



Title	Solution to community integration of disabled employee : a case study of Powermart social enterprise
Author(s)	Wu, Aisi
Citation	Wu, A.. (2016). Solution to community integration of disabled employee : a case study of Powermart social enterprise. (Thesis). University of Hong Kong, Pokfulam, Hong Kong SAR.
Issued Date	2016
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MNPM 7013 Capstone Project

Group Project

Solution to Community Integration of Disabled Employee:

A Case Study of Powermart Social Enterprise

PART 3

**Challenges to Balance Social and Economic Value Creation
in the Context of Hong Kong NGO-operated
Work Integration Social Enterprises**

By

WU Aisi

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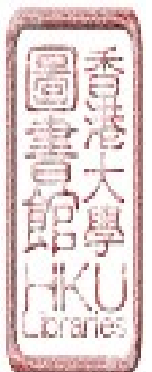
A capstone project in partial fulfillment for the degree of

Master of Social Sciences in Nonprofit Management

Department of Social Work and Social Administration

The University of Hong Kong

June 2016

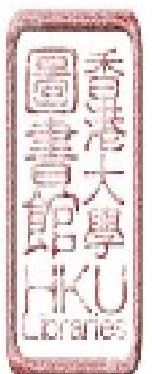


Declaration

I declare that this Capstone Project Report, entitled ‘Challenges to Balance Social and Economic Value Creation in the Context of Hong Kong NGO-operated Work Integration Social Enterprises’, represents my own work, except where due acknowledgement is made, and that it has not been previously included in a thesis, dissertation or report submitted to this University or any other institution for a degree, diploma or other qualification.

[Signed]

WU Aisi



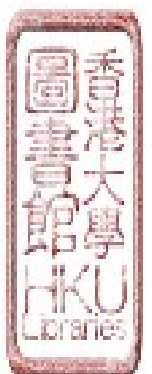
Acknowledgements

I would like to express my heartfelt gratitude to Dr. Lori M. Noguchi, my capstone project supervisor, for her inspiring guidance and excellent supervision throughout the process of this project, without which this piece of work would hardly have been completed. And the greatest thanks to my teammates Ms. Cheng Yanqing and Ms. Keung Kim Yee, for their collaboration, help and tolerance during the whole project.

I also want to thank lecturers, staff members and students from the first class of Master in Nonprofit Management, for their help and inspiration over the past fruitful year and the unforgettable memory we created together.

Special thanks to Mr. Ng Wing Ki, Executive Director of Hong Kong Rehabilitation Power, for his permission to launch this capstone project and his generous support during the data collection. I would also like to thank all the colleagues who have participated in our interview and who have given us advice for the project.

Last but not least, I am so lucky to have persistent support from my husband Mr. Yang Huibin, for his understanding and encouragement on me to accomplish this project and to contribute in the nonprofit sector.



Abstract

This capstone project examines NPO-operated Work Integration Social Enterprises' (WISEs) internal management challenges, with the focus on how to balance their dual mission in social value creation and economic value creation under the Hong Kong context. The objectives of this project are to unveil the trade-offs in WISEs' dual value creation system in different managerial aspects, to discuss the cause behind the trade-offs as well as to provide solutions to reduce them. To answer this question, the Powermart social enterprise was analyzed as a study case with a framework named effective management of social enterprises, to review how Powermart was trapped in the process to balance its social and economic value creation, and what Powermart could do to reduce these trade-offs and thus overcome the internal management challenges.

This project analyzed 7 out of 9 internal management factors which are significant to Powermart. It argued that the nature of being an NPO-operated WISE limits Powermart to balance its dual value creation system because some special challenges were discovered in the case, such as the perception gap caused by insufficient communication, insignificant organizational culture to motivate staff, less focus on business strategies due to the lack of business / hybrid personnel, need to develop systematic training program and performance measurement system with limited resources, etc.

The project concluded that three areas should be focused for Powermart to overcome the management challenges, which include developing an inclusive culture to embrace WISEs' hybridity, mobilizing resources to enhance capacity in both social and financial aspects, and adopting a human-centered approach for future business development.

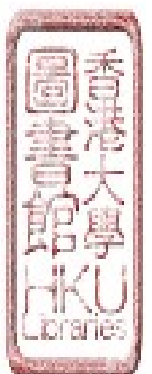
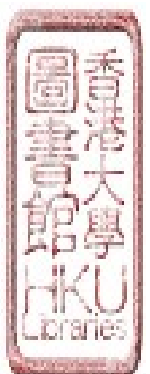
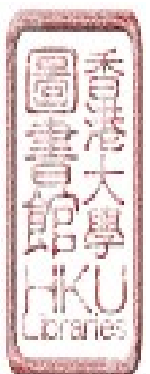


Table of Contents

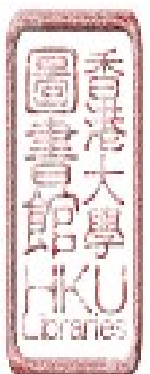
Declaration.....	i
Acknowledgements.....	ii
Abstract.....	iii
Table of Contents.....	iv
List of Tables and Figures.....	vii
Abbreviation.....	viii
Chapter One Introduction.....	1
1.1 Focus, Objective and Background of the Project.....	1
1.2 Research Question and Propositions.....	3
1.3 Overview of Analytical Framework.....	4
1.4 Research Methodology.....	5
1.5 Chapter Outline.....	5
Chapter Two Analytical Framework & Methodology.....	6
2.1 Analytical Framework: Effective Management of Social Enterprise.....	6
2.2 Methodology.....	7
Chapter Three Description & Review of the Context, Literature.....	13
3.1 Literature Review.....	13
3.1.1 Characteristics in Social Enterprises' Dual Value Creation.....	13
3.1.2 Solutions to Reduce the Trade-Offs between the Creation of Social Value and Financial Value.....	15
3.2 Policy Review.....	16



3.2.1	The Rise of NPO-Operated WISE in Hong Kong.....	16
3.2.2	Related Policy Support on NPO-Operated WISEs' Development.....	17
Chapter Four	Discussion & Review of Powermart Case	19
4.1	Background of Powermart.....	19
4.2	Current Performance of Powermart in Achieving Dual Mission.....	20
4.3	Unsatisfactory Performance in Dual Value Creation.....	22
Chapter Five	Finding & Discussion.....	23
5.1	Dual Value Creation.....	23
	Confusing Definition in Social Mission.....	23
	Different Emphasis in Powermart's Dual Mission among Staff from Different Tiers	24
5.2	Leadership	26
	Leader's Background.....	26
	High Turnover Rate in the Shop Supervisor Position	27
5.3	Culture.....	28
	Limited Communication between Frontline and Back Office Staff	28
	Lack of Mutual Help among Frontline Staff.....	28
5.4	Strategy.....	29
	Lack of Business Strategies.....	29
	Turn Social Value into a Selling Point	30
5.5	Human Resources	30
	Lack of Incentive System.....	31



Training Scheme for Shop Supervisor and Shop Assistants Needs to be Improved	32
5.6 Performance Measurement	33
Vague Definition in Social Mission Caused Confusion in KPIs	33
Lack of Measurement for the Qualitative Part of Social Impact.....	34
Unclear Performance in Business Effectiveness.....	35
5.7 Financing	35
5.8 Summary for Chapter Five.....	35
Chapter Six Conclusion and Recommendation	37
6.1 Overall Observations and Recommendation.....	37
Hybridity and Inclusiveness	39
Resources Mobilization.....	40
A Human-centered Approach	40
6.2 Limitation of the Studies	41
6.3 Concluding Comments.....	42
References	43
Appendix Summary of Deliverables	46



List of Tables and Figures

Figure 1 A Mapping Framework: Effective Management of Social Enterprise

Figure 2 Powermart's Operating Income and Expenses

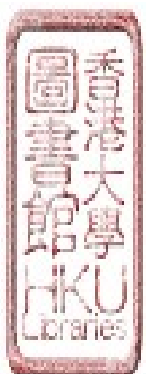
(April 2013 – December 2015)

Table 1 Interviewees' Basic Information

Table 2 Semi-Structured Interview Framework for Management Staff

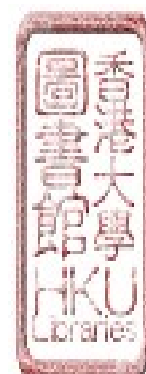
Table 3 Semi-Structured Interview Framework for Frontline Staff (Beneficiaries)

Table 4 Three Perspectives to Review the Challenges



Abbreviation

Abbreviation	Full Name
3Es Project	'Enhancing Employment of People with Disabilities through Small Enterprise' Project
CUHK	The Chinese University of Hong Kong
ERB	Employees Retraining Board
ESR Fund	Enhancing Self-Reliance through District Partnership Fund
HKRP	Hong Kong Rehabilitation Power
HKU	The University of Hong Kong
KPI	Key Performance Indicators
LSGS	Lump Sum Grant System
NPO	Nonprofit Organization
ROI	Return on Investment
SIA	Social Impact Assessment
SMEs	Small- and Medium-Sized Enterprises
SROI	Social Return on Investment
SWD	Social Welfare Department
WISE	Work Integration Social Enterprise



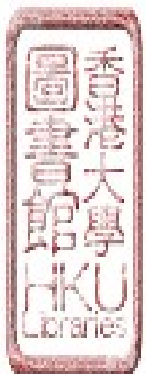
Chapter One

Introduction

1.1 Focus, Objective and Background of the Project

This capstone project examines NPO-operated Work Integration Social Enterprises' (WISEs) internal management challenges, with the focus on how to balance their dual mission in social value creation and economic value creation under the Hong Kong context. The objectives of this project are to unveil the trade-offs in WISEs' dual value creation system in different managerial aspects, to discuss the cause behind the challenges as well as to provide solutions to overcome them.

