to what constituted a socially orientated organisation, and so the database of 220 organisations included social businesses, social enterprises, NGOs and other organisations that support the sector (i.e. investors, advocacy, research etc.). Organisations were informed at the start of the survey that the researchers were interested in understanding *'the role of social innovators and those that build/support the social innovation ecosystem in Cambodia'* and that the *'survey should be completed by decision makers of social businesses and not-for profits, as well as the organisations within the ecosystem that support them'*. In this way the survey sought to capture the opinions and experiences of a diverse set of organisations/individuals engaged in the social innovation ecosystem in Cambodia.

Survey data was gathered in relation to respondent personal demography, with data captured in relation to gender, nationality, age, their employment position within the organisation and whether the respondent considered themselves a social innovator⁹. All data was coded and analysed in IBM's Statistical Package for the Social Sciences (SPSS) version 26.0, with the data analysis including the use of descriptive statistics. The analysis reveals that the majority of the respondents (55%) were male, albeit the number of female leaders was high compared to other industries and in line with the proportion of women leading social businesses in the UK (Teasdale reference). The majority were also Cambodia nationals, with only just over one-third of the sample being foreign nationals. The age of respondents was young, with over 60% being under the age of 35 years (median age across sample of 32 years), whilst 93% of respondents self-identified as social innovators¹⁰. This is unsurprising given that in Cambodia nearly 89% of the population are aged under 55 years¹¹, with over 47% being aged under 25 years (CIA, 2020). Finally, over 80% were in senior positions within their organisations, as either the CEO, Director or Manager. Figure 3.1 below details the key respondent demographic data.

⁸ A total of 220 organisations were identified and approached, giving a response rate of 24.1%.

⁹ Defined here as an individual that engages in innovative practice in order to solve social problems/need.

¹⁰ Those that did not identify as social innovators have been left in the analysis, as their organisations were identified as socially orientated during the desk review phase of the research.

¹¹ In the UK this percentage is under 68% (CIA, 2020).

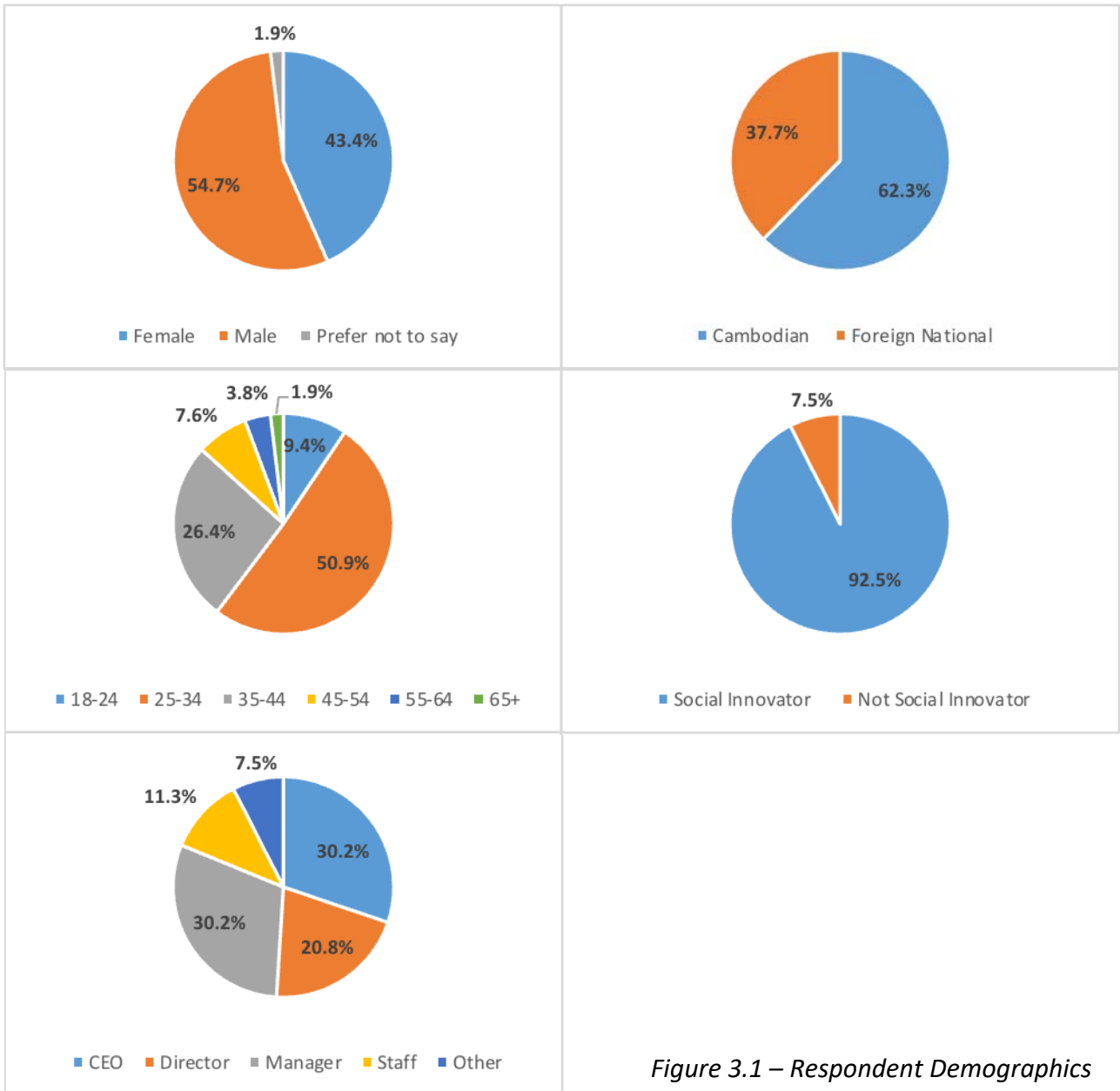


Figure 3.1 – Respondent Demographics

3.2 Organisational Demographics

Data was also gathered through the survey in relation to organisational demography, with data captured in relation to the main Cambodia geographic region of operation and organisation type. Figure 3.2 below details this analysis, with data also revealing that the average age of the organisations was nearly nine years ($\bar{x}=8.6$)¹², with the youngest organisation being one year old and the oldest being 66 years old¹³.

¹² The median age was four years.

¹³ Standard Deviation of 12 years.

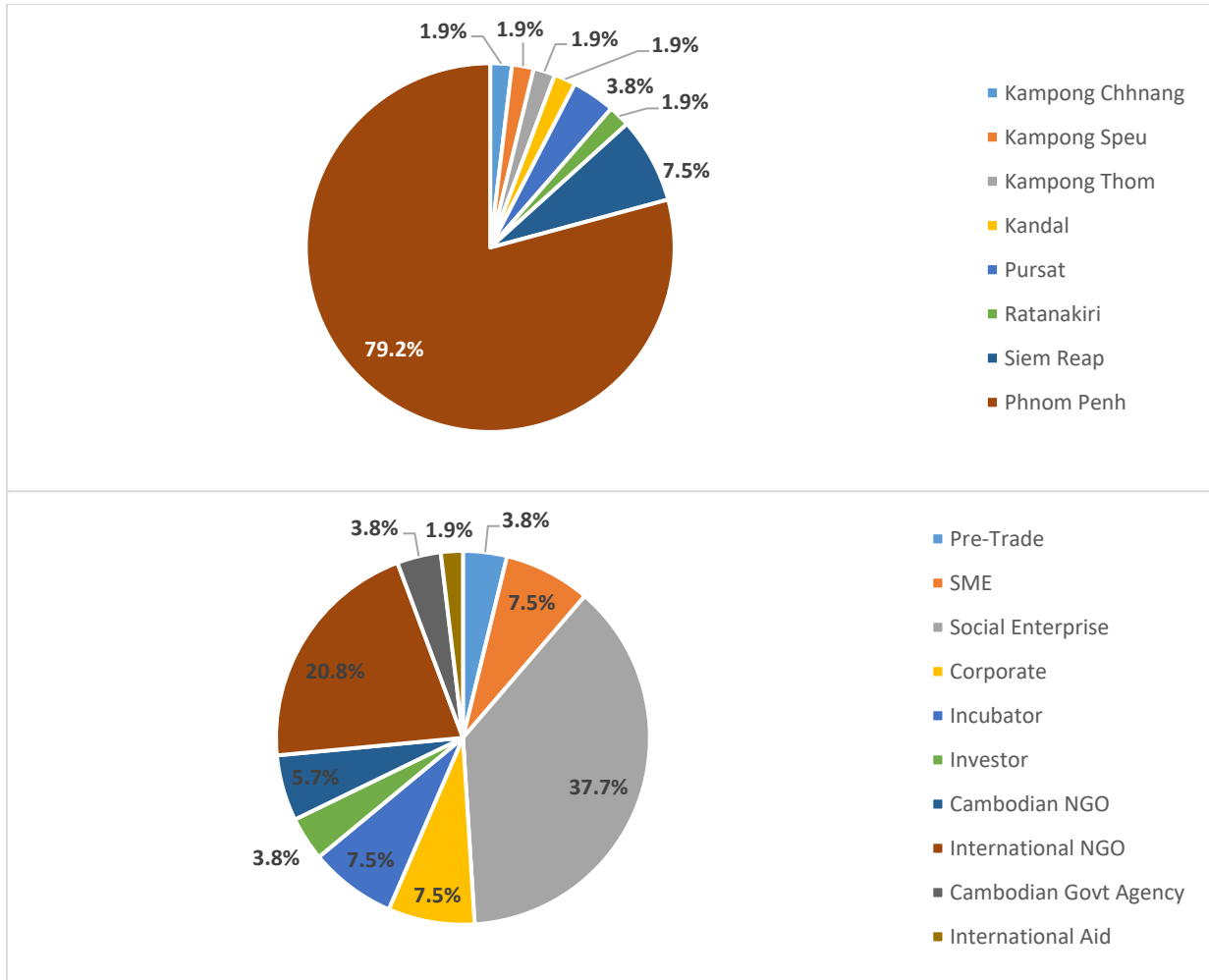


Figure 3.2 – Organisational Region & Type

Data was also gathered with regards to social mission orientation (did the organisation have a primary social mission) and alignment with individual UN Sustainable Development Goals (SDGs). For social mission orientation, over 96% of respondents stated that they had a primary focus on a social mission. In relation to the SDGs, respondents were allowed to select up to three SDGs that best aligned with their work. Figure 3 below illustrates the responses for SDG alignment, identifying that SDG4: Quality Education (15%), SDG8: Decent Work and Economic Growth (10%), and Climate Action (9%) being the three most prominent, accounting for over one-third of the all responses.

