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**Social Enterprises and the Poor**



**Copenhagen  
Business School**  
HANDELSHØJSKOLEN

# Social Enterprises and the Poor

Enhancing Social Entrepreneurship  
and Stakeholder Theory

**Marie Lisa Dacanay**

PhD Series 30.2012

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and Management Studies

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# **SOCIAL ENTERPRISES AND THE POOR: ENHANCING SOCIAL ENTREPRENEURSHIP AND STAKEHOLDER THEORY**

**DISSERTATION**

**Doctoral School of Organization and Management Studies  
Copenhagen Business School, Denmark**

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**September 17, 2012**

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**.... to the practitioners and scholars of social entrepreneurship  
especially in Asia and countries in the South....**



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Quezon City, Philippines  
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# List of Acronyms and Abbreviations

ACE	Asian Center for Entrepreneurship
ADAP	Association of Differently Abled Persons
ADB	Asian Development Bank
ADPI	Association of Disabled Persons Incorporated
AFTF	Asia Fair Trade Forum now known as World Fair Trade Organization-Asia
AIM	Asian Institute of Management
AMANO	Asosasyon sang Mamumugon sa Nolan
AMCHA	Atlas Mining Community Handicapped Association
APFTI	Advocate of Philippine Fair Trade, Inc.
APLA	Alternative People's Linkage in Asia
APNET	Alternative People's Network for Peace and Life
ARB	Agrarian Reform Beneficiary
ASoG	Ateneo School of Government
ATC	Alter Trade Corporation
ATFI	Alter Trade Foundation, Inc.
ATG or Alter Trade	Alter Trade Group
ATJ	Alter Trade Japan
ATM	Alternative Trading and Marketing or Automated Teller Machine
ATMC	Alter Trade Manufacturing Corporation
ATO	Alternative Trading Organization
BARBD	Bureau of Agrarian Reform Beneficiaries Development
BBMC	Bigay Buhay Multi-purpose Cooperative
BOCP	Bio-Organic Conversion Program
BOP	Bottom or Base of the Pyramid
BCI	Basic Capability Index
BCM	Balangon Cultural Management
Bgy	Barangay
BLOMES Inc.	Barangay Lamac Organization and Management Effectiveness Systems Inc.
BRP	Balangon Renewal Program
C-92	Celina-92
CAFO	Conference of Asian Foundations and Organizations
CARL	Comprehensive Agrarian Reform Law
CARP	Comprehensive Agrarian Reform Program
CBE	Community-Based Enterprise
CBFMA	Community-Based Forest Management Assistance

CBM	Christoffel Blinden Mission
CBPC	Collective Business Project Committee
CBR	Community-Based Rehabilitation
CBS	Copenhagen Business School
CBSS	Capability Building and Support Services
CBU	Capital Build-Up
CCA	Canadian Cooperative Association
CCU	Capital Credit Union
CDA	Cooperative Development Authority
CDF	Countryside Development Fund
CEO	Chief Executive Officer
CICM	Congregation of the Immaculate Conception of Mary
CIRTES	Centre Interdisciplinaire de Recherche Travail, État et Société or Interdisciplinary Research Centre on Work, State and Society
CLF	Central Loan Fund
COO	Chief Operations Officer
CORDEV	Center for Organic Farming and Integrated Rural Development
CRASP	Credit Access and Savings Program
CSR	Corporate Social Responsibility
CYP	Coop Youth Planet
DAR	Department of Agrarian Reform
DAFWARBA	Dama Farm Workers Agrarian Reform Beneficiaries Association
DepEd	Department of Education
DENR	Department of Environment and Natural Resources
DLGCD	Department of Local Government and Community Development
DOEI	Diversified Organic Enterprise, Inc.
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EDC	Enterprise Development Center
EFTA	European Fair Trade Association
ELEXIES	L'entreprise sociale: lutte contre l'exclusion par l'insertion économique et sociale or "The social enterprise - a tool to fight against exclusion"
EMES	European Research Network
EO	Executive Order
ERDA	Educational Research and Development Assistance Foundation
EVP	Executive Vice President
FARAD	Father Rafael Desmed
FFS	Farmers' Field School