At the beginning, this project first reviewed social enterprises' hybrid characteristics, then the challenges that are usually discovered in social enterprises' dual value creation system. Social enterprises' hybridity in combining the pursuance of social mission with a sustainable business model has turned social enterprises into a hot topic worldwide. The concept of *double bottom line* is commonly used to describe social enterprises' hybrid nature and to evaluate their performance as well. Although the social enterprise model sounds perfect to contribute both in social value actualization and financial sustainability, management challenges such as trade-offs which will lead to sacrifice in either one of the dual mission to maintain the business, and the risk of mission drift (Ebrahim, Battilana & Mair, 2014), exist when attempting to balance the social enterprises' dual value creation in practice.

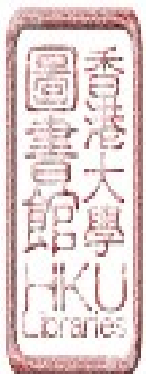


The balance of dual value creation can be more challenging in WISEs. On the one hand, WISEs' fixed model to provide vocational training and employment to the disadvantaged people may restrict them from adopting a more effective and innovative model to balance their dual value creation system. On the other, being what Ebrahim, Battilana, & Mair (2014) identified as the combination of integrated hybrids and differentiated hybrids, WISEs have their own dynamics within the internal management challenges which deserve more research on it.

This project also reviewed the policy influence on the emergence of WISEs in Hong Kong, especially in the part of NPOs' marketization. More and more nonprofits in Hong Kong are becoming interested in transforming the traditional social services into a more self-sustainable social enterprise model. With the Government's funding support since 2001 when the 'Enhancing Employment of People with Disabilities through Small Enterprise' Project (3Es Project)¹ was launched, the number of social enterprises kept arising and has reached 457 until 2014 (Kee, Kan & Yeung, 2015), 83.3% of which identify their social mission as promoting work integration in 2014 (CUHK & SEBC, 2014). However, we argue that the nature as an NPO-operated WISE tends to create a negative effect on WISEs to balance their dual value creation in daily management.

To discuss the internal management challenges in depth, we adopted the Powermart social enterprise as our study case. Powermart is a typical NPO-operated WISE in Hong Kong who is suffering from the negative impact brought by its internal conflicts in balancing the dual value creation. Opened by Hong Kong Rehabilitation Power (HKRP) in September 2013, Powermart is a mini supermarket located at the new campus of The University of

¹ More details about 3Es Project: <http://www.mcor.swd.gov.hk/en/project/overview.htm>

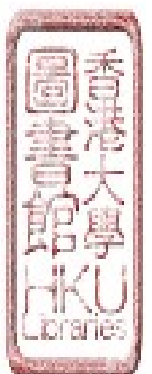


Hong Kong (HKU), providing quality retail services to HKU community. Powermart has a mission to empower people with disabilities through on-the-job retail training and encourage them to re-integrate into the society via open employment after the training. After more than two year's operation, Powermart is still struggling to achieve its dual objectives. Problems occurred such as difficulties in maintaining high human resource cost for training and job placement, lack of professionals to scale up the business, unsatisfactory training outcomes, etc. It runs into bottleneck to push forward social integration of disabled employees and at the same time to be financially sustainable.

1.2 Research Question and Propositions

Scholars have identified that WISEs are facing internal identity conflicts like the trade-offs between social value creation and economic value creation, and external limitations like insufficient policy support in capacity building. Some even proposed solutions on how to reduce the trade-offs in social enterprises' daily operation. However, existing research seldom reviews how do WISEs' internal identity conflicts in dual value creation reflect in different managerial aspects, especially in the context of social enterprises operated by NPOs in Hong Kong.

This project thus carried out an in-depth research to explore the internal management challenges faced by WISEs, which are operated by Hong Kong NPOs, in balancing the social value creation and economic value creation. The cause behind the challenges was also discussed. During the research, Powermart was chosen as the study case because it represents the most common NPO-operated WISEs in Hong Kong, and it currently faces severe internal management challenges to excel in both social value creation and economic value creation. Through the case study, this paper unveiled the challenges faced by Powermart in different managerial aspects, at the same time tried to throw light on how to



effectively manage a WISE via internal management.

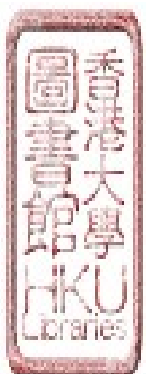
In this project, a major focus will be the strategies that influence social enterprise's management. Through the study of Powermart's management challenges, it is possible to learn lessons from failures and come up with effective strategies for internal management. Direct beneficiaries of this project will be the management team of Powermart, indirect beneficiaries will be other NPO-operated WISEs who encountered similar internal management challenges who are expected to draw reference from this project.

This project explored the following four parts to find out Powermart's management challenges in balancing its social value creation and economic value creation:

- 1) How are Powermart's social mission and financial goals identified within the organization?
- 2) How do Powermart's social value creation and economic value creation influence each other?
- 3) How does the relationship between social and financial performance shape Powermart's strategies in different managerial aspects?
- 4) How to reduce or overcome the management challenges and maximize Powermart's performance in dual value creation via improvement in management strategies?

1.3 Overview of Analytical Framework

The analytical framework, which will be discussed in Chapter Two, adopted the mapping framework of social enterprise's effective management proposed by Social Enterprise Knowledge Network (2006). Because our primary focus is Powermart's internal management challenges, our analysis only adopted the 7 most related and significant aspects of internal management to analyze our findings.



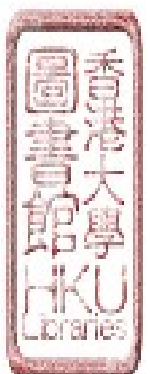
1.4 Research Methodology

In the section of literature review on social enterprises' internal management challenges and the section of policy review of NPO-operated WISEs in Hong Kong, this project made reference to publications and government websites. These papers and websites provided fundamental information about social enterprises' internal identity conflicts and external limitations.

In the case study of Powermart, this project collected data primarily from desk research of organization documents and semi-structured interview of HKRP's staff related to Powermart social enterprise, with supplementary information based on the author's personal observation as employees of HKRP.

1.5 Chapter Outline

The paper is structured as follow: Chapter Two introduces the analytical framework and methodology of the project; Chapter Three discusses literature review related to social enterprises' characteristics and management challenges, and policy review of Hong Kong's NPO-operated WISEs; Chapter Four outlines the case of Powermart; Chapter Five gives a comprehensive analysis of the internal management challenges discovered in the Powermart case from the perspective of effective management; Chapter Six concludes with practical recommendations on how to improve Powermart's management performance in the process of dual value creation.



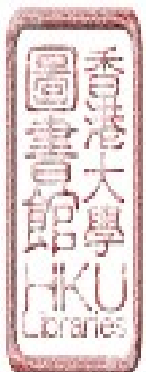
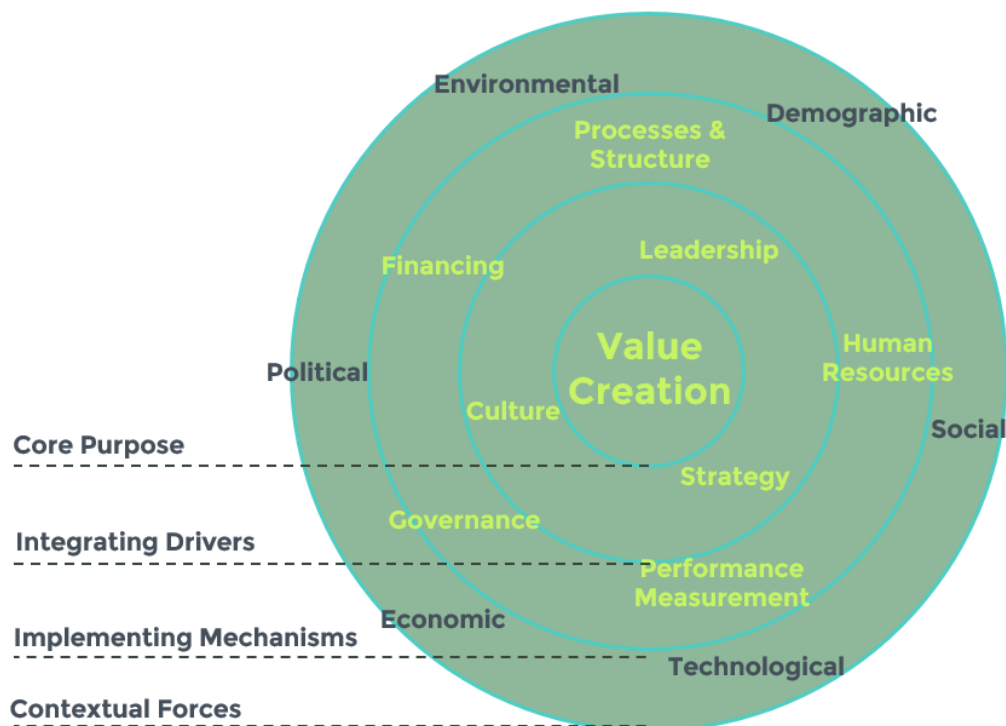
Chapter Two

Analytical Framework & Methodology

2.1 Analytical Framework: Effective Management of Social Enterprise

In order to identify the challenges for NPO-operated WISEs to handle their internal identity conflict and to balance their dual value creation in a systematic way, this project adopts a framework of Effective Management of Social Enterprises proposed by Social Enterprise Knowledge Network (2006) to analyze the findings and discussion. Figure 1 shows the details of the framework.