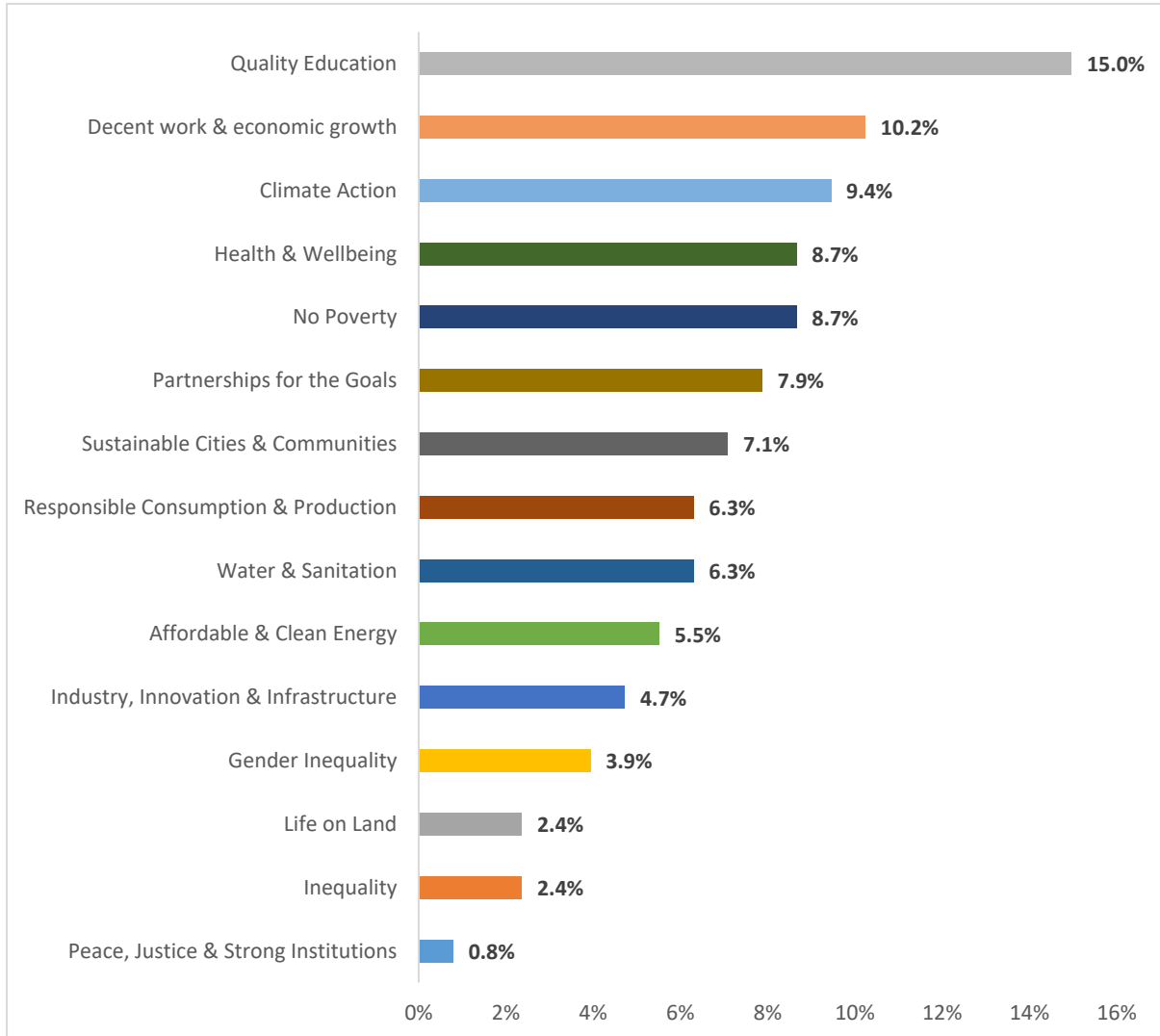


Figure 3.3 – Social Mission Alignment & the SDGs

3.3 Organisational Finances

Financial data was also gathered from respondents in relation to turnover, trading income, profitability and profit reinvestment levels¹⁴. Table 3.1 below outlines this data.

Variable	N	Median	Minimum	Maximum	SD
Turnover	29	\$38,000	\$315	\$650,000	\$146,464
Trading Income	29	30%	0%	100%	42%
Profits	23	\$1,950	-\$7,000	\$20,000	\$5,974
Profit Reinvestment	37	80%	0%	100%	46%

¹⁴ All data in USD\$.

¹⁵ It should be noted that not all of the 53 respondents are represented here, as not all organisations provided this financial data. In addition, outliers were removed for income (N=6) and profit (N=6) to prevent skewing of the data.

The data reveals that the social organisation respondents have an average turnover of nearly \$40,000, albeit this is spread across a large range with a standard deviation nearly four times larger than the median¹⁶. Organisations secured significantly less than half (30%) of their income on average from trading activities, whilst their profitability was quite low at 5.1% of turnover¹⁷. On a more positive note however, organisations invested a median of 80% of these profits back into their social mission.

3.4 Strengths & Weaknesses of the Cambodian Social Innovation Ecosystem

Data was gathered from respondents as to what they felt the strengths of the Cambodian social innovation ecosystem were, with respondents able to select up to three categories. Figure 3.4 below details the findings here.

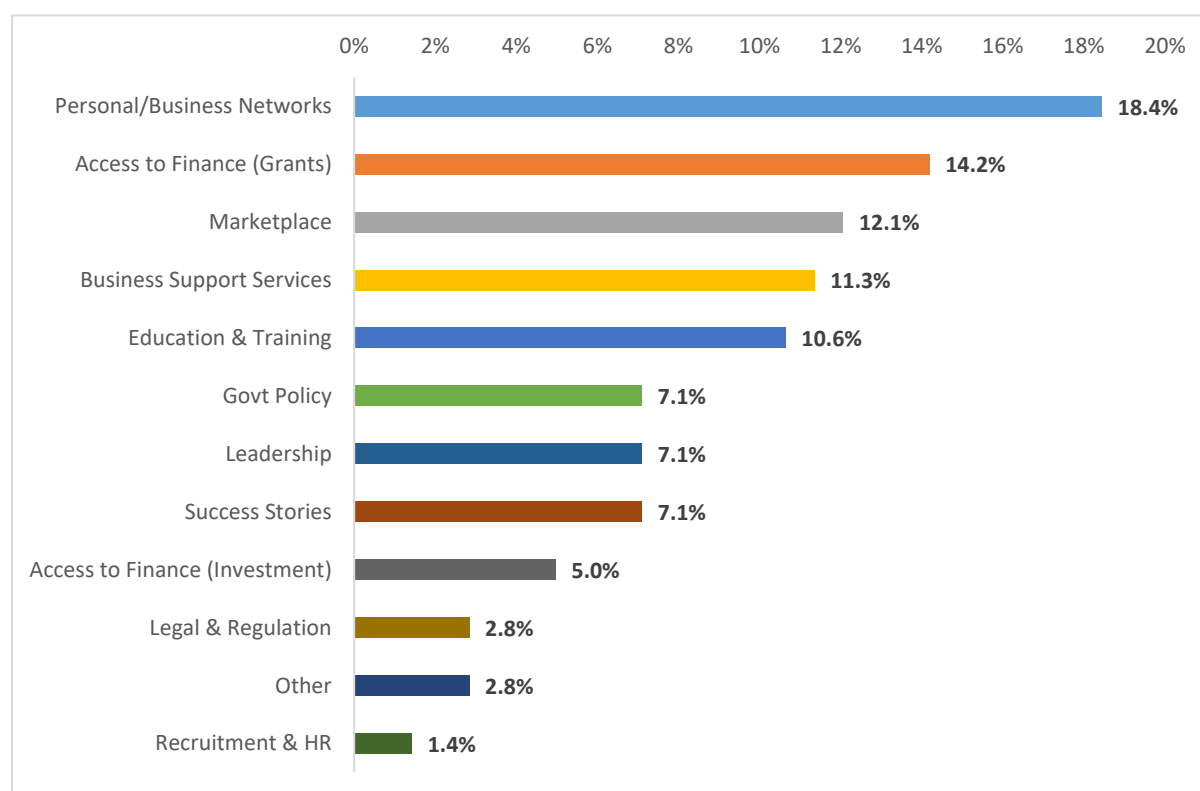


Figure 3.4 – Strengths of the Cambodian Social Innovation Ecosystem

The data reveals that the key strengths were related to the networks present within the ecosystem, as well as access to grant funding, the trading marketplace, as well as business support and education/training for social innovators (cumulatively accounting for over 75% of all responses). This aligns with the findings from the 2019 Impact Hub Phnom Penh report that identified networks and the growing marketplace as key strengths, and also showed that the youthful nature of social entrepreneurs (as identified earlier in this dataset) and university support were strengths (Perriman, 2019).

¹⁶ These figures were \$55,000 median turnover and a SD of \$1.9 million without the outliers removed.

¹⁷ These figures were \$2,000 median profits and a SD of \$95,000 without the outliers removed.

Data was also gathered from respondents as to what they felt the weaknesses of the Cambodian social innovation ecosystem were, with respondents able to select up to three categories. Figure 3.5 below details the findings here.