FGD	Focus Group Discussion
FIES	Family Income and Expenditure Survey
FPSDC	Federation of Peoples' Sustainable Development Cooperative
FLO	Fairtrade Labeling Organization
FTI	Foundation for TheseAbled Persons Inc.
FTO	Fair Trade Organization
FTSG	Fair Trade Sub-Group
GAA	General Appropriations Act
GDP	Gross Domestic Product
GEPA	Fair Trade Company (Germany)
GfK	Growth from Knowledge
GIN	Greening of Industry Network
GM	General Manager
GMP	Good Manufacturing Practices
Green Coop	Green Coop Consumers' Cooperative Union
HACCP	Hazard Analysis Critical Control Points
HCATRIFWO	Hacienda Cahilamunan-Trinio Farm Workers Organization
HDI	Human Development Index
HH	House Holds
HOE	Holistic Organizational Empowerment
HR	Human Resource
HVR	Hidden Valley Resort
IAP2	International Association for Public Participation
IBOB	Improved Balangon/Old Balangon
ICCO	Interchurch Organisation for Development Cooperation
ICM	Immaculate Conception of Mary
ICT	Information and Communications Technology
IESE	Instituto de Estudios Superiores de la Empresa, or "International Graduate School of Management"
IFAT	International Federation for Alternative Trade now known as World Fair Trade Organization
IFOAM	International Federation of Organic Agriculture Movements
IKL	Intercultural Communication and Management
IMO	Institute for Market Ecology
ISEA	Institute for Social Entrepreneurship in Asia
ISERC	International Social Entrepreneurship Research Conference
ISSAN	Institute for the Development of Non-Profit Organizations
IT	Information Technology
JICA	Japan International Cooperation Agency
JCNC	Japan Committee for Negros Campaign

KALIKASAN-NE	Kalipunan ng mga Magsasaka para sa Likas-Kayang Sakahan sa Nueva Ecija or “Group of Farmers for Sustainable Agriculture”
KEF	Kalahan Educational Foundation
KOOL-NE	Kooperatibang Likas ng Nueva Ecija
LANDBANK or LBP	Land Bank of the Philippines
LBMC	Lingkod Banahaw Multi-purpose Cooperative
LEISA	Low External Input Sustainable Agriculture
LGU	Local Government Unit
LPF	Institut for Ledelse, Politik og Filosofi or “Department of Management, Politics and Philosophy”
LWUA	Local Water Utilities Administration
MA	Master in Arts
MCDC	Municipal Cooperative Development Council
MDG	Millennium Development Goals
MEPZ	Mactan Export Processing Zone
MIARBA	Minoro Isabel Agrarian Reform Beneficiaries Association
MIGS	Member(s) in Good Standing
MILF	Moro Islamic Liberation Front
MISERIOR	German Catholic Bishops’ Organisation for Development Cooperation
MNC	Multi-National Corporation
MNIGS	Member(s) Not in Good Standing
MOU	Memorandum of Understanding
MPC	Multi-Purpose Cooperative
NAPFWA	Nagkalang-Padilla Farm Workers Association
NARB	Nagasi Agrarian Reform Beneficiaries
NASSA	National Secretariat for Social Action
NATCCO	National Confederation of Cooperatives
NB	New Balangon
NCDA	National Council on Disability Affairs
NCPD	Negros Council for People’s Development
NEAPWD	Nueva Ecija Association of Persons with Disability
NEWS	Network of European Workshops
NGDO	Non-Government Development Organization
NGO	Non-Government Organization
NLAD	Northern Luzon Association for the Disabled
NNS	National Nutrition Survey
NOFTA	Negros Organic Fair Trade Association
NOP	National Organic Program
NPF	National Pharmaceutical Foundation, Inc.