Figure 1 A Mapping Framework: Effective Management of Social Enterprise



This framework is composed of four general elements and fifteen influencing factors. As the project primarily focuses on WISEs' internal management challenges, only the first three general elements will be evaluated, which are Core Purpose, Integrating Drivers, and Implementing Mechanisms. For Contextual Forces which discuss the influence from the external environment, it will not be discussed in this paper due to the limitation of research scope.

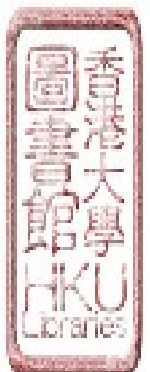
According to Social Enterprise Knowledge Network (2006), the core purpose of a social enterprise is its value creation, which may refer to its dual mission to achieve success in financial and social activities. Leadership, Culture and Strategy are three managerial components that function to support and boost social enterprises' dual value creation. The last but one circle includes five components relating to daily practices, which are Processes & Structure, Human Resources, Performance Measurement, Governance and Financing.

With this framework, social enterprises shall be able to identify their management issues comprehensively and accurately, or even try to find out possible solutions.

2.2 Methodology

Before analyzing the Powermart case, this project first started with literature review of social enterprises' characteristics in their dual mission, to understand the internal identity conflicts in dual value creation faced by social enterprises, and some possible solutions proposed by scholars. It then analyzed Hong Kong policies related to the rise of NPO-operated WISEs and how they failed to support NPO-operated WISEs' development.

The third step was to collect data of the Powermart case. As part of the group project, data was jointly collected with two other students, Cheng Yanqing and Keung Kim Yee, from



Master of Social Sciences in Nonprofit Management, The University of Hong Kong. The period of data collection was from January 2016 to April 2016.

We used three methods to collect the data:

1) Desk research

We analyzed existing organization documents to understand the overall background of Powermart, identify Powermart’s social mission and financial goals, and have an overview of Powermart’s current performance in creating its dual values. Documents such as organization background introduction, Powermart’s income and expenses report, Powermart’s disabled employees’ data was studied.

2) Semi-structured interview

We carried out 9 individual semi-structured interviews for 5 management staff and 2 frontline staff respectively. Table 1 shows the interviewees’ basic information.

Table 1 Interviewees’ Basic Information

Code	Category	Position	Job Responsibility	Disability
A1	Management Staff	Executive Director	Monitoring the overall operation and development of Powermart	No
A2	Management Staff	Social Enterprise Officer	Monitoring Shop Operation, Procurement, Business Development, Funding	No



			Application and Reporting, Technical Support	
A3	Management Staff	Admin Officer	Administration, Human Resources and Accounting related to Powermart	No
A4	Management Staff	Part-time Consultant	Consultancy on Procurement and Shop Operation	No
A5	Management Staff	Shop Supervisor	Shop Operation, Communication with Back Office	Yes
B1	Frontline Staff	Shop Assistant	Shop Operation	Yes
B2	Frontline Staff	Shop Assistant	Shop Operation	Yes

Interview framework for management staff and frontline staff is different. The purpose to interview management staff is to study staff's perception on Powermart's dual value creation system, challenges and gaps encountered in daily work, evaluation of Powermart's current performance and suggestions for Powermart's future development. While the purpose to interview frontline staff is to understand their feedback as a beneficiary towards Powermart. We used a semi-structured interview because we want to give interviewees more freedom to talk about the difficulties they are facing in daily operation.

Table 2 shows the interview framework for management staff and questions asked in each section. The design of the interview framework for management staff is based on the four questions about Powermart's challenges in dual value creation as stated above in Section 2.1. Positioning Targeted Problems.

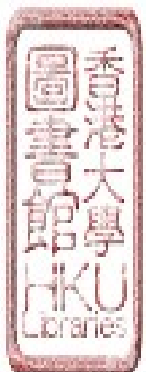
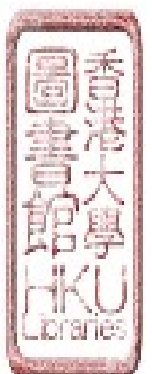


Table 2 Semi-Structured Interview Framework for Management Staff

Sections	Proposed Questions
<p>Perception of dual mission of Social Enterprise</p>	<ul style="list-style-type: none"> ● Do you know the mission of Powermart as a social enterprise? ● If only one aspect of the dual mission was recognized, why you think the other part cannot be considered as Powermart's mission?
<p>Balance between social and financial mission</p>	<ul style="list-style-type: none"> ● Which one is your first priority to Powermart? Social mission achievement or financial sustainability? ● What is your biggest achievement and obstacle to operating Powermart? ● Do you think that hiring people with disabilities will have unexpected help for Powermart's operation? Does it help improve Powermart's profitability?
<p>Experience on performance evaluation</p>	<ul style="list-style-type: none"> ● What are the KPIs for your operation? How is Powermart's current performance? ● How would you evaluate Powermart's performance? Especially in the aspect of fulfilling its social mission? ● What is the existing evaluation mechanism? If there isn't one, what are the difficulties in establishing an evaluation

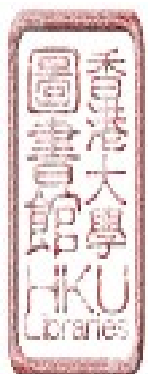


	mechanism? Are you planning to launch one?
Social impact evaluation	<ul style="list-style-type: none"> ● Did you see any changes from employees with disabilities after working in Powermart? What about their caretakers? ● What are the social impacts brought by Powermart from your perspective? (For example the influence to HKU as a community, to students and staff)

Table 3 shows the interview framework for management staff which is designed by my teammate Cheng Yanqing. The design of the interview framework for frontline staff is based on beneficiaries' satisfaction of working in Powermart. The result is used to cross-reference with some points raised by management staff.

Table 3 Semi-Structured Interview Framework for Frontline Staff (Beneficiaries)

Sections	Proposed Questions
Income	<ul style="list-style-type: none"> ● How does the money earned from this job influence your life quality? ● How much are you satisfied with the income level? (Score 1-10)
Job training and job content	<ul style="list-style-type: none"> ● What kind of job training have you participated in Powermart? How many times?

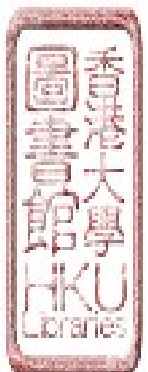


	<ul style="list-style-type: none"> ● What is your daily job responsibility? ● How much are you satisfied with your performance?(Score 1-10)
Working environment	<ul style="list-style-type: none"> ● Are you content with the working facilities? ● How much do you like your colleagues? (Score 1-10) ● How many of them can be your friends in your life? In what level?
Community interaction	<ul style="list-style-type: none"> ● Do you actively interact with the HKU students or faculty members? ● How much do they bring meaning and happiness to your daily life? (Score 1-10)
Satisfaction to Powermart	<ul style="list-style-type: none"> ● How much do you like working in Powermart? (Score 1-10) ● Do you have any suggestion for Powermart's development?

3) Personal observation as an insider

Being part of the middle management, some personal observation will also be written down as a reference for the research if it is proved to be reasonable.

The last step was to analyze data collected from the desk research and semi-structured interviews. Data analysis was based on the framework of Effective Management of Social Enterprises as shown in Figure 1, to articulate the internal management challenges unveiled in Powermart case and try to identify possible solutions._____



Chapter Three

Description & Review of the Context, Literature

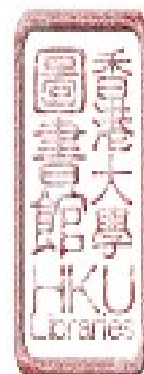
3.1 Literature Review

Section 3.1.1 reviews the papers about social enterprises' characteristics in dual value system, a dynamic relationship between social value creation and economic value creation, and the synergies such as cross-subsidization and challenges such as trade-offs and mission drift between social and financial value creation. Section 3.1.2 reviews some solutions to overcome the internal management challenges.