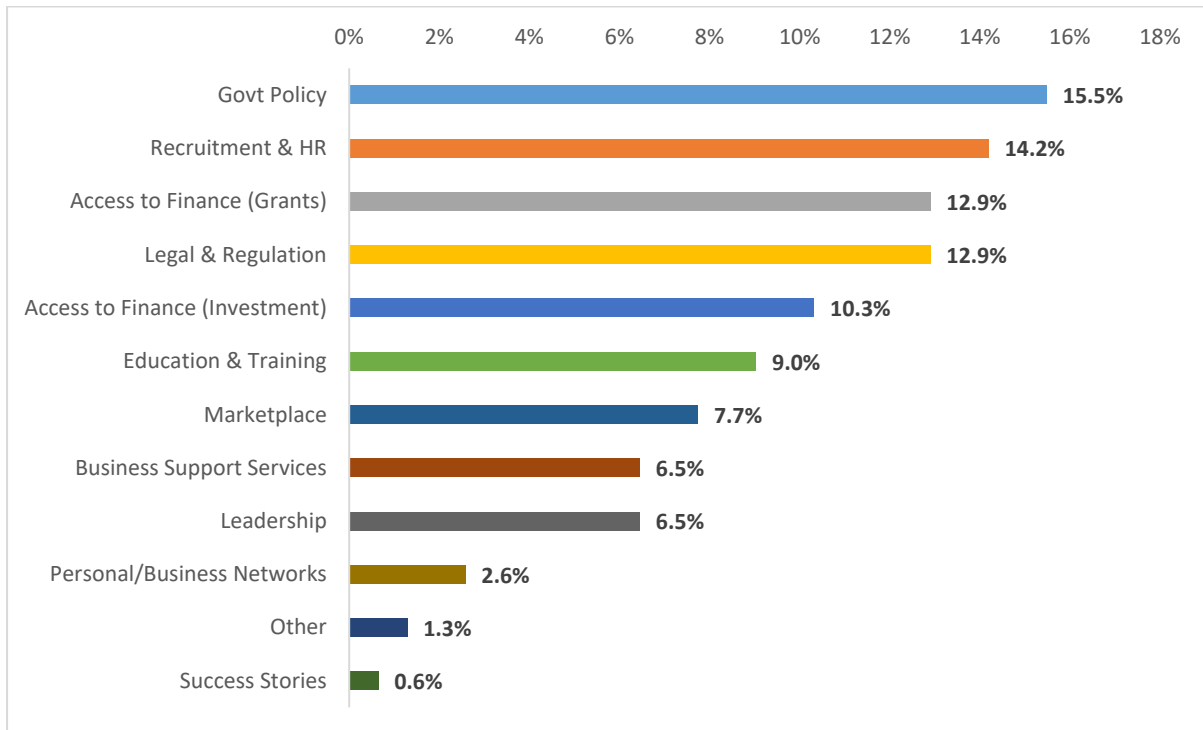


Figure 3.5 – Weaknesses of the Cambodian Social Innovation Ecosystem

The data reveals some interesting similarities and discrepancies with the data outlined in Figure 3.4 in relation to the strengths of the ecosystem. First, despite access to grant finance being one of the strengths identified earlier, many respondents felt that this was a weakness in the ecosystem. However, the data here also confirmed the data on strengths, by highlighting which of those areas not shown to be strengths were seen to be particular weaknesses, notably government policy for social innovation, recruitment and HR and legal and regulation, which accounted for nearly 43% of the weaknesses identified. Greater confidence in this data can be gained through comparison with the aforementioned Impact Hub Phnom Penh report, which showed that key weaknesses in the Cambodian ecosystem were related to human resources, government policy/support and entrepreneur skillsets (Perriman, 2019).

If we merge figures 3.4 and 3.5 by treating the former as positive values and the latter as negative values (to create a composite score), this perhaps better shows those areas that are seen as weaknesses and those that are viewed as strengths overall. Figure 3.6 below outlines this, with overall negative scores indicating an area of perceived weakness, and positive scores indicating areas of perceived strength. Values centred around 0 on the x-axis are indicative of neither a strength nor a weakness. This analysis demonstrates that personal/business networks represent the main strength of the ecosystem, whilst Recruitment/HR and Legal/Regulation are the most significant weaknesses.

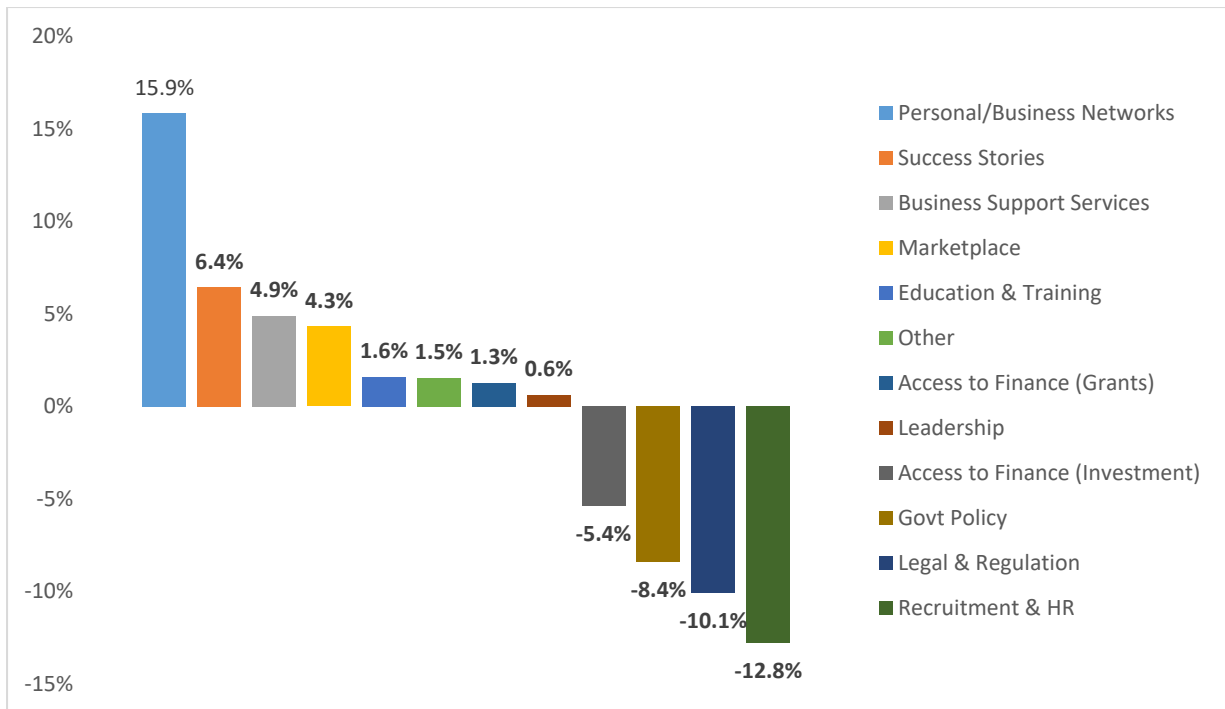


Figure 3.6 – Composite Strengths/Weaknesses of the Cambodian Social Innovation Ecosystem

3.5 Stakeholder Importance & Relationships

Data gathering on key stakeholder groups, their relative importance to the ecosystem and the strength of the networks for each stakeholder was also undertaken. With regards to the key stakeholders, the data revealed that social enterprises and incubators are the most important, with investors and SMEs also relatively highly ranked (see Figure 3.7).

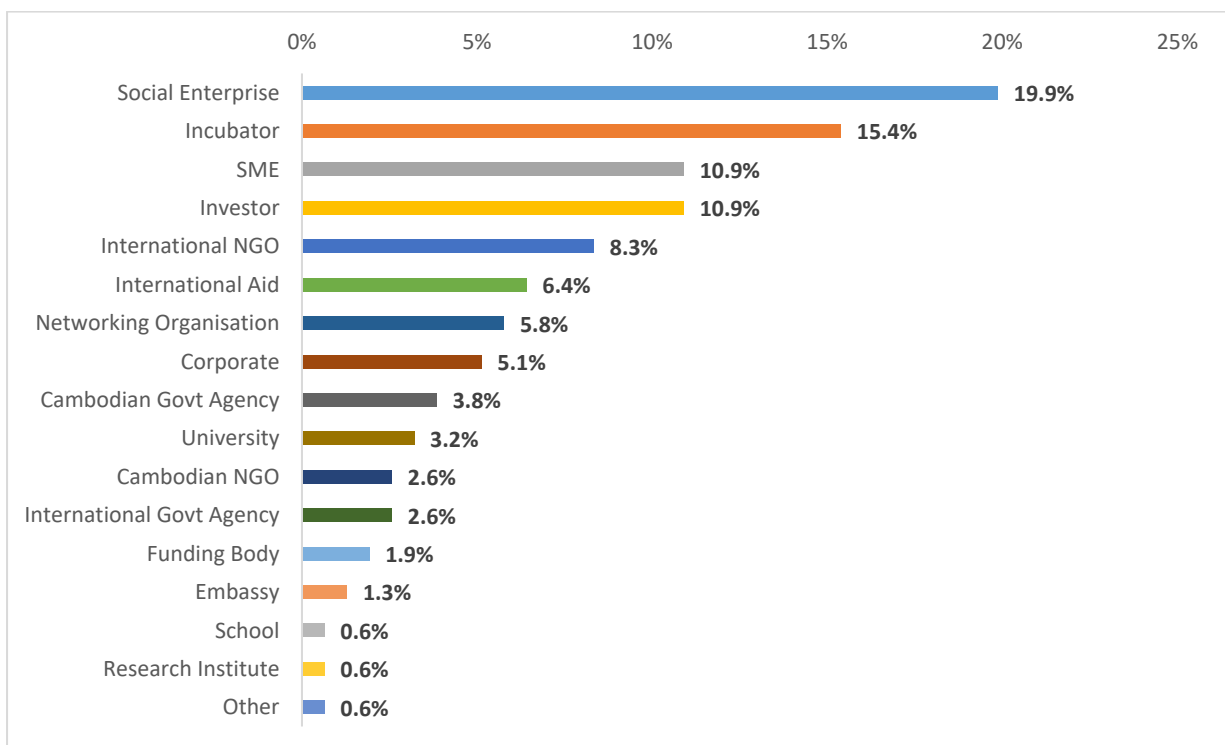


Figure 3.7 – Key Stakeholders in the Social Innovation Ecosystem

Stakeholder importance was also assessed by asking participants to rate their perceptions of the relative stakeholder importance on a 5-point Likert scale ranging from 1 (Not important at all) to 5 (very important). The average scores are displayed below in Figure 3.8, and show that again, social enterprises, investors, incubators, funders and SMEs were viewed as the most important stakeholders (all scoring above an average of 4).