NPO	Not-for-Profit Organization
NRM	Natural Resource Management
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
NTFP	Non-Timber Forest Products
OB	Old Balangon
OS3	Organisation Suisse Tiers Monde now known as Claro Fair Trade
PACAP	Philippines-Australia Community Assistance Program
PAFID	Philippine Association for Inter-cultural Development
PAL	Palsystem Consumers' Cooperative Union
PARTNERS	Partnership for Rural Transformation and Ecological Renewal Inc.
PBSP	Philippine Business for Social Progress
PCFC	People's Credit and Finance Corporation
PCSO	Philippine Charity Sweepstakes Office
PDAF	Philippine Development Assistance Fund
PDAP	Philippine Development Assistance Program
PDCI	Pecuaría Development Cooperative, Inc.
PFRD	Philippine Foundation for the Rehabilitation of the Disabled
PFTAC	People's Fair Trade Assistance Center
PFTF	Philippine Fair Trade Forum now known as World Fair Trade Organization-Philippines
PHILCOMDEV	Philippine Consortium on Migration and Development
PhilDHRRA	Philippine Partnership for the Development of Human Resources in Rural Areas
PhP	Philippine Peso
PIBFA	Pandanon Integrated Balangon Farmers Association
PMES	Pre-Membership Education Seminar
PO	People's Organization
PO-DI	People's Organization Development Index
PRRM	Philippine Rural Reconstruction Movement
PWD	Person(s) With Disability
PWD Fed or NFCPWD	National Federation of Cooperatives of Persons with Disability
RAFI	Ramon Aboitiz Foundation, Inc.
R&D	Research and Development
SAFRA-ADAP	San Francisco Association of Differently Abled Persons
SASC	Sustainable Agriculture for Sustainable Communities
SDE	Social and Development Entrepreneurship
SE	Social Enterprise
SEFF	Social Enterprise Finance Facility
SEPPS	Social Enterprise(s) with the Poor as Primary Stakeholders

SIKAP	Samahang Ikauunlad ng mga may Kapansanan Ating Palawakin or “Organization for the Progress of Persons with Disability”
SIPFAWA	Sitio Paho Farm Workers Association
SLB	Sustainable Livelihood Business
SM	ShoeMart (shopping mall)
SME	Small and Medium Enterprise
SN	Samahang Nayon or “Organization in the Countryside”
SPADE	Sustainable Production and Area Development Enterprises
SRI	Stanford Research Institute
SROI	Social Return on Investment
STARFA	Sta. Rita Farmers’ Association
STC-MPC	Sta. Cruz Multi-Purpose Cooperative
STI	Systems Technology Institute
TESDA	Technical Education and Skills Development Authority
TriPARRD	Tripartite Partnership for Agrarian Reform and Rural Development
TWH	
or Tahanan	Tahanang Walang Hagdanan Inc.
UK	United Kingdom
UNDP	United Nations Development Programme
UMFI	
or Upland Marketing	Upland Marketing Foundation Inc.
UMP	Upland Marketing Program
UNAC	Upland NGOs Assistance Committee
UNICEF	United Nations Children’s Fund
US	United States
USAID	United States Agency for International Development
USD or US\$	U.S. Dollar
VICTO	Visayan Confederation of Cooperatives now known as VICTO National
VQP	Volume, Quality and Price
WB	World Bank
WBCSD	World Business Council for Sustainable Development
WFTO	World Fair Trade Organization
WHO	World Health Organization
WIP	Work in Progress
WISE	Work Integration Social Enterprises