3.1.1 Characteristics in Social Enterprises' Dual Value Creation

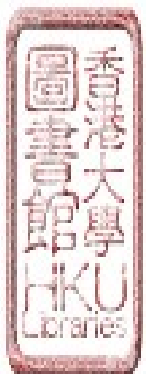
Social enterprise has its distinctive feature being a hybrid organization (Battilana & Lee, 2014). The common description of social enterprise's hybridity is it aims to resolve social problems through a business model (Ebrahim, Battilana & Mair, 2014). Therefore, a social enterprise's success is usually evaluated in two aspects: its *social value* and *economic value* (Social Enterprise Knowledge Network, 2006; Zainon et al., 2014), which are also named as social enterprises' double bottom line. It is important to highlight that a successful social enterprise should be able to create both social value and economic value, failing to achieve a good result on either side will be considered as unsuccessful. Some social enterprises may have a triple bottom line if they integrate environmental sustainability into their mission (The Economist, 2009; Gimenez, Sierra & Rodon, 2012), but this is out of our research scope.

The economic value of a social enterprise is similar to for-profit companies, which is about the generation of *material wealth* by attracting clients to pay for the product/service with a



value higher than its cost (Social Enterprise Knowledge Network, 2006). On the contrary, the definition of a social enterprise's social value is more complex because social value creation is about actualizing the social mission while each social enterprise has quite a different focus on this part. A general definition of social value could be the achievement with a *socially desirable objective* (Social Enterprise Knowledge Network, 2006). For a WISE, the social mission could be lower down the income barrier for the disadvantaged group through vocational training and employment on the one hand; voice out the need and rights related to employment for the disadvantaged group on the other.

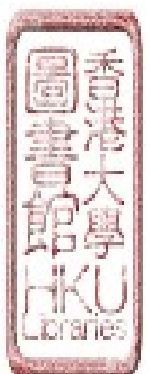
The relationship between social value creation and economic value creation, or we can say the relationship between social activities and economic activities (Ebrahim, Battilana & Mair, 2014), within a social enterprise is dynamic. The first type of social enterprises successfully integrates social value creation and economic value creation into one activity (Social Enterprise Knowledge Network, 2006; Ebrahim, Battilana & Mair, 2014), whose beneficiaries are the same as their customers. Examples can be microfinancing organizations and Light Be Project in Hong Kong renting low price apartments for single mothers. The second type of social enterprises differentiates social activities and economic activities, meaning that their beneficiaries are different from their customers (Social Enterprise Knowledge Network, 2006; Ebrahim, Battilana & Mair, 2014). For example, the organizations promoting fair trade products. The third type of social enterprises are partially integrated and partially differentiated (Ebrahim, Battilana & Mair, 2014). The example is WISEs, which are the paper's main focus. WISEs' have separate groups of beneficiaries and customers, but their social activities in job-related training and employment are linked with their economic activities. The complex relationship between social value creation and economic value creation in WISEs may create more problems in pursuing social enterprises' dual mission.



In addition to categorizing social enterprises into integrated and differentiated organizations, the mutual influence between social value creation and economic value creation also varies. The positive impact can be the *cross-subsidization* (Social Enterprise Knowledge Network, 2006; Battilana, Sengul, Poche & Model, 2015), meaning that social activities and economic activities are positively related to each other: more money received from economic activities support more social activities and create more social value, while higher social impact will attract more people to their economic activities. The negative impact can be the trade-offs and even the risk of mission drift (Ebrahim, Battilana & Mair, 2014) appeared in a social enterprise. Mission drift may happen elsewhere than social enterprise but has a higher risk in social enterprises because they depend on economic activities to survive the business and tend to give priority on that (Ebrahim, Battilana & Mair, 2014; Battilana et al., 2015). Yet mission drift is not limited to overlook social enterprise's social value by focusing on their economic activities and their clients alone, it also refers to the over emphasizing on social value that hinders social enterprise's financial performance (Cornforth, 2014). In both scenarios, the essence of being a social enterprise will be questioned. The negative impact in WISE is more severe because it has been proved that both *social imprinting* and *economic productivity* are positively associated with WISEs' social performance, but *social imprinting* and *economic productivity* are negatively associated (Battilana et al. 2015).

3.1.2 Solutions to Reduce the Trade-Offs between the Creation of Social Value and Financial Value

Scholars have proposed some solutions to reduce social enterprises' 'internal identity challenges' (Battilana et al., 2015, p.1679) caused by its hybrid nature. Ebrahim, Battilana, & Mair (2014) highlighted the importance of organizational governance, mainly led by the



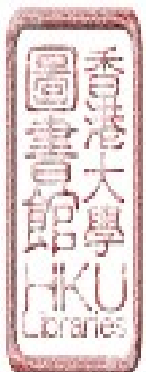
board and managers, to answer the questions of ‘*accountability for what*’ because the board and managers are responsible for monitoring social and commercial activities’ relationship and achievement. Battilana et al. (2015) suggested creating a ‘space of negotiation’ within the WISEs to prevent conflicts between social service managers and financial activity managers through the communication of trade-offs they are facing. Social Enterprise Knowledge Network (2006) came up with a mapping framework of effective management in social enterprise as shown in Figure 1, to offer guidance on how to effectively balance the dual value proposition system in both private-owned and NPO-operated social enterprises. However, these solutions are not based on the Hong Kong context, nor did they consider the double restriction being a WISE as well as being operated by a nonprofit organization. Overall, the main consideration is to maintain a productive tension (Battilana et al., 2015) between the creation of social value and economic value within a social enterprise.

3.2 Policy Review

3.2.1 The Rise of NPO-Operated WISE in Hong Kong

The emergence of WISEs in Hong Kong is closely related government policies after the financial crisis in 1997 (Ho and Chan, 2010): in order to control the rising unemployment rate caused by economic decline, government started to provide seed money for the third sector to establish income-generating projects especially targeting the disadvantaged groups who have greater difficulties to find a job in open market. For examples, 3Es Project was launched in 2001 by Social Welfare Department to support the employment of people with disabilities, and the Enhancing Self-Reliance through District Partnership Fund (ESR Fund)² was launched in 2006 by Home Affairs Department with the purpose

² More details about ESR Fund: http://www.had.gov.hk/en/public_services/en_self_reli/index.htm

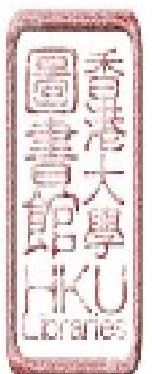


of community-based poverty alleviation. Government funding thus became the major incentive (Li & Wong, 2007; Ho and Chan, 2010) for NPOs to launch WISEs as a new service to alleviate poverty (CUHK & SEBC, 2014).

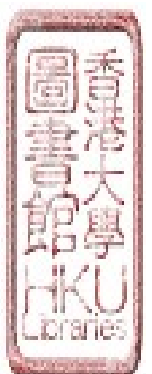
Another factor that has led to NPOs operating self-financing social enterprise projects is the *New Public Management Reform*, which also appeared in the 1990s. The most significant change in the social service sector was the launch of Lump Sum Grant System (LSGS) which offers more flexibility for NPOs to use government subvention within the ceiling amount (Lee & Haque, 2006). However, Lee & Haque (2006) also stated that the core of New Public Management Reform is indeed marketization of the social sector with emphasis on budget control. The side effect of government subvention with ceiling amount is that NPOs have to explore new approaches either for fundraising or for self-financing, particularly the criteria to define a ceiling is still benchmarking ‘the Master Pay Scales in 31 March 2000’ (Lump Sum Grant Independent Review Committee, 2008) which remains unchanged for over 15 years. With the government seed funding, social enterprises became popular among Hong Kong NPOs. In 2014, 60% of social enterprises in Hong Kong are registered or operated by NPOs (CUHK & SEBC, 2014).

3.2.2 Related Policy Support on NPO-Operated WISEs’ Development

Legislative Council Secretariat of Hong Kong has conducted a research comparing Hong Kong’s social enterprise policies with two other countries in 2007. The research identified problems such as insufficient hybrid training support and insufficient hybrid human resources (Li & Wong, 2007) among social enterprises. The research also indicates that although Trade and Industry Department provides business training for small- and medium-sized enterprises (SMEs), they are not systematically organized, and not specifically designed for hybrid organizations with dual value proposition like social



enterprises. Due to the insufficient policies support in the development stage, NPO-operated WISEs may face more difficulties after they passed the start-up period.



Chapter Four

Discussion & Review of Powermart Case

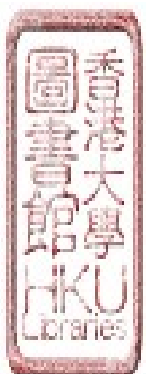
This Chapter introduces the background of Powermart and its current performance both in achieving the social mission and financial sustainability primarily based on the desk research of Powermart's documentation.