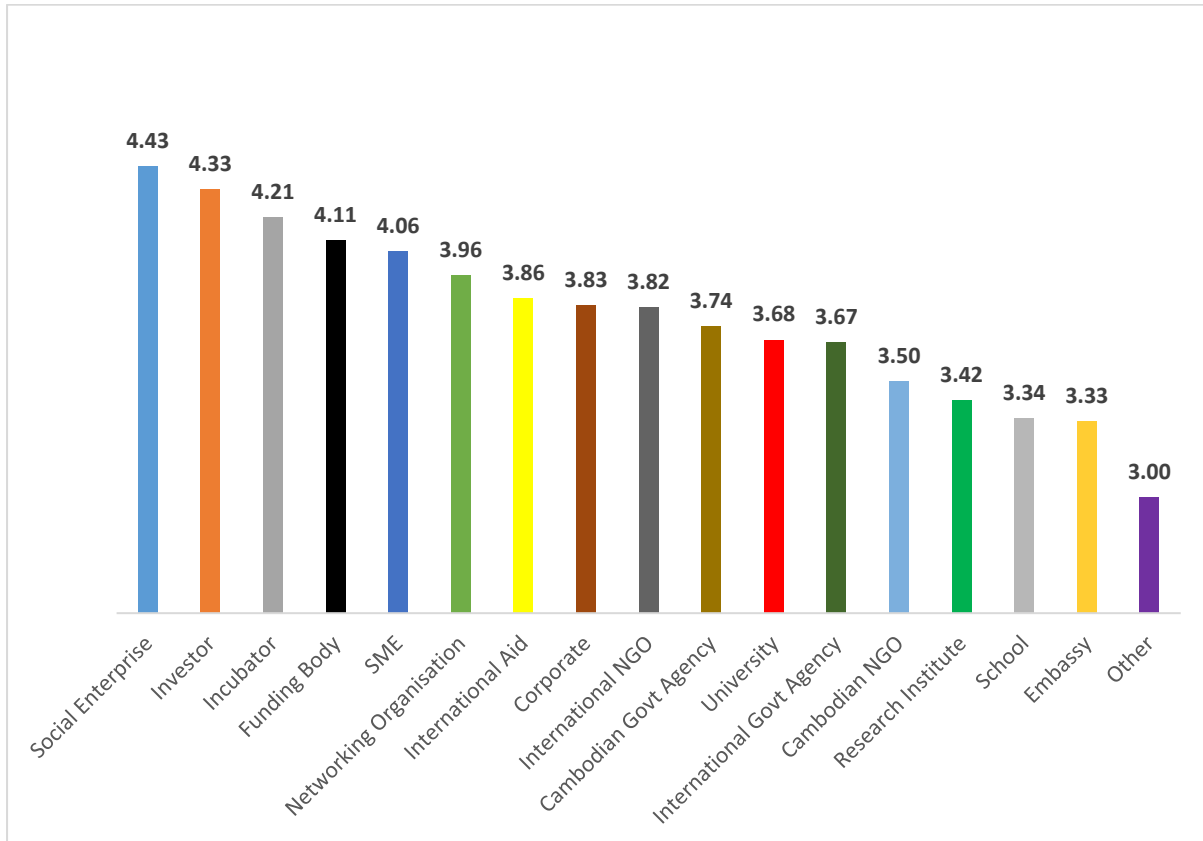


Figure 3.8 – Stakeholder Importance

Finally, stakeholder networks were also explored in relation to each stakeholder group identified above. Participants were asked to rate their perceptions of the strength of networks in each stakeholder area, based upon a 5-point Likert scale ranging from 1 (Extremely poor networks) through to 5 (Very strong networks). As a rating of 3 in the scale related to ‘average networks’ this was re-coded in the analysis to represent zero, with a score of 5 representing +2 and score of 1 representing -2. This allows a better visual representation of the data in relation to positively and negatively viewed networks. The results are displayed below in Figure 3.9 and reveal that incubator and corporate based networks were viewed as the strongest; whilst the worst networks were found amongst research institutes and government agencies. This is aligned with the social network analysis by SwissContact (2020) that revealed Incubators among the most connected and Academic Institutions, Investors/Financers, and Technical Assistance providers as among the least connected. In addition, respondents were also asked to provide information on how many individuals actively support their organisations in their activities. This data revealed a median value of 40 individuals (Range 0-1000; SD=280), albeit with a wide spread between

organisations. Nevertheless, this demonstrates that the majority of respondent organisations appear to be relatively well supported and networked.

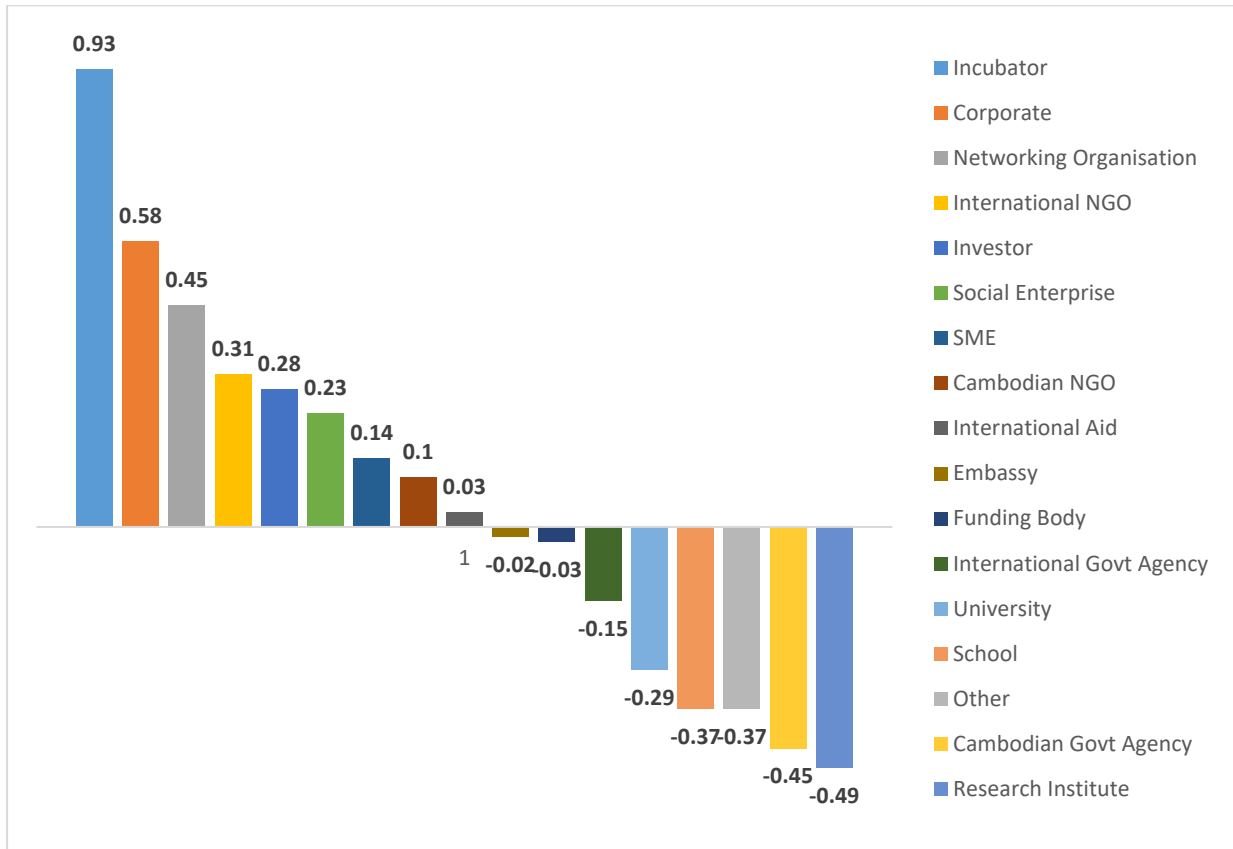


Figure 3.9 – Stakeholder Networks

3.6 Quantitative Summary

The data reported in this section has provided an overview of the Cambodian social innovation ecosystem. The characteristics of Cambodian social innovators within this dataset are majority young, male, Cambodian-led organisations, albeit with a strong female and international presence. The majority of organisations are social enterprises or international NGOs and are predominantly based in the Phnom Penh region, and operate with moderate turnovers and low profitability. The social mission focus is however strong, and spread relatively evenly across the 17 UN SDG areas, albeit there is a stronger focus on education, employment and climate change. With regards to the strengths and weaknesses of the ecosystem, personal/business networks represent the main strength, whilst Recruitment/HR and Legal/Regulation are viewed as the most significant weaknesses. Further, the role and importance of different stakeholders within this, points to high involvement with social enterprises, investors, incubators and SMEs, and to a lesser degree funding bodies. Finally, given that the largest strength of the ecosystem was identified as its networking, this was caveated in relation to the different strengths of networks within the ecosystem, with incubator and corporate-based networks being robust, and research institute and government agency networks being the least recognised. The data illustrates a social innovation ecosystem that is nascent, with international third sector and investor

support, but that is yet to receive strong support from the government, universities/research partners, schools/educators and international government agencies.

4 Qualitative Analysis

This section details the data gathered from the interviews held with the 16 stakeholders. The interviews were all audio recorded and due to Covid-19 were held online or over the phone, with all recordings then being transcribed for subsequent analysis. The transcripts were analysed using Constant Comparative Method (Lincoln and Guba, 1985), a thematic analysis approach based in Grounded Theory (Glaser and Strauss, 1967) in which units are iteratively identified from the data, and subsequently grouped into categories and then themes through a process of phenomenological reduction (Lincoln and Guba, 1985). This is an approach that has been used previously in social innovation research, especially in relation to social enterprises, and is particularly useful for identifying new theoretical insights from data gathered in nascent ecosystems (Haugh, 2007; Hazenberg, 2014). This approach led to the identification of six emergent themes, notably: Core Interconnected Ecosystem; Fragmented ecosystem support; Lack of bottom-up social innovation; Foreign Influence; Cultural and social capital; and Recent rise of social innovation in Cambodia. These themes will be discussed in detail in this section, with exemplar quotes provided throughout to support the assertions made. Quotes were selected to represent themes that emerged from the full interviews, but are only a small sample of a richer data set that was analysed.

4.1 Core interconnected ecosystem: Very well-connected core group of (sub-type of) social innovators, generally within Phnom Penh

Cambodia's social innovation ecosystem is defined by a range of stakeholders as nascent, abundant, small and accessible. These features bring both opportunities and challenges for social innovators and entrepreneurs.