## *ABSTRACT*

### *SOCIAL ENTERPRISES AND THE POOR: ENRICHING STAKEHOLDER AND SOCIAL ENTREPRENEURSHIP THEORY*

This thesis develops a framework for understanding how social enterprises engage the poor and address poverty, a pressing global problem of the 21<sup>st</sup> century. Using case-based theory building, it studies a theoretical sample of three pairs of Philippine-based social enterprises, where the poor were suppliers, workers, and customers. In half of the cases, the poor were also owners. The research studies the roles and role changes of the poor in these social enterprises, how and why these roles changed, or did not change, and the impact of the roles and role changes, if any, on the social enterprises and the poor. Data for the research was gathered mainly from key informant interviews, published and unpublished organizational documents as well as previous studies done by external consultants on the case subjects. Based on a cross case analysis of the data from the theoretical sample, the thesis develops three models of stakeholder engagement among social enterprises with the poor as primary stakeholders or SEPPS, namely: control, collaboration and empowerment. This thesis provides insights and develops propositions about the importance of stakeholder engagement and the power and limitations of these three models in bringing about social inclusion and poverty reduction. These propositions are suggested to be applicable in countries in the South other than the Philippines where systemic poverty and inequality are exacerbated by the failure of state and market institutions to address the needs of the poor. This thesis makes a contribution to social entrepreneurship and stakeholder theory. It does so by sharing a perspective from the South and giving a voice to the poor as stakeholders. The researcher notes that overall, the poor and the South are under-represented in these discourses. On the whole, social entrepreneurship theorizing has been characterized as embryonic as a topic of academic inquiry. Stakeholder engagement is considered an under-theorized area in stakeholder theory. In developing a framework for understanding stakeholder engagement models involving the poor, this thesis makes a first step towards applying and extending stakeholder theory in SEPPS. The thesis likewise enriches social entrepreneurship theory by conceiving of SEPPS as a global social enterprise model that catalyzes South-North cooperation to address poverty and inequality.

## **PART I – RESEARCH FRAMEWORK**



## *CHAPTER 1 – BACKGROUND AND REVIEW OF LITERATURE*

Poverty is one of the most pressing social problems of the 21<sup>st</sup> century. An estimated 1.2 billion people, representing a fifth of the world's population, live on less than a dollar a day. It was in this context that the world's leaders, who gathered in the Millennium Summit of 2000, declared a war against poverty. The Millennium Development Goals, derived from the Millennium Declaration of the summit, are a set of minimum commitments that 189 Member States of the United Nations agreed to achieve by 2015. The first of these goals is the eradication of extreme poverty and hunger, with a target to reduce by half the proportion of people living on less than a dollar a day, and who suffer from hunger (UNDP, 2003).

Despite rapid economic growth in the Asian region over the past decades, large numbers of people are being excluded in terms of economic and social benefits. While Asia boasts of a significant number of billionaires, the Asian region is home to two thirds of the world's poorest (World Bank, 2008).

Even with Asian states committing to the Millennium Development Goal of cutting in half their respective countries' absolute poor by 2015, the poverty situation in the region looks bleak. In 2008, the Asian Development Bank (ADB) raised Asia's poverty line from US\$ 1 per day to US\$ 1.35 per day based on a survey of poor households in 16 Asian countries. This redrawing of Asia's poverty situation suggests that the number of Asians that are barely surviving, technically defined as being able to procure the 2,100 calories a day deemed necessary for human health, is far larger than previously thought. ADB's chief economist, Ifzal Ali aptly summed it up:

“What makes headlines are (Asia's high) growth numbers.... But there are two faces of Asia: an Asia that is shimmering and an Asia that is shivering”. (Ali in Wehrfritz, 2008)

The global economic crisis has made matters worse for the poor. While the crisis presents many threats, it lends urgency to the search for effective approaches to address poverty as a pressing social problem of the 21<sup>st</sup> century.

This thesis explores how social entrepreneurship and stakeholder theorizing could add value to the discourse on social enterprises as vehicles for poverty reduction. The researcher's literature review in this context looked at various approaches to poverty and poverty reduction, social entrepreneurship and stakeholder theory. The author also found it relevant to review literature on business and society particularly the writings of scholars exploring the role of business in poverty reduction. This was done to explore alternative perspectives from which rival explanations (Yin, 2003) could emanate.

## 1.1. A Multi-Dimensional Approach to Poverty and Poverty Reduction

Historically, poverty research has been dominated by studies on economic well-being as indicated by low levels of income and consumption. Poverty has been equated to an inability to maintain basic living standards, often related to a monetary estimate (Citro and Michael, 1995; MacPherson and Silburn, 1998; Orshansky, 1965; International Labor Organization, 1976).

Over the past two decades however, discourse on poverty has explored its other dimensions. Linking poverty with the concepts of freedom, human rights and justice, the works of Amartya Sen (1987, 1990, 1992, 1993, 1995, 1999, 2000, 2005, 2009) and Martha Nussbaum (1988, 1992, 1995, 2000, 2003, 2004) evolved what came to be called the capability approach to poverty analysis.