4.1 Background of Powermart

Like many other social enterprises in Hong Kong, Powermart was operated by a local charitable organization under the support from 3Es Project since September 2013. Situated at the new campus of The University of Hong Kong, Powermart aims to provide training and employment to people with disabilities through the retail services. Its mother organization, HKRP, has been working in the field for over fifteen years, with five retail shops in public hospitals to provide similar training and employment for people with disabilities. However, Powermart is HKRP's first trial to launch a mini-supermarket on campus. According to Interviewee A1, Powermart has a different strategic position for HKRP comparing to other retail shops in hospitals:

“We target Powermart as a milestone for Rehab Power (HKRP) because it is the mini supermarket managed by the disabled on campus. It is also the first retail shop of Rehab Power not being located in hospitals. This will provide a brand new working experience for our disabled staff.” (From interview notes of Interviewee A1, 30 March 2016)

Powermart also differs from HKRP's other retail shops because of its unique self-positioning. Instead of a convenience store selling medical and rehab products to patients,



Powermart positions itself as a lifestyle mini supermarket by selling groceries to HKU students, staff and visitors. Managing Powermart is a new challenge for HKRP because not all the experience in operating hospital retail shops can be borrowed to Powermart's case.

4.2 Current Performance of Powermart in Achieving Dual Mission

Powermart adopts the same social mission of its mother organization, which is to *empower the disabled to develop*; as for the financial mission, Powermart does not have a clear goal on that but a baseline to be self-sustainable.

For Powermart's performance in achieving financial goals, Figure 2 displays the monthly income and expenses of Powermart since April 2013 to December 2015. Noted that although Powermart opened for service in September 2013, it signed a contract with HKU in Apr 2013 and some expenses have been paid for the preparation of opening since then. Although Powermart's financial performance in the year 2015 is better than the year 2014, with 18% increase in income and 2% decrease in expenses, it is obvious that Powermart's income, including the sales incomes and government funding support for operation, is not sufficient to cover its expenses during most of the time. Also, fluctuation exists in incomes because sales drop significantly during the semester break. For example, sales income in November 2013 was HK\$116,195.9 and it dropped to HK\$68,321.75 in December 2013 because of the end of the first semester and the Christmas holiday. In order to become financially sustainable, Powermart's monthly average sales have to reach HK\$120,000.

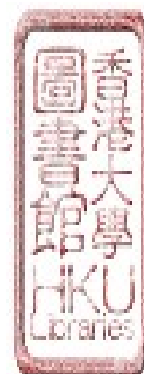
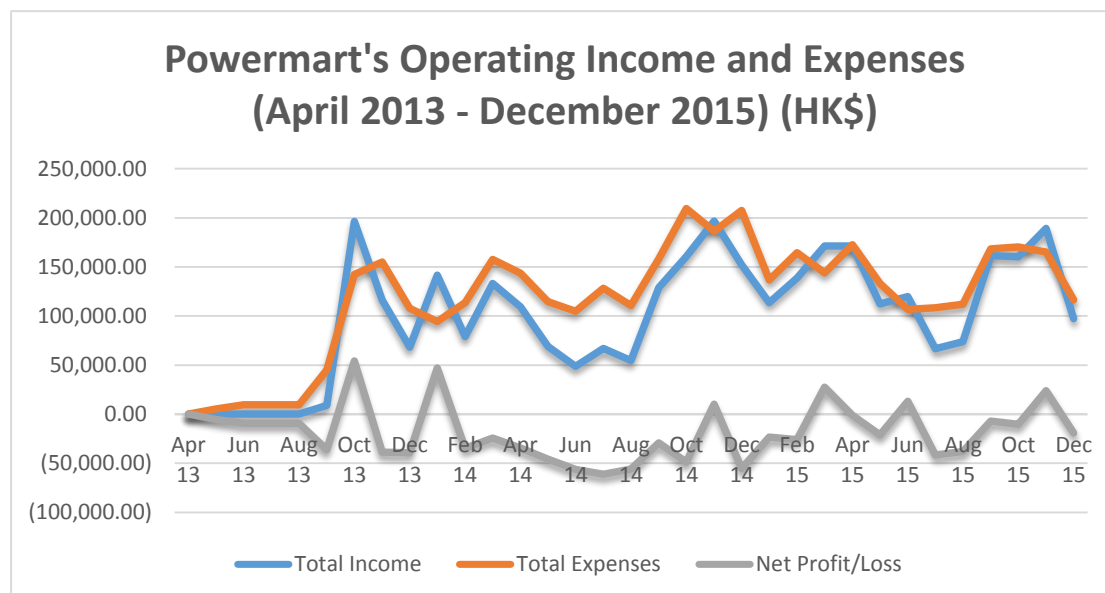


Figure 2 Powermart's Operating Income and Expenses
(April 2013 – December 2015)

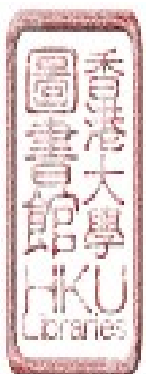


As for Powermart's achievement in its social mission to *empower the disabled to develop*, it is difficult to define the achievement in practice because the definition of *development* is broad. The confusing definition of Powermart's social mission will be discussed in depth in next chapter. Powermart provides two different services to fulfill the social mission: first it offers direct employment to people with disabilities, second it co-operates with HKRP's Training and Employment Department (T & E) to provide internship for trainees from T & E. Therefore, to evaluate Powermart's social performance, managers of Powermart mainly look at number of disabled trainees and number of disabled employees. Since its operation, Powermart has trained 15 disabled trainees and recruited 23 disabled employees (out of 32 employees). The percentage of disabled staff is over 70%, which is also the criteria set by HKRP to its other WISEs. Judging from the percentage, Powermart has given itself a higher requirement comparing to the requirement set by its funding body 3Es Project which requires over 50% of disabled staff in the funding business.



4.3 Unsatisfactory Performance in Dual Value Creation

Based on the overview of Powermart case, we discovered that Powermart is struggling to be financially break even since its first day of operation. While in the part of creating social value, although Powermart has recruited a number of disabled trainees and employees, the outcome of the social service provided by Powermart and the feedback from beneficiaries remain unclear, more details are needed to judge Powrmart's performance in social activities.



Chapter Five

Finding & Discussion

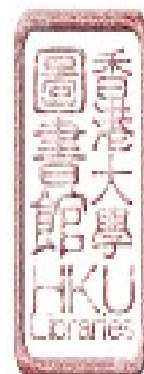
In this chapter, we refer to the internal influencing factors in the mapping framework of effective management in social enterprise (Social Enterprise Knowledge Network, 2006) to analyze findings, namely Powermart’s management challenges in balancing its dual value creation in 7 managerial aspects, discovered from the collected data. We will also discuss the cause of these challenges and their influence to Powermart’s performance.

5.1 Dual Value Creation

Dual Value Creation is the core of a social enterprise because it is a social enterprise’s *raison d’être* (Ebrahim, Battilana & Mair, 2014), and it influences a social enterprise’s management in all aspects. Chapter Four has introduced Powermart’s definition and current performance in its dual value creation. During our research, we discovered several issues related to Powermart’s dual value creation system.

Confusing Definition in Social Mission

In fact, the definition of Powermart’s social mission is not clear enough to guide Powermart’s development. The definition of “empowering the disabled to develop” is blurred for Powermart as a WISE because it failed to identify what will Powermart empower the disabled in the field of employment and how Powermart can do that. According to Social Enterprise Knowledge Network (2006), Powermart’s social mission can be defined as to remove the employment barriers for the disabled which hinders social inclusion. But the solutions to remove employment barriers can be varied, Powermart may either focus on improving disabled employees’ working abilities through vocational



training and then refer qualified disabled employees to other employers; or just focus on business expansion to create more job opportunities for the disabled and regardless the successful rate of disabled employees' open employment.

The blurring definition in social mission not only confused management staff to develop appropriate management strategies to satisfy their beneficiaries, but also blocks Powermart to achieve better financial performance because when Powermart is trying to fulfill its social mission both in training and employment, it actually puts itself in a dilemma as what Interview A1 mentioned:

“When we trained up the disabled staff, we have to send them out for open employment. Therefore, we are always in shortage for good staff. And for our Shop Supervisor, he needs to devote a lot of time to train the disabled staff whilst to manage the shop's daily operation.”

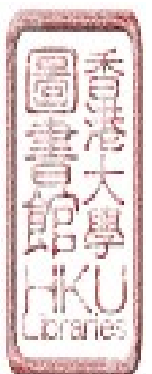
(From interview notes of Interviewee A1, March 2016)

This dilemma reduced Powermart's overall productivity as the quality of employees are not stable and the personnel is not enough to handle both training and shop management.

Different Emphasis in Powermart's Dual Mission among Staff from Different Tiers

The semi-structured interview result shows that staff from different tiers don't share the same understanding in Powermart's dual mission. Management staff in back office consider actualizing social mission is more important than making profit:

“I don't think that every shop (in HKRP) has to make a profit.” (From interview notes of Interviewee A1, March 2016)



“We need to lower down our expectation of Powermart’s economic value to achieve its social value.” (From interview notes of Interviewee A2, March 2016)

“It provides a good training and employment platform for the disabled to re-integrate into the society.” (From interview notes of Interviewee A3, March 2016)

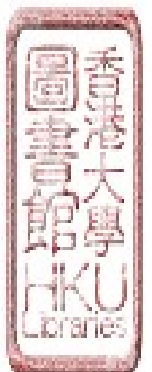
Management staff with frontline working experience think that achieving financial sustainability comes in the first place comparing to actualizing Powermart’s social mission:

“It is wrong to think that there’s no need for a social enterprise to make money. A social enterprise should earn money first before helping people. Failure in money making means unsmooth business operation and insufficient products supply; how can we train people when we are not performing well in business?” (From interview notes of Interviewee A4, March 2016)

“I don’t care about the concept of social enterprise. I do what I can to make more profit for the shop.” (From interview notes of Interviewee A5, March 2016)

And for Shop Assistants who are beneficiaries, although they know that Powermart is a social enterprise hiring people with disabilities, it makes no big difference for them comparing to other jobs. In other words, the notion of dual mission and blended value creation is not emphasized among frontline staff.