"Unfortunately, Cambodia I think has a rather - something nascent in entrepreneurial environments. Especially compared to, say, India in our portfolio. It's a small country; educational achievement is still poor, although trending upwards. There aren't a tonne of big businesses here that have been super successful and then spun off management that then go off to start their own businesses. All these sorts of things you usually see that really create an entrepreneurial eco system are really just beginning to occur here in Cambodia." P1, Impact Investor

"And that's the craziness of this country, that there are so many opportunities, for an entrepreneur it's a dream. Even if then you have difficulties, there are so many opportunities." P2, Impact Consultant

The ecosystem has benefited from significant third sector support, particularly from international agencies and NGOs, who are most appreciated for their ability to inject capital, influence and connections, and institutional knowledge to bottom-up social innovators.

“Yes, In Cambodia I believe there is a tonne of influence from third sector, particularly from International agencies and NGOs. Most social innovators here are direct or indirect beneficiaries of these agencies. There have been many initiatives, grant opportunities, conferences and workshops from agencies like UNDP, USAID, to bottom up social innovators. When it comes to Agriculture, we are working with a bunch of them to move towards a sustainable supply eco-system. We were even privileged with certain amount of grant and support from NGOs.” P3, Social Enterprise Manager

Thanks to these unique features, there is a well-established ecosystem of social innovators and support organisations. Features of the ecosystem include: being well-connected (in part due to being small and accessible and the role of ecosystem builders); being strong in some areas (thanks to international and capital investments); and influential (having a voice in government, through network associations). Incubators are particularly strong in raising the profile and network of social innovators and providing much needed mentoring and coaching (although with limitations highlighted later).

“By early 2019 we got an award and we go to join different networks, and we have a community, we have an input, we have an idea support from the community especially we joined the Accelerate2030 program by Impact Hub and the SmartScale programme as opportunity to extending our network and reputation. After we got award, then our product was recognised and one of public hospital with directive guidance from the Ministry of Health contacting and they started recognise we are the one tech solution in the industry and then the other NGOs, they started connecting with us and then from that we grew, we grew our reputation and then recognised and connected by the medical doctor and nurse and also the investors, they started coming and talking with us.” P5, Social Entrepreneur

“Before I joined with DakDam project I knew Impact Hub a long time ago, I visited Impact Hub, but I was working. I liked the place, I liked the people there, but I had no idea of what they were really doing. But when I went again, I was unemployed and I could see, ‘This is a really great place’, and I could learn from them. From the Impact Hub I can meet a lot of people as well, good mentors who can support me.” P6, Social Entrepreneur

Stakeholders reported that the strongest and most abundant support is available in the early stages of starting a business. Interestingly, this is in contrast with findings from the Social Network Analysis which identified a larger number of organisations supporting later stage enterprises (SwissContact, 2020). As well as early stage capacity building organisations, network associations are a prominent figure in the wider entrepreneurship and business ecosystem. These associations are in a unique position to support the ecosystem thanks to their strong political influence.

“Now how helpful are the different networks? There is a huge variety in those, so the smaller ones clearly will have a tighter group, a tighter link, therefore better information being shared, more support, etc. Whereas the bigger ones will very often have a bigger voice towards the government and being able to put forward more specific engagement-type agendas but will be less powerful on a personal support level.” P7, International NGO leader

Up to this point, the ecosystem has primarily benefited specific social innovators. These innovators are high performing, passionate, driven, and often internationally educated, or foreign founders, based in Phnom Penh. This results in the opportunities available, such as support, grants, exposure, being utilised by a relatively small group of social innovators. This observation is supported by the Social Network Analysis that found social businesses are split into two groups - those that are well connected to the ecosystem, and a large share in the periphery, concluding that “Not all types of entrepreneurs have equal access to support services.”

“And then you have the typical entrepreneurs who already - as I said, we just did a baseline so those who have done university, studied abroad, etc, they have access to the most amazing things because usually they also come with a pocket of money, let’s face it.” P7, International NGO leader

“In Cambodia it’s still, I would say 60-70% foreign owned. We do have Cambodian owned company but it’s a lot more challenging and we have to spend a lot more time with them and it’s harder to reach them, which is not the case in other countries because we don’t only do this in Cambodia, we do it in other countries as well. In other countries it’s like 100% locally owned.” P2, Impact Consultant

“It’s clear that those women who are owning those businesses are very different from your average Cambodian woman, of course.” P7, International NGO leader

The social innovation ecosystem in Cambodia, including venture support organisations, network associations and international third sector, is closely knit, well-connected, and offers essential support to social innovators that is effective in some key areas, in particular during the early stages of enterprise development. However, not all innovators have equal access to the support services currently on offer.

4.2 Fragmented ecosystem activity: Lack of coordinated/joined-up policy, funding, capacity building, network-building and advocacy

While in many ways the ecosystem is small and well connected, a lack of coordination among ecosystem players leads to fragmentation of actors, and ultimately reduced efficiency and effectiveness in the support of social innovators in Cambodia. The venture support ecosystem in Cambodia, for example, has gaps at stages along the startup development cycle, including a

lack of specialist and later stage capacity development. Some perceive these gaps as a result of a failure of support organisations to link up and provide complementary support, also resulting in the same few innovators receiving the benefits.

“The acceleration base for me is not really here yet. So, if there would be a way to build an eco-system in a more systematic way.” P8, Ecosystem Builder

“That is what I think. If they [venture support organisations] want to do it, they want to support the social enterprise, they should do better co-ordinate between, someone take care in this level, someone take that level. And who is supporting the long term scale up?” P5, Social Entrepreneur

Funding options for innovators is frequently referenced as a challenge, particularly a lack of early-stage funding options (including Angel Investors, Crowdfunding, ability to Bootstrap, government grants and philanthropic venture capital), and an overall mismatch between entrepreneur needs and funding available.

“And if you are a venture scale company it’s really tough. If you had ambition to be somebody really dynamic there’s not a lot of funding available at the lower ends. I don’t think that Cambodia has a robust angel investor community. I don’t know of many businesses or many investors that are offering loans of 10,000 to 15,000 or equity investments at that level. And so, I think that probably is one of the reasons why the [::::] community here is so nascent, because people that do have a venture scalable idea find it tough to find financing.” P1, Impact Investor

International funders and development agencies are seen to lack long-term vision, and display inefficiencies and frequent duplication of effort due to poor collaboration. A reluctance to engage meaningfully with the private sector also slows down innovative projects and partnerships.

“It’s almost like the desire of donors to make an impact in that group is so high that we’re going to be stumbling over each other. At the same time, having said that, if we coordinate our actions we can do great work.” P7, International NGO Leader

“I think a lot of them [international NGO and aid organisations] are again providing lip service to involving the private sector. This isn’t a popular thing to say. NGOs and especially the bilateral organisations. But when it comes to private sector actually reaching out and saying, ‘Yes, we love this; we’d love to be involved’, they don’t actually return your phone call; they don’t actually take your input into how this sector can be built up into a private sector friendly way.” P1, Impact Investor

Government support and partnership with social innovators is seen as essential for creating meaningful, scalable impact in Cambodia. Even so, partnering with the government, for example through procurement, is considered a challenge for many social innovators.

"I think it's imperative. You can't do it without the Government. When you talk to development agencies and they go, 'How is this received by the Government?' Because even really good ideas, if the Government blocks it then you are lost. I think the Government wants to help here in this country and I think they are starting to take measures to really think about that." P9, Education Leader

Fragmentation and a lack of a cohesive long-term vision within government was identified as a significant issue in the support of innovators, including limiting the impact created by government efforts and slowing the pace of change.

"Oh, that's the big issue. That's really a big issue. For me this [lack of collaboration] is what prevents evolution of a lot of positive trends because you have this willingness. The willingness is here from the very top, the PM. It has been set as a priority, like SME innovation, that kind of thing. But if you do not force them to collaborate, the impact will be isolated and very limited." P8, Ecosystem Builder

In addition to sector specific inefficiencies and lack of long-term vision and coordination across actors, there is a significant information gap in Cambodia. Data is limited, outdated and unreliable, making it hard for innovators to understand the needs that exist or their target markets, consequently making it difficult to convince external funders and partners.

"It has been extremely hard for the startup and social business to have access to up-to-date data related to their area of focus for their business. There is a cruel lack of data centralized and accessible for all. Though this data is actually key for the business in order to know make strategic decisions and convince investors or donors. They want to understand how big is the market potential, how serious and urgent is the problem they are solving, how the competitors are positioning themselves. Most of the time the data they are using is coming from newspapers such as Khmer Times, Phnom Penh Post and Southeast Asia Globe." P10, Incubator Manager

There is also a lack of effective network organisations. For example, there is no organised association to unify and represent the voices of social enterprises, meaning social innovators are unable to have their voices heard in government platforms. And many network associations that do exist, primarily to represent entrepreneurs and small-medium enterprises, are perceived as ineffective.

"I think the social enterprises need more representation in Cambodia. I think we all are overwhelmed with our day to day challenges, but we are not able to issue a letter, a statement, representing the sector. So, I would advocate for an alliance of some sort, the

most effective possible because I have seen so many of these informal, not clear forms of alliance or association that is not effective.” P4, Social Entrepreneur

As a result of the existing inefficiencies pervading the ecosystem, there is a desire to see greater transparency among social innovation actors. Successful “dot connecting”, or community and ecosystem building are considered an essential way to address many of the challenges that currently exist.

“So, you can have a network but I think a network becomes a successful network when you are able to dot connect between who should be helping the other person and I think there is still a lot of that lacking in that so many people are trying to reinvent the wheel. Or people not understanding that there’s so many other people making the wheel. If we all got together and tried to, instead of protect our own little areas, got together and worked out, ‘How can we do this best? What is the best that you’ve got and we’ve got? Maybe we can make something really, really impactful by all working together’.” P9, Education Leader

Several players are identified, or identify themselves, as attempting to address this significant gap. As examples, incubators such as Impact Hub Phnom Penh, international NGOs such as PACT Cambodia, and government agencies such as Khmer Enterprise, all identify themselves as playing a role in connecting the ecosystem at different levels.

“I think we have to have a good relationship between ecosystem builders because we are the connectors who will make it faster. We are the nodes where actually the information goes through and then it’s immediately shown to the right person instead of being stuck in one person.” – P10, Incubation Manager

“At the moment, we are sort of doing – we are trying to be the centre of the eco-system. At the moment we are establishing the relationship with everyone out there.” P11, Government Representative

Events were also identified as an effective way to encourage greater collaboration in the ecosystem.