The capability approach characterizes poverty as a deprivation of capabilities to achieve well-being. Well-being is defined as the ‘ends’ and capability as the ‘means’ to achieve it. Development is seen as a process of expanding real freedoms that people enjoy (Sen, 1999; United Nations Development Programme, 2000a, b). Sen explained:

“There are good reasons for seeing poverty as a deprivation of basic capabilities, rather than merely as low income.... The instrumental role of freedom concerns the way different kinds of rights, opportunities and entitlements contribute to the expansion of human freedom in general, and thus to promoting development. .... With adequate social opportunities, individuals can effectively shape their own destiny and help each other. They need not be seen primarily as passive recipients of the benefits of cunning development programs”. (Sen, 1999, pp. 20, 37, 11)

Sen identified five distinct types of freedoms that are critical in the process of poverty reduction and development: (1) political freedoms, (2) economic facilities, (3) social opportunities, (4) transparency guarantees, and (5) protective security. These are explained in Box 1.1. (Sen, 1999).

It was the capability approach to poverty analysis that provided the theoretical foundations of the human development paradigm (Fukuda-Parr, 2003; Fukuda-Parr and Kumar, 2003). It became the inspiration for crafting and enhancing the human development index (HDI), which apart from income per capita, includes education and health as enabling factors, in measuring the extent of a country’s human development (UNDP, 1990-2010).

Box 1.1. Types of Freedoms Critical to Poverty Reduction and Development (Sen, 1999)

*Political freedoms:* entitlements and civil rights associated with democracies including the right to free speech, to organize or associate, to dialogue, dissent and critique and to vote or participate in the selection of government officials.

*Economic facilities:* opportunities and entitlements for the purpose of consumption, production or exchange including access to finance, to land, technology, and infrastructure like irrigation and farm to market roads.

*Social opportunities:* arrangements that society makes for education, health care, rehabilitation and other basic services to allow the conduct of private lives and effective participation in political and economic activities.

*Transparency guarantees:* entitlements to allow people to operate on the basis of trust including the right to disclosure. These are important to prevent corruption, financial irresponsibility and underhand dealings.

*Protective security:* provisions for social safety nets to vulnerable segments of the population that prevent them from being reduced to abject misery, starvation and death. These include fixed institutional arrangements such as unemployment benefits and ad hoc arrangements such as famine relief or emergency public employment.

Another measure of non-income based poverty, inspired by Sen's capability approach has been developed by Social Watch, an international network of citizens' organizations committed to the eradication of poverty. The Basic Capability Index (BCI) is a composite indicator based on child health, education and reproductive health, to measure the level of poverty that is not based on income (Social Watch, 2008).

The human development paradigm and the application of the human development index to characterize conditions across countries have helped to give attention to the problem of inequality across nations. This condition of inequality in human development substantiates what has been called the North-South Divide: a socio-economic and political division that exists between the wealthy developed countries, known collectively as "the North", and the poorer developing and least developed countries or "the South" (Reuveny, 2007).

The role of the global economic system in causing and exacerbating poverty amidst growth in the Philippines and other countries in the South has been documented and analyzed by a number of scholars. Elements of the global economic system that have been identified as contributing to the great divide between the North and South are unequal trade and unregulated markets as well as tied aid and structural indebtedness. There is a general consensus that local, national, regional and global actions are needed to solve poverty (Stiglitz, 2002; Bello, 2004; Broad and Cavanagh, 2009).

The United Nations has articulated its role in addressing the divide between the North and South through its Millennium Development Goals (MDGs). In addition to eradicating extreme poverty and hunger, the goals seek to achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; and develop a global partnership for development all by the year 2015 (UNDP, 2003).

The Millennium Declaration<sup>1</sup> of the United Nations General Assembly recognized the importance of the business sector and civil society in achieving the MDGs. States committed “to develop strong partnerships with the private sector and with civil society organisations in pursuit of development and poverty eradication” and “to give greater opportunities to the private sector, non-governmental organisations and civil society<sup>2</sup>, in general, to contribute to the realization of the Organisation’s goals and programmes” (Bissio, 2003).

This thesis explores a multidimensional approach to poverty, through the lens of actors who are engaged in the process of poverty reduction, including the poor themselves.