Different perception in Powermart’s dual mission among staff from different tiers may lead to complaints and conflicts among staff and require greater communication cost. For example, management staff from back office prefer to promote experienced disabled Shop Assistant as Shop Supervisor because it is a good way to acknowledge disabled employee’s



working ability, increase their confidence and motivate them to work harder. However, one of the management staff with frontline experience stated that experienced disabled Shop Assistant may not be qualified as a trainer to coach the trainees. For this reason, Powermart should hire an experienced Shop Supervisor from the business sector, who will not only be capable of making Powermart breakeven, but also train disabled employees to the same standard as in business sector. In this scenario, the perception gap broke the collaborative relationship between back office and frontline staff and became a communication obstacle among the staff of Powermart to work together for the balance in Powermart's social and economic activities.

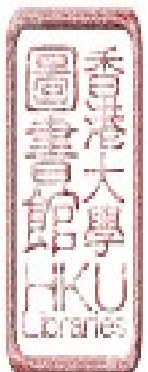
One of the causes for perception gap may be that it is difficult for Powermart to recruit employees who understand the hybrid value of social enterprise. Another reason may be Powermart did not provide on-boarding training about its dual value creation system for employees even it failed to recruit the ideal staff.

5.2 Leadership

Leader's Background

Powermart's management challenges in leadership can be concluded as lack of inclusiveness and empathy. As a leader of a hybrid organization, this person is better to have a hybrid background. Hybridity in leadership means that WISEs' leader should be capable of embracing knowledge from the nonprofit sector such as social service skills and from the private sector like business management skills, to enact cross-sectorial collaboration.

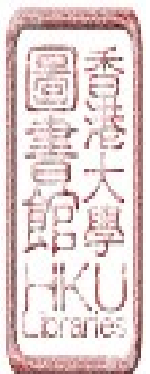
Interviewee A2, who is in charge of Powermart's overall operation, came from the business sector. Interviewee A2 spend much time in searching new suppliers for Powermart and



optimize the operation process for frontline staff, both actions are beneficial to Powermart's business development. However, since Interviewee A2 has not worked in the nonprofit sector before, he lacks the know-how to strengthen disabled employees' working ability although he understands the importance to fulfill Powermart's social mission. And because he focuses more on how to create economic value in Powermart, his connection with disabled employees become loose as he spends less time communicating with disabled employees about their need or lining up external training resources for them. The style of leadership thus had a direct impact on Powermart's dual value creation, as Interviewee A2 concentrates more on the economic activities, the effect of social activities are likely to be overlooked. In this case, there will be the risk of mission drift if the social activities remain neglected.

High Turnover Rate in the Shop Supervisor Position

The Leadership challenge also reflects in the Shop Supervisor position. Due to personal reason, the turnover rate in this position is much higher comparing to HKRP's other retail shops. Powermart has experienced 5 Shop Supervisors within 3 years, and each of them have their expertise and leadership style: one is devoted to staff training and can build up a united team to fight together for better sales; one has rich experience in HKRP's hospital retail shops but is very strict to staff; one used to be loyal employee in HKRP and now became Shop Supervisor, this person does not have strong ambition to strive for excellent business performance. The tricky thing is Shop Supervisor's behavior will have a strong influence on disabled employees and trainees because Shop Supervisor is the only trainer in the working place. Not only did the leadership style will decide how much the disabled employees and trainees can learn from this job, but also the frequency in changing new Shop Supervisor will foster tension and dislike among beneficiaries because they need more time to build up a relationship with new Shop Supervisors.



5.3 Culture

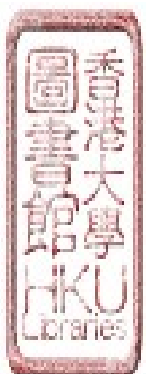
In the culture section, we would like to state that there're no strong characteristics in Powermart's organizational culture, which Powermart could have been used to as a soft power to motivate the staff to improve Powermart's performance in dual value creation.

Limited Communication between Frontline and Back Office Staff

In fact, one of the reasons that aggregate different perceptions in Powermart's dual mission as discussed in Section 5.1 is the communication gap between frontline and back office staff. Management staff from the back office and frontline gather once a month to review last month's performance and develop next month's business plan. Although the meeting's frequency is reasonable, staff usually spend most of the time discussing solutions for practical issues which, however, cannot be truly resolved during this meeting as admitted by one of the interviewees from the back office. Except this meeting, time for back office staff to visit Powermart is very limited which is about 1-2 times per month. Therefore, back office staff may not know the real problems of the shop whilst frontline staff may not have enough skills and resources to solve the problems they discovered, and plus the limited communication channel, Powermart's management challenges often need a long time to settle or still remain unsolved.

Lack of Mutual Help among Frontline Staff

Interviewee A1 expressed that he would like to foster the culture of understanding and encourage mutual help among staff (From interview notes of Interviewee A1, March 2016). This indicates that Powermart's mother organization has an intention to build up organizational culture within Powermart, however, the reality is different from what they have expected. Both Interviewee A1 and A2 shared the fact that conflicts exist among disabled staff, for example, some of them may hurt each other by stressing the other's



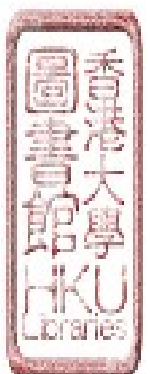
weakness. Similar scenarios also happened between able staff and disabled staff when the able staff feels incomprehensible that they should contribute more to support the disabled staff while the salary level is almost the same. Interviewee B1 also expressed he felt ‘unsatisfactory’ (From interview notes of Interviewee B1, March 2016) with his colleague because he tried to improve the relationship with his colleagues by telling jokes but they refuse to react to him. Lack of understanding and mutual help among frontline staff can be a huge negative influence on Powermart’s business performance because staff failed to function as a team and more severely, the conflict may hinder the service quality to customers if it is out of control, and this will lead to a direct decrease in business performance.

5.4 Strategy

Strategies are long-term systematic planning that guide and regulate WISEs’ operation towards their two-fold mission and ultimate vision. WISEs’ strategy should be an organic combination of social strategies and business strategies.

Lack of Business Strategies

The interview result states that Powermart mainly adopts the mindset of traditional NPOs to operate its business. This mindset manifests in that Powermart does not have a marketing plan to proactively sell its product and service (From interview notes of Interviewee A1, March 2016), but merely wait for customers to drop by. It also shows in the aspect that Powermart failed to find out effective remediation plan to compensate the loss for semester break during which the average daily sales is only HK\$1,000. And the third issue is that the professionalism in Powermart always come after its social mission, meaning the pursuit of business performance standard is not that welcomed among some Powermart’s back office management staff because they think it is more important to teach



people with disabilities the practical working skills. The over emphasis on social mission is another extreme of mission drift because the financial mission was ignored throughout the operation, making it no difference with traditional nonprofit activities.

Turn Social Value into a Selling Point

“Powermart’s social value can become added-value to our products.” (From interview notes of Interviewee A1, March 2016)

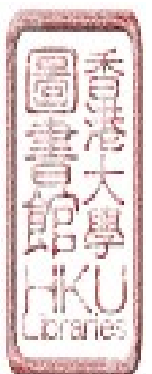
“People who are willing to buy things in a social enterprise will not mind paying a higher price because they have decided to come and support people with disabilities.” (From interview notes of Interviewee A4, March 2016)

According to the quoted statements, Powermart should make use of its special identity as a social enterprise so as to promote its products with added social value. Yet its nature as a WISE is not outstanding enough judging from shop’s decoration and customer’s feedback. Because of this, Powermart even received a complaint at its early operation blaming that social enterprise is selling expensive products without conscience.

This challenge echoed with the concept of cross-subsidization discussed in literature view. In fact, it is possible for Powermart to make use of its social identity to boost its business by gaining support from customers who understand the value of a social enterprise.

5.5 Human Resources

Management challenges in human resources are similar to that in leadership but more complicated. We have mentioned that a social enterprise’s leader should have a hybrid



background to control social enterprise's performance in social and economic value creation, which is also the same to the whole team working in a social enterprise. Since a social enterprise has a dual mission to fulfill, it should have staff with both nonprofit and for-profit background so that it could handle staff from both sides in their accustomed way. In addition to the basic requirement for hybrid personnel, Powermart also enclosed other management challenges which will be discussed in the coming sections.