“So, for example if there are regular forums or whatever there, and then they always bring people from different institutions to talk to each other and then start with what might be the potential collaboration, what might be the work that they can join together to do this in there. I think it will happen, for the collaborations.” P12, University Innovation Lab Manager

The social innovation support actors play an essential role in growing bottom-up social innovation; however, a lack of coordination and joining of efforts has so far resulted in

concerning inefficiencies. There is significant awareness around this issue, as well as efforts by several actors to resolve them by connecting the dots. Challenges such as information gaps and a lack of a unified voice for social enterprises may need more attention if they are to be addressed properly.

4.3 Lack of bottom-up social innovation: Fewer locally driven social innovations that are scalable due to nascent ecosystem and gaps in support

A nascent entrepreneurial ecosystem in Cambodia means that there are few examples of bottom-up social innovation, particularly locally driven and scalable solutions.

“And for innovation, it’s not, I would say, here yet. Social innovation, it’s something else. I would say that what I have seen is that you have a lot of ideas in order to improve, indeed like the world where they live, it’s cool, especially at the start-up level. You also have some initiatives in CSR to improve the life of people from companies. But it’s nothing like that, it’s nothing that develops from what I have seen so far... But it’s still all small scale or really - yes, in terms of impact it’s not completely here yet. We have not built a full ecosystem. It’s starting but - yes.” P8, Ecosystem Builder

A broad range of features in the economy, ethnographic features of the population, education system and gaps in support available to local innovators are offered as explanations. Local innovators, particularly entrepreneurs, were identified as having a significant skills gaps that are a barrier to growth and scaling innovations. These included a lack of long-term vision, business acumen, risk management and financial literacy.

“There’s a lot of weakness in the financial modelling and just financial knowledge [:::]. So, I’ve met with entrepreneurs who seem to have a pretty successful business and I ask for a financial model or ask them about their economics and these are pretty basic things and they can’t answer those questions for me... So yes, I think that the lack of financial literacy is holding back businesses.” P1, Impact Investor

“And you have money in fact; you have money that is around. People are waiting to invest for decent projects. But not all projects are investable, so that makes the thing quite complicated because to be investable you need to be able to absorb this money and absorption requires planning, it requires long term vision and long-term vision is missing for most of the projects.” P8, Ecosystem Builder

In addition to specific skills gaps, there may be some cultural norms that hinder innovation. A stigma of failure and fear of asking for help is holding back aspiring entrepreneurs from taking risks or using their network, both essential characteristics of successful entrepreneurs. More broadly, Cambodians may lack a collaboration mindset, a legacy of older generations, which prevents effective innovation and social impact (as was explored in the previous section).

“But I think it has to have a culture of open mind first. I think this is something that Cambodia needs to embrace the culture of open mind and open discussion... First one is business, I think - about profit. People are more profit oriented than for the benefit. So, this is one issue. Secondly, is the legacy of the - I think those young people, they are much more open-minded but because those businesses have been established for a very long time already, so the family tradition is still enforce them to be more collaborative and more open to each other.” P11, Government Representative

“I realised that a lot of innovators don’t dare to ask for help. They might have all the resources already here in their network. It’s not rare that someone in Cambodia has over 2000 “friends” on Facebook. They have an amazing network but they don’t dare to ask for help.” P10, Incubation Manager

Cambodia’s young population means that many social innovators are under the age of 30 and therefore lacking in experience, and sometimes commitment, to not only innovate, but see it through to scale and impact.

“Yes, a lot of this is experience. Cambodia’s still a really young country. Something like half the country is under the age of 25 so given the quality of education in the country, given the age of people, in some ways you wouldn’t really expect to see a whole load of entrepreneurship, like really high growth type entrepreneurship.” P1, Impact Investor

Lack of human resource capacity is also making it hard for innovators to build strong teams and scale, keeping innovations small-scale and leaders are required to remain hands-on in their business.

“At the same time, you need the way to scale, which is with understanding of the limited skill and capacity of the human resources in Cambodia, ‘Are we prepared to scale up? Do we have enough manpower, enough skilled manpower?’” P4, Social Entrepreneur

Education was identified as a significant issue in the country, not just for social innovation, but for developing human resource capacities in all sectors.

“They have not been trained at school for that, so it takes time to change education and to build these kinds of soft skills.” P8, Ecosystem Builder

The features of local social innovators and aspiring social innovators, as well as a lack of human resource to pick up innovations, make it unsurprising that there are few cases of locally driven, scalable social innovations in Cambodia. However, the support ecosystem also exhibits gaps that result in certain types of innovators missing out on opportunity. There is a lack of locally relevant and driven capacity-building, micro and female entrepreneurs are not being heard in decision-making, and rural innovators (outside the cities, especially Phnom Penh) do not having access to support.

“There is so much in capacity building, but capacity building at a Khmer level. I think there is heaps and heaps of information available that is English based, that is international etc.... But the ones that need it most are the ones that are struggling, who don’t have access to the internet, they have access to Facebook. So, what can we make available there in a content rather that is relevant for them? You are not going to give them a course book that they need to work through, there is no way they will ever do that. So, it is understanding - how does the young women entrepreneur get insights and learning in a way that she can digest easily and implement while she’s still helping her business?” P7, International NGO Leader

As mentioned earlier, the social enterprise sector more broadly also lacks a unified voice, making it hard for social innovators to have their needs heard and met by government and other members of the ecosystem. Lastly, there are specific funding gaps that make it particularly hard for bottom-up social innovators to access the right finances. While the funding might be largely available, the gap is in financial readiness and a mismatch between the finance available and the needs of innovators. Community initiatives that are often driven by young, community-based groups, report challenges in finding project financing.

“So, there is an over offer of money, there is too much money on offer and too little of, for our project especially, making women aware of, ‘First of all, what are your financial needs?’, and really understanding them. Then if once you understand your financial needs and you’ve made the decision that you do need access to finance or you do need - then what are the different options out there for you? And so, it’s those two components where we feel that’s where there is a lack of information... So, when we then talk - what is the role of other organisations? I think don’t jump too quickly to conclusions. You read almost in every report: ‘Access to finance, access to finance’. So, the gap of access to finance is so many billion dollars worldwide, let’s just make it available. There is a lot more to it and I think if collectively we take the effort and the time to look into that and analyse that we will do a much better job.” P7, International NGO Leader

A nascent entrepreneurial ecosystem in Cambodia has resulted in few (although growing) examples of locally driven, scalable social innovations. This is a result of multiple factors, including both skills gaps and cultural norms of social innovators, a lack of human resource capacity to staff initiatives, and gaps in support that mean certain types of innovators (rural, female, micro-entrepreneurs and community-based leaders) are not accessing the opportunities available, and the same social innovators are being seen frequently.

4.4 Foreign Influence: Social innovation initiatives are often led by individuals or organisations with international experience or exposure.

The existing gaps in Human Resources and locally driven social innovation has left room for foreign influence in the priorities, direction and growth of the ecosystem. Founders of social

and scalable enterprises are frequently foreign, and even Khmer founders have significant international education and exposure that has influenced them. The concept of social innovation and social enterprise is still “foreign” to many innovators in Cambodia, including for example, rural and micro-entrepreneurs.

“In Cambodia it’s still, I would say 60-70% foreign owned. We do have Cambodian owned company but it’s a lot more challenging and we have to spend a lot more time and it’s harder to reach them, which is not the case in other countries because we don’t only do this in Cambodia, we do it in other countries as well. In other countries it’s like 100% locally owned.” P2, Impact Consultant

The nascent entrepreneurial ecosystem and lack of human resource capacity results in few Khmer mentors and role models to help inspire and guide the next generation of innovators. The lack of local mentors is considered a significant issue holding back the development of more bottom up and local innovation. It also means that many innovators in Cambodia, both local and foreign, receive input from international mentors and perspectives.

“And if you’ve seen a successful business in your country from someone that looks like you then that encourages you and gives you more comfort in doing it also, gives you licence from your family to do it, which is really critical here given family pressure” P1, Impact Investor

Looking to other countries for inspiration and guidance is an important way for leaders and social innovators to understand how they want to develop Cambodia and increase and improve social innovation. This includes exposing young people and innovators internationally to inspire, spark ideas and develop global citizens with collaborative mindsets. This allows knowledge-flow from other countries as role models, to build social innovation ecosystems and learn from their successes and challenges.

“I think it’s also about exposure and experience as well. More outdoors and see the world. Embrace what is going on in the world. I think at the moment our country only looks into a very limited scope of area. If you look into other countries, they look beyond their country, beyond their neighbourhood and this is something that we should do, to let our youths and our potential entrepreneurs start thinking as well and maybe want start-up. So, this is a great example. They are not only looking at the Cambodian market but looking to the African market. This is something that is very interesting.” P11, Government Representative

“So, I would say that Cambodia should learn a lot from very good role models in Asia, not even looking too far away. I think Korea as a government and system has been very strong in what they call social and solidarity economy. They have a very strong concept of what they call social and solidarity economy, in which they understand that small

businesses, individual people in communities, are the backbone of their society and need to be supported in every way that they can.” P4, Social Entrepreneur

Cambodia has historically been heavily reliant on foreign aid and intervention, albeit in recent years this growth in ODA reliance has been reducing as the country moves to middle-income status (Lyne et al., 2018). Building human resources, for example through education, and transitioning from NGO to social enterprise, are ways to reduce reliance and therefore external influence.

“My personal prediction is 80% or 90% of local NGOs will transform themselves to social enterprises, or they close. I met a friend yesterday; I am aware that many, many small NGOs are being closed down. The government didn’t close them, they closed by themselves because of this economic situation. Cambodia’s started to implement the tax collection, including NGOs, so many of them owe the tax back since they started operating, so the best choice is to close them down.” P4, Social Entrepreneur

The gaps in human resource capacity in Cambodia have led to many founders of social enterprises having international experience or exposure, as well as social innovators in leadership positions being frequently foreign. Similarly, a lack of local mentors to inspire and guide innovators is a serious barrier. International exposure for local innovators and young people, stronger education, and moving away from the historic reliance on aid (through examples of social innovation), can shift the current pattern toward more locally driven social innovation.

4.5 Cultural and social capital: Market challenges, ecosystem gaps and the cultural context mean that connections and networks are especially relevant to innovator success.