## 1.2. Social Entrepreneurship

From the various perspectives presented during the first International Social Entrepreneurship Research Conference held in Barcelona, Spain in 2005, scholars characterized initiatives in the field as wide-ranging:

“The concept of social entrepreneurship is, in practice, recognized as encompassing a wide range of initiatives: enterprising individuals devoted to making a difference; social purpose business ventures dedicated to adding for-profit motivations to the non-profit sector; new types of philanthropists supporting venture capital-like investment portfolios; and non-profit organizations that are reinventing themselves by drawing lessons learned from the business world”. (Mair, Robinson and Hockerts, 2006, p.1)

Social entrepreneurship has also been characterized as creating new business models to serve the poor (Seelos and Mair, 2005). A number of scholars have

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<sup>1</sup> See <http://www.un.org/millennium/declaration/ares552e.htm> (downloaded 7 July 2011)

<sup>2</sup> Civil society, sometimes called the third sector or voluntary sector, refer to a wide array of non-governmental and not-for-profit organizations with a presence in public life. Linz and Stepan (1996, p. 3) broadly define it this way: "By civil society we refer to that arena... where self-organizing groups, movements, and individuals, relatively autonomous from the state, attempt to articulate values, create associations and solidarities, and advance their interests. Civil society can include manifold social movements (women's groups, neighbourhood associations, religious groupings, and intellectual organizations) and civic associations from all strata (such as trade unions, entrepreneurial groups, journalists, or lawyers)."

recognized the impact that social enterprises have in contributing to the achievement of the Millennium Development Goals, particularly in the alleviation of poverty, disease and death, and in increasing the overall quality of life by expanding human capabilities and chances in the poorest of countries (Seelos et al., 2006). In a recent paper on Social Entrepreneurship Between Market and Mission, Hockerts (2010, p. 178) characterized “social entrepreneurship as the discovery of opportunities to generate social impact and the identification of a mechanism to do so in a financially sustainable way”.

Drawing from a review of literature towards defining boundaries for the domain of social entrepreneurship research, Perrini (2006) proposed the following definition:

“Social entrepreneurship entails innovations designed to explicitly improve societal well-being, housed within entrepreneurial organizations, which initiate, guide or contribute to change in society”. (Perrini, 2006, p. 24)

As an evolving field of study in different regions of the world, social entrepreneurship may be better understood as having many schools of thought. The author identified at least three schools of thought, based on her review of literature: the social innovation school, (Dees and Anderson, 2006), the social enterprise school (Dees and Anderson, 2006), which is also referred to as the earned income school (Defourny & Nyssens, 2010), and the social economy school (Defourny & Nyssens, 2010; Hulgaard, 2008).

A proponent of the social innovation school captured its essence as “creating large scale, lasting, and systemic change through the introduction of new ideas, methodologies, and changes in attitude” (Kramer, 2005, p 6). Dees and Anderson (2006) further characterized this school as dealing with innovations that have the potential for major societal impact by addressing the root causes of a social problem, reducing particular social needs, and preventing undesirable outcomes. The social innovation school emphasizes the important role of individual social entrepreneurs setting up for profit or non-profit organizations in the pursuit of innovative solutions to social problems (Hoogendoorn, 2009).

On the other hand, the social enterprise or earned income school deals with market-based solutions to social problems, aligning economic with social value creation (Dees and Anderson, 2006). The main subject of study is the enterprise, a non-profit venture serving a social mission that ensures the continuity of service provision through generating income streams independent from subsidies and grants. This school promotes the idea that business methods are an effective way to improve non-profit organizations (Hoogendoorn, 2009).

These first two schools of thought are considered to be part of the American tradition, which arose out of the economic downturn in the 1970s and 1980s when large cutbacks in U.S. federal funding severely affected non-profit organizations conducting poverty alleviation programs, through education, health care, the

environment and community services. The social economy school emanated from the European tradition, evolving amidst the crisis in the 1980s when the welfare state retreated from public services (Kerlin, 2006; Nyssens, 2006).