Lack of Incentive System

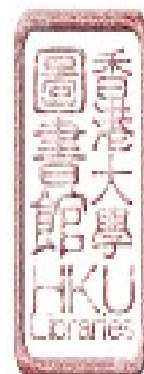
The most frequently mentioned topic during the interview is whether HKRP should establish an incentive system for its staff in retail shops including Powermart. For the moment, lack of incentive system tends to have a negative impact on Powermart's productivity not only in sales performance but also in the quality to train better staff. Yet opinions are opposite:

“I have two concern about launching the incentive system: first, I'm afraid that Shop Assistant will have a preference to work at one particular shop judging from the sales performance; second, since Powermart has not yet breakeven, I don't think the board would agree to increase the staff cost.” (From interview notes of Interviewee A1, March 2016)

“It is difficult to keep good staff without incentives.” (From interview notes of Interviewee A2 & A4, March 2016)

“We can acknowledge staff's performance and encourage them to maintain it through the incentive system.” (From interview notes of Interviewee A4, March 2016)

Because Interviewee A1 is an experienced senior manager in NPO sector, his primary

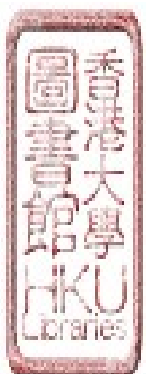


concern for incentive system lies in the issue of fairness among beneficiaries as well as the potential risk to increase operating cost; while Interviewee A2 and A4 judges the incentive system as an opportunity to maintain or even excel Powermart's dual performance based on their working experience in the private sector.

Training Scheme for Shop Supervisor and Shop Assistants Needs to be Improved

HKRP's ideal service model is to provide a one-stop training and employment service for people with disabilities. In fact, before opening the social enterprises, HKRP's T & E Department has performed as an Employees Retraining Board (ERB) training center for people with disabilities with government subvention support like many Hong Kong NPOs. The training center also designed retail management courses for Shop Assistants after HKRP's social enterprises were opened. It is expected that beneficiaries first receive training courses in the ERB training center, then practice what they learned in social enterprises as Shop Assistants with the guidance from Shop Supervisors, finally graduate from the social enterprises and find new jobs in the open market.

However, our research discovered that retail management courses for Shop Assistants have been canceled for several years because HKRP failed to receive ERB's permit for this course even it has the demand for training retail Shop Assistants. We also received the feedback from experienced employees at Powermart about the quality of training courses provided, interviewed staff claimed that the courses are too theoretical and have little help to their work (From interview notes of Interviewee A5 & B1, March 2016) Shop Assistants' training thus solely relies on the Shop Supervisor, who did not receive any training course for a trainer. In this case, the quality of training is hard to be guaranteed. We also heard from Interviewee A4 claiming that the Shop Supervisor training mode is problematic:



“Shop Supervisor is too busy to teach the trainees because the headcount is just enough for the operation. Also, because new Shop Assistants did not receive onboarding training before they start working in Powermart, they feel less confident here without knowing what to do.” (From interview notes of Interviewee A4, March 2016)

From the information above we thus observe the need for HKRP to re-design its training scheme for all frontline staff to improve their working ability and service quality. And with the improvement in staff’s performance, Powermart’s sales may also increase according to it.

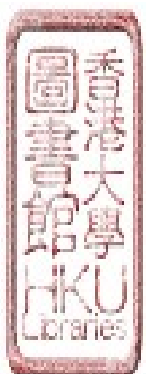
5.6 Performance Measurement

Performance measurement in WISEs should be two-fold in accordance with its dual value creation system, meaning that it should be able to show the social enterprises’ economic productivity as well as ability to generate social impact. What we want to highlight here is a measurement for social impact which is more complex than the measurement for financial performance due to the *heterogeneity* of social impact (Barraket & Yousefpour, 2013) and difficulties in defining quantitative and qualitative metrics for social impacts (Grieco, Micheline & Iasevoli, 2015).

Vague Definition in Social Mission Caused Confusion in KPIs

In Powermart, we observed that existing measurement system for Powermart’s social impact is some very simple key performance indicators (KPIs), which include:

- (1) Over 50% of staff should be disabled (this KPI is set by HKRP and is applicable for all the social enterprises operated by HKRP);
- (2) No. of disabled staff recruited by Powermart;



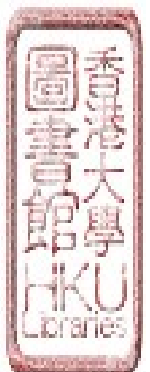
- (3) No. of disabled trainees trained in Powermart;
- (4) No. of disabled trainees/staff recruited via open employment.

Knowing that whether the focus on training or job creation is unclear in Powermart's definition of social mission, the vague concept also reflects in Powermart's KPIs as KPI (1) and (2) are about job creation while KPI (3) and (4) are about training. The most commonly mentioned KPIs among staff is the first one because it is the easiest one to be measured, while the last one is the least mentioned KPIs despite that it is the most important one to demonstrate Powermart's contribution in training. In fact, the confusion in KPIs, which caused by the unclear definition of the social mission, makes management staff difficult to design social strategies for both training and job creation with limited manpower and resources. Like what we discussed in Section 5.5 Human Resources, the Shop Supervisor is too busy to do the training work if focuses on business expansion to create more positions.

Lack of Measurement for the Qualitative Part of Social Impact

Although the above KPIs display the quantitative measurement of Powermart's social value creation, it fails to evaluate the qualitative part of Powermart's social impact such as disabled employees and trainees' self-esteem after working in Powermart, influence on HKU students and staff's understanding towards social enterprise and people with disabilities. All these subjective feelings are unable to be measured by existing KPIs.

Grieco, Micheline & Iasevoli (2015) has classified 76 Social Impact Assessment (SIA) models used by social enterprises into four clusters for better selection and implementation, respectively 'Simple Social Quantitative (Cluster 1), Holistic Complex (Cluster 2), Qualitative Screening (Cluster 3) and Management (Cluster 4).' SIA models adopt different



ways of measuring social impact from pure quantitative method (Cluster 1) to pure qualitative method (Cluster 3), from a mix of quantitative and qualitative (Cluster 2) to measurement with purpose (Cluster 4). Powermart currently only had the Simple Social Quantitative method to evaluate its performance, it could adopt one more qualitative method from Cluster 3 or redesign a mixed one with reference to Cluster 2 or 4 to develop a comprehensive social impact assessment mechanism.

Unclear Performance in Business Effectiveness

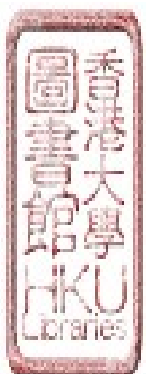
Another issue about Powermart's performance measurement system is that it should be able to reflect Powermart's business effectiveness because it is also defined as an enterprise. Evaluation of business effectiveness for a WISE should not be limited to its financial return on investment (ROI), but also its social return on investment (SROI).

5.7 Financing

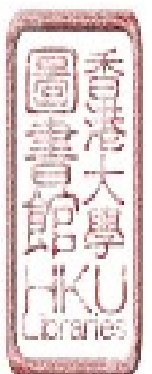
The financing part is another contradictory area for NPO-operated WISEs in Hong Kong. Literature review has shown that this type of social enterprises is usually supported by government seed funding at the start-up stage. Government seed funding is like a coin of two sides for HKRP. The positive side is HKRP received extra money to test the transformation from traditional social service provider to a more flexible self-financing social impact generator. While the negative side is HKRP sometimes over rely on government seed funding to cover the expenses, like what they did for traditional social service projects, rather than make good use of the support to strengthen Powermart's profitability through brand building and marketing.

5.8 Summary for Chapter Five

We have analyzed 7 different managerial aspects about the challenges facing by Powermart,



and we also discussed the influence and cause of these challenges. We could find that the trade-offs and the risk of mission drift may appear in any managerial aspects of Powermart's management; at the same time, it is also possible to reduce the challenges through some cost-saving but effective measures. In view of this, a *Management Guidebook for NPO-Operated Work Integration Social Enterprises in Hong Kong* was designed as deliverable for the project, definition of each factor and possible actions to cope with the challenges discussed in this project so as to balance the dual value creation system in an NPO-operated WISEs have been included in the Management Guidebook. A brief introduction of the guidebook is also attached in the Appendix.



Chapter Six

Conclusion and Recommendation

6.1 Overall Observations and Recommendation

We adopted the framework of effective management in social enterprises (Social Enterprise Knowledge Network, 2006) to provide an overview of the challenges discovered in different aspects of an NPO-operated WISE's internal management with the focus on the influence from its internal identity conflicts and how to balance its dual mission creation system to overcome these challenges. 7 out of 9 internal management factors, which are significant to Powermart's internal management, were analyzed in this capstone project to unveil the difficulties for an NPO-operated WISE to balance its social value and economic value creation in Hong Kong context.

Through the case of Powermart, we have identified some key challenges that help explain why Powermart fails to achieve the balance between its social value creation to empower the disabled to develop and its economic value creation to become financially sustainable. In the conclusion section, we would like to provide three perspectives to review these challenges and provide recommendations based on these perspectives, which are: *Hybridity and Inclusiveness*, *Resources Mobilization* and a *Human-centered Approach*.