Social innovators face a range of barriers and hurdles to launching and scaling projects, these relate to various features of the existing nascent entrepreneurial ecosystem, policy and legal environment, and a lack of data. In this context, an innovators network and connections are essential in making progress and addressing the acute and common challenges experienced in Cambodia. When combined with a relatively small market, informal business structures and low international awareness (and therefore interest) in the opportunities available, this has resulted in few notable social businesses with investment and impact scale.

“But getting back to your question, most of the people, you see so many less players because of lack of awareness. People don’t know that this market exists; they don’t see the business model here. Especially like ours, we are a unique one. Nobody else is doing what we do here right now.” P5, Social Enterprise Manager

The environment in Cambodia for doing business imposes the same challenges for social innovators as mainstream business. Of note is the lack of supply-chain and infrastructure, regulations such as high import and export costs making competition with international

markets a challenge, and the lack of diversity in the economy and therefore unpredictability of the market.

“And then the overall ecosystem is really tough. It’s really - and this is an analogy - but it’s really tough to start a business if you have to not only build the factory to make the product but then build the power cables to it and also build the roads to provide to it. And that’s kind of what Cambodia is.... You hear about entrepreneurs all the time, they have problems building supply-chains, especially in a place like Cambodia where there isn’t the same level of development of business infrastructure.” P1, Impact Investor

“I believe the role of government (local/national) is primarily through policies and trade practices. Because we have to compete with emerging nations (such as Myanmar, Vietnam and Nigeria), policies or tax breaks where possible will go a long way in boosting Cambodian exports. Export costs for example, from Cambodian ports are way more expensive than their neighbours. This puts us at a disadvantage. This could be negated by industry level tax breaks, trade policies and bilateral trade agreements.” P13, Social Entrepreneur

The current legal and policy environment needs considering and refreshing to promote more venture scale social innovation, but also innovation in the broader sense due to complex and confusing regulations and government processes for entrepreneurs, SMEs and social enterprises. Examples include misunderstanding of tax exemptions among government enforcers, no legal status for social enterprises meaning many face the same tax requirements, and confusing the needs of SMEs and venture scale businesses. It is worth noting that a new online registration service launched in June 2020 should make business registration easier and lower cost.

“The enabling environments also could be better. It’s really difficult to register a business. It’s getting better but Cambodia went down in the [:::] business rankings this year. Taxes can be really tough to navigate, really confusing.” P1, Impact Investor

“So that has been seen as a common practice and if you are a new registered company and you try to 100% comply to the law, it’s [:::], you lose the advantage that other people have. So, it just puts you in a position that’s not encouraging at all for you to follow this tax compliance, stuff like that. I think the whole environment [:::], how they can make the environment more encouraging for people to just go straight to legalise themselves and it means it will be helpful for everyone to have this fair common practice.” P14, Social Entrepreneur

Lack of data is a considerable issue and opportunity area for growing effective social innovation in Cambodia. Data is a challenge for both social innovators and mainstream innovators alike. Government or other forms of centralised data are considerably lacking, making it hard for innovators to collect market intelligence, focus their efforts on the country’s greatest needs,

and build a case for their solution to investors and partners. This results in entrepreneurs taking information from unreliable sources or relying on assumptions.

“It’s simply that they have realised that one of the big issues that is facing SMEs is the access to information. It’s very difficult when you do not belong to a network to have access to information.” P8, Ecosystem Builder

Academic research is one solution to this, and while research conducted across universities leads to increased knowledge and innovation, very little of this reaches the market due to a lack of collaboration between universities and industry.

“It’s not really happened at [University Name], that’s what I’m thinking. I might not cover all the activities, I might not know all the activities, but I haven’t heard anything from that yet. But there is a lot of research [here and there] but the problem is it’s just research and after the research, it’s done. Nothing happens after the research findings.” P12, University Innovation Lab Manager

Cultural and social capital are important for social innovators in all environments, but particularly in Cambodia due to the acute challenges faced. Ecosystem players highlighted the importance of tapping into networks to recruit (especially valuable with the lack of human resources in-country to support scaling), access market intelligence (that cannot be found through accessing data and research), and bridging gaps in supply-chains.

“Honestly, personal and professional connections help us connect to the market for us. When I use a personal and professional network it basically helps me provide new market access.” P5, Social Enterprise Manager

Connections and introductions with policy-makers also help social innovators influence policy and navigate complex regulation.

“And then another part of it is on the regulation side. This is a very - I think most of Asia’s this way - but it’s a very regulation based culture and knowing - having connections to people that are [:::] regulations, to lobby them - I don’t mean corruption but legitimately tell them, ‘This is the problem we’re facing, how do we overcome this? Can you develop a policy response to alleviate this issue?’, is really important. Or if you are facing red tape, unnecessary red tape, they can help you navigate it. They can show you ‘You should be sticking to this person, that person doesn’t actually understand this’. Or, ‘Their interpretation of this policy, this progress is incorrect’.” P1, Impact Investor

The nature of the market in Cambodia creates significant barriers for social innovators, and result in an emphasis on the important of social networks and connections. The right connections can help innovators navigate challenging regulatory environments, unpredictable markets and the lack of data currently available, among other things.

4.6 Recent rise of social innovation in Cambodia: Recent developments and collaborations, between government, education, and private sector, brings hope

Social innovators in Cambodia face a variety of challenges in launching and scaling initiatives. However, there are features of the ecosystem that facilitate innovation. With all the gaps in the market, and environmental and social needs, there also comes an abundance of opportunity for social innovators and social entrepreneurs to fill them. In addition, Cambodia is a relatively small country with a population of about 16 million people. And while a small market has its limitations, the small ecosystem makes it relatively easy to pilot projects with minimal investment and connect with people.

“Cambodia is small but that’s a good thing also because you can do pilots, projects, it doesn’t cost that much.” P8, Ecosystem Builder

A lack of effective collaboration between stakeholders was identified as a significant gap in the ecosystem, leading to duplication and limited impact. However, examples of impactful collaboration were shared. There are exciting examples of the private sector being engaged in market and supply-chain development, as well as corporate social responsibility in facilitating needed development.

“...they did really extensive research on agricultural biochains in Cambodia, identified areas where Cambodia could become successful on global markets; identified cost-cutting issues that they’re facing, that are preventing further development in the sector. And then they’re putting their money where their mouth is and actually giving entrepreneurs the chance to build businesses that are solving those issues they have identified.” P1, Impact Investor

“In 2017, the Ministry of Post and Telecommunications launched the CBRD fund aiming at growing the emerging tech startup ecosystem, which was funded by telecom companies who are giving away a part of their profit. Smart Axiata for example, has been very proactive in this fund and has invested in developing the whole pipeline starting with tech-awareness workshops in high school in the provinces, developing a curriculum for universities in Khmer in entrepreneurship, pre-incubation programs for university students like SmartStart, incubation programs for young graduates changemakers like SmartSpark, an accelerator program like SmartScale, and finally an investment fund of 5 Million US dollars. They have been able to do it by partnering with incubators or organisations like Impact Hub or Seedstars, or Mekong Strategic Partners. These public-private partnerships have been really key to fuel the ecosystem when it was at its infancy.” P10, Incubation Manager

This type of collaboration is essential in developing an emerging market like Cambodia, and a move away from the reluctance of development agencies to genuinely engage with the private sector.

“If you see a sector that needs development, but investors are holding back, speak to them. Understand why they’re not investing there. Usually because it’s not commercially viable, and then you figure out, ‘Okay, fine, what level of subsidy would we need to do in order to make this commercially viable for them, in order to get them to invest in it, to take the leap to jump into this?’” P1, Impact Investor

Across stakeholders, the Government is considered an essential partner and driver of social innovation. While areas of improvement remain, there have been several interesting steps taken and the development of an agenda that is focused on strengthening the entrepreneurship ecosystem, economic growth and diversification, and improving education.

“I think it’s imperative. You can’t do it without the Government. When you talk to development agencies and they go, ‘How is this received by the Government?’ Because even really good ideas, if the Government blocks it then you are lost. I think the Government wants to help here in this country and I think they are starting to take measures to really think about that. I think it’s absolutely pivotal. I think the way they’re trying to change education; they understand that needs to happen.” P9, Education Leader

The government has launched a private entity called Khmer Enterprise that is leading on the development of the startup and SME ecosystem through support for accelerators and ecosystem builders, as well as an SME Bank and Fund.

“There have been improvements, that’s for sure, especially I would say that what they have done, the Ministry of Economy and Finance recently, for SME, is quite comprehensive. They have Khmer Enterprise, SME Bank, the Tech Startup Centre and the Skills Fund, all on more or less the same time as a way to promote well the SME.” P8, Ecosystem Builder

There has also been government activity focused on social impact and innovation, for example an interest in inclusive business, and a willingness to endorse, support and partner with social innovators and social entrepreneurs.

“Policies, the government has helped a lot in policies in Cambodia, they are trying their level best to enhance the access of us, especially, you imagine, we come from foreign land and we are an expat owned company. And my CEO is basically from Japan. I’m a CCO, I’m from India but still we were able to establish a company here because of the policies and the government co-operation. So, we say that the policies from the

government is pretty open handed, anybody can come up, a big company, and establish a company and partner them.” P5, Social Enterprise Manager

“Social innovators are filling some institutional voids that the government has not being able to fill previously. In the health sector for example, one of the social enterprises has the vision to digitise the whole healthcare system of Cambodia and then be able to solve the problems of lost files, long wait and lack of efficiency. They started small with the private sector, but then rapidly got the attention from the government, especially after being awarded during the Cambodian ICT Awards. A MOU was then signed with the Ministry of Health, and the project got immediately a national scale. It’s important to help the government identify these strategic partnerships with young innovators that would solve the country’s problem in a more efficient, lean and entrepreneurial way.” P10, Incubation Manager

Many of these initiatives are being led by young government leaders who are dynamic and driven to positively impact the country.

“I think it’s really encouraging to see how the government is being transformed from inside. - a new young leadership starts to occupy positions with high responsibility. - They genuinely care about making Cambodia a better country, as they usually have been exposed to other countries and they know that the next 10 years would be decisive for the future of Cambodia within the ASEAN, due to such young demographics and fast growth. They are also willing to listen to feedbacks, but constructive ones” P10, Incubation Manager

Human Resources is frequently sighted as a challenge across stakeholders in Cambodia. The focus on education and ongoing capacity building are promising in both building a pipeline and workforce. Basic access to education and social security are an important baseline for equal opportunity, as well as improving higher level institutions such as universities to prepare young people for work.