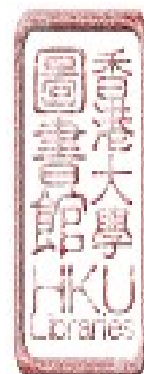
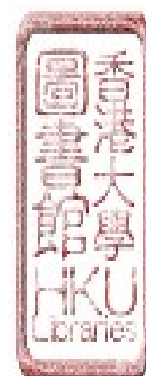


Table 4 Three Perspectives to Review the Challenges

Factors	Challenges	Perspectives
Dual Value Creation	Confusing Definition in Social Mission	Hybridity and Inclusiveness
	Different Emphasis in Powermart's Dual Mission among Staff from Different Tiers	Hybridity and Inclusiveness
Leadership	Leader's Background	Hybridity and Inclusiveness
	High Turnover Rate in the Shop Supervisor Position	A Human-centered Approach
Culture	Limited Communication between Frontline and Back Office Staff	A Human-centered Approach
	Lack of Mutual Help among Frontline Staff	A Human-centered Approach
Strategy	Lack of Business Strategies	Hybridity and Inclusiveness Resources Mobilization
	Turn Social Value as a Selling Point	Hybridity and Inclusiveness Resources Mobilization
Human Resources	Lack of Incentive System	A Human-centered Approach
	Training Scheme for Shop Supervisor and Shop Assistants	Resources Mobilization A Human-centered Approach
	Need to be Improved	
Performance Measurement	Vague Definition in Social Mission Caused Confusion in KPIs	Hybridity and Inclusiveness



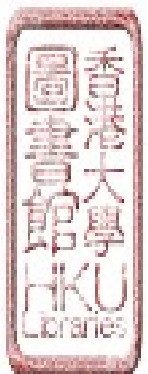
	Lack of Measurement for the Qualitative Part of Social Impact	Resources Mobilization A Human-centered Approach
	Unclear Performance in Business Effectiveness	Hybridity and Inclusiveness Resources Mobilization
Financing		Hybridity and Inclusiveness Resources Mobilization

Hybridity and Inclusiveness

Because the hybrid model of a social enterprise is still new and developing worldwide, plus that we don't even have an accepted definition of social enterprise in Hong Kong until now, when traditional NPOs like HKRP try to integrate this new hybrid model into their service design, they would encounter problems brought by social enterprises' hybridity. For example, how to introduce the dual value creation system to staff from different tiers; how to integrate the business mindset and management strategies into the social service to amplify its social impact; how to generate social impact and communicate it with the public to draw higher sales.

Moreover, the trade-offs between social value creation and economic value creation in WISEs are more likely to happen because their business model to provide training or create jobs for vulnerable groups has determined that their financial performance will be hindered if their beneficiaries' service quality is below the average level. But we are not saying that the trade-offs are inescapable.

Therefore, Powermart's managers should cultivate an open culture for this new type of hybrid organization, to change their mindset and to cope with the dynamics of social enterprise's management. They should be open-minded and inclusive to embrace the



challenges caused by its nature as an NPO-operated WISE. The inclusiveness means that Powermart should learn to welcome new opportunities and new challenges from both nonprofit and for-profit sectors, and make good use of the strength from each sector as long as the performance in dual value creation could be improved.

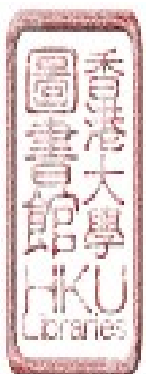
Resources Mobilization

The second perspective is the ability to explore resources for its business development. Managers from Powermart often complain that their time, people and money are limited to do things that exceed the scope of daily operation, and that's one of the main reason why they don't have comprehensive performance system, training schemes or marketing strategies. As a result, they are trapped in the endless loop, thinking that they have run out of resources to improve the business, and it is forgivable to perform worse than traditional enterprises because they are *social* enterprises and they provide *dual* value proposition.

In fact, the idea is completely wrong to lower down the professionalism using the trade-offs in dual value creation of a social enterprise as an excuse. On the contrary, standing at the blurring boundary of the nonprofit sector and for-profit sector, Powermart has its privilege to mobilize resources from both sectors. For example, it can try to invite professionals from the business sector, who are interested in supporting NPOs, as knowledge volunteers to develop performance measurement tools, human resources management system and marketing execution plan for the shop. It can also apply for various funding or even fundraising for the shop's expenses on capacity building. In a nutshell, it is possible to turn the challenges into opportunities.

A Human-centered Approach

WISEs are about people, about the working people who strive to make themselves be seen



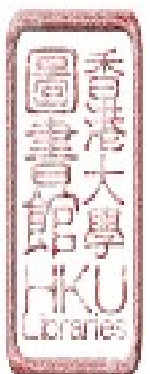
by the world, about those who fight for lowering down the unequal barriers for the former group of people, and even about the clients, suppliers and donors / investors who are willing to support the social enterprise. As showed in Section 5.2 Leadership, Section 5.3 Culture and Section 5.5 Human Resources, Powermart is not aware of how to unite people through a human-centered approach. On the one hand, it was observed that most staff in Powermart regard that there's no big difference working in a WISE comparing to pure NPOs or pure for-profit companies. In other words, the staff does not have a sense of belonging to Powermart and most of them consider it an ordinary job rather than a *meaningful* job with social impact. On the other, Powermart's management team didn't spend much time listening to staff's need, not to mention to assist them in career development or cultivate their sense of belonging to motivate them to work for the shop more actively.

In order to overcome the trade-offs between the dual values creations systems in an NPO-operated WISE, Powermart should spend more time to develop the management plan with experienced frontline staff, or to allow more flexibility for frontline shop's management.

6.2 Limitation of the Studies

The project focuses only the internal management challenges for NPO-operated WISEs to deal with their internal identity conflicts, which are the trade-offs to balance social value creation and economic value creation. However, only one case was reviewed to study the internal management challenges. Even though Powermart's situation represents a large number of NPO-operated WISEs in Hong Kong, the management challenges may not be applicable to all WISEs in Hong Kong.

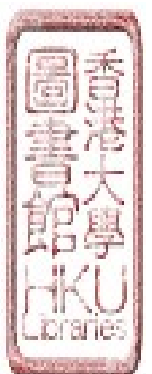
Also, due to the limitation of time and research scope, this project is more exploratory to



list out the challenges discovered in different management aspects and discuss how these challenges have prevented Powermart to perform better in its dual value creation system. Future research may consider carrying out intervention research to test possible strategies that may synergize a WISE's dual value creation.

6.3 Concluding Comments

We would like to emphasize that although we have observed the internal management challenges of Powermart to balance its social and economic value creation being a work integration social enterprise operated by a Hong Kong NPO, there are always opportunities for social enterprises like Powermart to generate the positive tension between social activities and economic activities, with the purpose to excel in its performance to achieve the dual mission.



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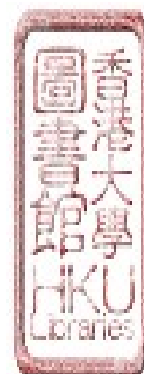
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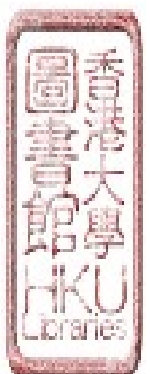
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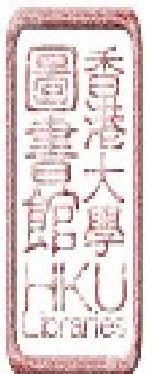
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Appendix

Summary of Deliverables

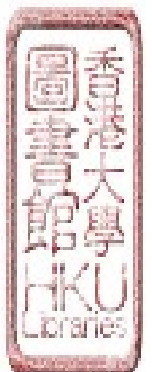
Brief summary of the research project

My capstone project is a case study of an NPO-operated work integration social enterprise (WISE) in Hong Kong named Powermart. Its mission is to empower people with disabilities through training and employment in retail shops, but it currently faces difficulties to breakeven. Based on this case, the research project aims to explore management challenges encountered in WISEs, especially in the field of balancing social enterprises' two-fold mission to achieve both financial sustainability and social impact.

The project admitted that NPO-operated WISEs have their limitation in balancing their two-fold mission due to limited resources and traditional mindset of NPO practitioners, and for this reason management gaps often appear in these organizations. It also states the need for NPO-operated WISEs to establish a comprehensive internal management system to match the hybrid nature of a social enterprise, with reference to the experience from both the for-profit and nonprofit sectors, to reduce the management challenges discovered in the case of Powermart.

Key issues that the deliverable addresses

The deliverable is therefore designed to perform as a guidebook to propose possible solutions for Powermart to reduce the challenges such as lack of unified understanding of vision and mission between frontline and management staff, hybrid personnel, and effective communication. It is also suitable for other NPO-operated WISEs if similar problems occur in their management of social enterprises.



How does the guidebook function?

This guidebook aims to offer solutions for NPO-operated WISEs to overcome internal management challenges and balance their dual mission with reference to a framework of effective social enterprise management. It introduced different influencing factors for WISEs' internal management in four aspects: Statement, Rationale, Key Benefits and Actions You Can Take. Through the introduction of these influencing factors, the guidebook not only provided a checklist of possible actions that WISEs may consider to adopt in their real practices but also tried to establish a standard of internal management for other WISEs to reduce the recurrence of similar challenges.