“The second thing I think it is social justice. Meaning even if the people in the bottom of the pyramid don’t have the same resources, they should have the same opportunity as everybody in society if they chose to study. Not everybody chooses to study but if they choose to study, they should be able to. If they choose to start a business, they should be able to, thanks to some kind of support mechanism.” P4, Social Entrepreneur

Beyond building a workforce, there is a focus on building social innovators and changemakers specifically. The most important traits of social innovators in Cambodia included an understanding of culture, context and existing mechanisms, alongside an entrepreneurial mindset.

“I think this is about culture and education. I believe, from my personal experience, those are the two significant factors to push for the bottom up. The first one is risk taking, the cultural risk taking, that people just have an idea of graduating from University and go straight to finding a job. But, as opposed to that, they should look into more research and they are able to commercialise later.” P11, Government Representative

Empowering young people is the focus of organisations such as Young Eco Ambassadors Cambodia and others. This can be done through capacity building, awareness, and international exposure and experience to expand horizons and start thinking like global citizens.

“Yes, they [youth] are the main target group that we work with and we empower them to be the catalysts of change; we empower them to be the provider of nature’s voice. So, from working with them, they are able to reach out further to look at communities” P14, Social Entrepreneur

Lastly, it will be essential that Cambodians are progressing in careers and taking on leadership positions, particularly within the social sector, which could be investing in building local leadership.

“And perhaps the model that I just talked about there could be broadened to possible NGOs. If the Government were to be able to help NGOs take on and train Cambodians and see them come through the ranks to eventually be directors - I would love to be able to walk out of [School name] and be the last foreign director that was there, to be able to hand over to a Cambodian. It would be job accomplished as far as I’m concerned, as far as Liger is concerned.” P9, Education Leader

Cambodia’s social innovation ecosystem may be nascent, but recent examples of innovation and collaboration are building a critical mass that is leading to hope in long term progress. Innovations can be found in the market, the government, the education system and more, all areas that were also identified as needing transformation in order to support community led social innovation.

4.7 Qualitative Summary

The data presented in this section has identified that there is a core ecosystem of social innovators who are well-connected, able to access significant support (especially in the early start-up phases) and are well-networked with each other. However, outside of this group, which is predominantly urban based in Phnom Penh, support for smaller, locally embedded social innovators (especially in rural areas), is much more fragmented. This is particularly true when organisations are looking to scale their work beyond the start-up phase, where a lack of appropriate funding, mentors, training and networking hinders growth potential. There also remains little cohesive government support in the form of policy, legal and regulatory definition or procurement flexibility; whilst the availability of government data to help identify challenges

within the sector is limited and of poor quality. There is also a need to improve the networks available for social innovators to join, an especially important area given the key role that social capital plays in the Cambodian economy. Cultural barriers to collaboration, as well as human resource/skills shortages, also limit bottom-up social innovation, with too much reliance placed on foreign leadership within social innovation organisations. All the above factors, when combined with a complex and bureaucratic system of regulation, policy and taxation, means that it is difficult to grow social innovations in Cambodia, and so ultimately to empower people to generate the bottom-up social innovations that are so important in maximising social value creation (Mulgan, 2019; Kruse et al., 2019).

5 Summary & Recommendations

The data presented in this report, both in relation to the quantitative responses gained from the survey, and the qualitative data obtained through the semi-structured interviews, has presented an interesting picture of a social innovation ecosystem in Cambodia that whilst nascent and small, is also vibrant and impactful. However, there remain key challenges in ensuring that the development of the ecosystem can move to the next level, and these will now be discussed in relation to both datasets and the prior literature through a process of triangulation (McLeod, 1994). These challenges are linked to those identified in the Impact Hub Phnom Penh report from 2019, discussed earlier in this report (Perriman, 2019).

5.1 Key Research Findings

The Cambodian social innovation ecosystem is young, both in terms of how long the concept has been in circulation in the economy, as well as in relation to organisational age and the age of the social innovators themselves. Our data revealed that the majority of social innovators are urban based (Phnom Penh and Siem Reap), well-connected to each other and with international experience or connections (with many being led by foreign nationals). However, outside of this core group of innovators, connections to the wider ecosystem of social innovators, especially in rural areas is poor. Indeed, one could argue that the ecosystem currently represents a clique; if one is in the clique then access to support and resources is good, but if an individual is outside of this then they become excluded from support (indirectly and unintentionally). As the flow of resources within social innovation ecosystems is reliant on networks (Hazenberg et al., 2016), then this limits the ability of potential social innovators with poor social capital to start-up and scale. Indeed, the importance of who you know in Cambodia was discussed in the interviews, with social capital being the main way to overcome the other barriers present such as legal/regulatory complexity, networking issues and funding streams. These problems enable the strong international presence in social innovation and the significant number of foreign nationals who lead such organisations, as they essentially come in to fill human resource and skills gaps.

Contrary to what has been suggested in the prior literature (Eichler et al., 2019; Perriman, 2019), our data identified a relatively even spread across the 17 UN SDGs in terms of social mission focus (albeit with education, employment and climate change featuring prominently). Human resource issues with regards to a lack of skilled staff, exacerbated by an education system that struggles to teach young people about social problems or social innovation, means that recruitment remains a significant challenge in the ecosystem. Conversely, the lack of Cambodian social innovation mentors compounds this challenge, by depriving potential social innovators and young people with the advice and role-models that could help raise awareness and slowly reduce skills shortages. This returns to a central feature of social innovation in that its purpose should be to empower people (Mulgan, 2019), but the ability to empower people

can be limited in such an environment. Education programmes around social innovation, and network and capacity-building organisations that can seek out and support potential social innovators (even in remote rural areas) are therefore critical.

Social innovation, being as it is designed to solve the complex and ‘wicked’ problems societies face (Rittel and Webber, 1973), generally require multi-stakeholder collaborations. In Cambodia our research data shows that the key stakeholders for this development include social enterprises, investors, incubators and SMEs, as well as to a lesser degree government and funding bodies. This offers support globally to the work of Murray et al. (2010) in identifying multi-stakeholder engagement as key to social innovation growth. Only through effective partnership working between these groups can suitable support policies, funds and networks be created to broadly support social innovation across the Cambodian economy. Certainly, such groups could also work together to help solve the data limitations that respondents in both the survey and interviews identified as a key limiting factor for understanding the ecosystem and hence effectively supporting social innovators. Finally, given the importance of local and cultural context in developing social innovation (Bacq and Janssen, 2011; Hazenberg et al., 2016; Roy and Hazenberg, 2019), the role of culture in Cambodia was also identified. Participants argued that there was a lack of collaboration inherent to Cambodian culture that precluded some of the above networking/collaboration activities called for, therefore incentives to promote collaboration (whilst accepting that one cannot force such activity) would be welcome in growing social innovation in the country. Ultimately, such work could empower people to generate bottom-up social innovations and to maximise social impact (Mulgan, 2019; Kruse et al., 2019).

5.2 Recommendations for Supporting the Ecosystem

Based upon the research findings outlined above, this report therefore recommends the following five key areas for development in supporting social innovation in Cambodia:

- i. **Education and Training:** There is a need to increase the quantity and improve the quality of education and training around social innovation in Cambodia, especially in rural areas and from an early age. Education and training needs to focus on raising awareness of environmental and social issues specific to Cambodia, and creating entrepreneurial individuals and “Changemakers” who see these problems as opportunities. Private and third sector initiatives can innovate and pilot new approaches to learning, such as Liger Leadership Academy, a six-year program that uses project based and experiential learning techniques. The government needs to then lead on scaling these approaches within mainstream education, a notable example being New Generation School, a project-based learning curriculum focused on STEM education and led by the Ministry of Education, Youth and Sports. Skills can be developed further by networking and support organisations in supporting youth and potential social innovators to start-up and scale, seen in organisations such as EnergyLab and Impact Hub Phnom Penh.

- ii. **Social Innovation Champions:** Social innovation role-models should be identified and championed across the sector, in order to inspire others. Further, such champions should actively be involved in education and training programmes to impart their knowledge. These champions could raise awareness and the profile of social innovation, in the same way that traditional entrepreneurs are used in the corporate world.
- iii. **Foreign Influence:** Whilst the influence of foreign nationals in Cambodian social innovation can be positive, the need to empower more local people to lead social innovation organisations is important. However, learning from abroad and knowledge transfer of best practice should be encouraged to rapidly upskill the sector (provided the learning is framed within the local cultural context). Indeed, NGOs and international development agencies could play key roles here in transferring models and ideas, and arranging for workshops and other events to involve social innovators from abroad. Knowledge transfer and exchange could be particularly interesting from countries such as Malaysia, India or Vietnam who have faced shared challenges.
- iv. **Networking:** There is a need to expand networks across the ecosystem, to ensure that *all* social innovators can access resources and utilise social capital to support and grow their innovations. Within this there is also a need to enhance connectivity and collaboration within these networks, to ensure that linkages deliver social value, and to scale significantly outside of Phnom Penh. Collaborations between sector can become commonplace, for example, the BHEARD project led by the Royal University of Agriculture, and supported by the University of Michigan and Impact Hub Phnom Penh, is funding five researchers to test their ideas using design thinking skills and partnering with entrepreneurs. Furthermore, the creation of a national social innovation membership network body could be particularly useful here, especially when it comes to providing a unified voice, creating linkages and gathering data from across the country.
- v. **Regulatory Frameworks:** Cambodia's commitment to delivering on the UN SDGs means that the government should actively seek to empower social innovators through legal and regulatory reform. Defining social enterprise and creating legal frameworks for social impact organisations would assist here, especially if tied to tax-breaks, procurement reform and improved supply-chain management. Signs of interest are emerging, however Cambodia can learn from social innovation policy frameworks in the region, such as Malaysia, South Korea, Thailand and others. Academia could play a key role here in producing evidenced-led policy papers designed to influence policy-makers and shape policy reforms.

The authors of this report recognise that these recommendations are challenging, and that some will be more medium to long-term goals. Nevertheless, it is important to aspire to achieve maximum impact and set stretch targets when seeking to change the nature of and scale ecosystems, and social innovation is no different. Indeed, there is huge potential in the

Cambodian social innovation sector, with high impact already being achieved. What is needed now is to achieve the critical mass required to exponentially grow the sector.

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