The emergence of the social economy school is linked to the European Research Network (EMES) that began in 1996 as a group of scholars cooperating to investigate the social enterprise phenomenon and established a broad definition that allows for the national differences within the European Union. The EMES definition of social enterprise includes associations, cooperatives, mutual organizations and foundations. The unit of analysis is the enterprise, producing goods or services with a minimum amount of paid work; with the explicit aim to benefit the community; launched by a group of citizens who bear a significant amount of economic risk and enjoy a high degree of autonomy; and where decision making power is participatory and not based on capital ownership (Defourny, 2001). Defourny and Nyssens (2008, 2010) gave the following summary definition:

“Social enterprises are not-for-profit private organizations providing goods and services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to this activity”. (Defourny and Nyssens 2008, p. 202)

Some scholars identify the United Kingdom (U.K.) as having a distinct approach within the social economy school (Hoogendoorn, 2009). The Blair government in the 1990s launched the Social Enterprise Coalition with the creation of the Social Enterprise Unit under the Department of Trade and Industry (DTI) to promote and support them. DTI’s definition of social enterprise is “businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or the community, rather than being driven by the need to maximize profits for shareholders and owners” (DTI, 2002). Spear, et al., (2010, p. 179) consider social enterprises as “the trading part of the third sector, which, in the U.K. definition, is equivalent to the social economy”.

Some scholars of the social economy school link social entrepreneurship to the issue of democracy and participation and locate social enterprises in the intersection of the public, private and civil society sectors (Hulgaard, 2008). The multi-stakeholder nature of social enterprises is also emphasized by the social economy school (Vidal, 2010, pp. 112-114):

“Multi-stakeholder refers to an organization in which different interest groups – each one which has different aspirations and hopes related to what it can expect from the organization’s activity – are involved... When... multi-stakeholder dialogue is consolidated via commitments to be met by the organization because they have been approved by the different stakeholders in the Board, then it can be said that the organization is in a situation of multi-stakeholder governance”.

Social economy school scholars as exemplified by Vidal (2010) refer to the following as stakeholder categories in social enterprises: shareholders, directors, workers, volunteers, users and providers; customers in public administration; and future generations (if the organization has an impact on the environment).

A framework for understanding governance issues and challenges among social enterprises has been developed by Spear, Cornforth and Aiken (2010, p. 199). These scholars identified four types of social enterprises: mutuals that include cooperatives and credit unions; trading charities; public sector spin-offs; and new-start social enterprises. Common governance issues faced by all types include “finding and developing board members with the necessary business, financial and entrepreneurial skills; managing diverse stakeholder interests in increasingly multi-stakeholder governance systems; balancing business decisions with the social mission of the organizations”. A specific challenge faced by charities is managing a multi-level governance structure required by the setting up of trading subsidiaries. Mutual social enterprises are confronted with the challenge of maintaining an active membership and developing a competent board.

In managing the tension between perceived market pressures and their social mission, Hockerts (2010, p. 160) noted two archetypal responses by social enterprises interested in the transformation of a sector: “retreat towards the philanthropic core or a partial abandoning of the social objectives in favor of a business oriented approach”. He notes the possibility of a third way:

“A possible third way could be one of continuous innovation whereby social ventures keep innovating their way out of the tension between market and mission”. (Hockerts, 2010, p. 177)

Some scholars, notably Huybrechts and Defourny (2008) have studied fair trade organizations as social enterprises. In their empirical study covering four European countries, they noted that fair trade organizations combine in some way economic and social, and sometimes also political goals. The political dimension is an attribute of some social enterprises that distinguishes them even more sharply from traditional businesses (Nyssens, 2006). Distinct from the economic (trade) and social (producer support) dimensions, political goals pertain to education and advocacy initiatives

where there is an intent of acting in the wider system in order to change the context in which the social enterprise operates (Martin and Osberg, 2007). Such a political goal is captured by the most widely accepted definition of fair trade used by field actors and academics (Moore, 2004) as cited by Huybrechts and Defourny (2008, p.190):

“Fair trade is a trading partnership, based on dialogue transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of marginalized producers and workers - especially in the South. Fair trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade”<sup>3</sup>

An interesting theme emerging from scholars studying fair trade as a type of social entrepreneurship is strategic innovation. Hockerts (2006a) discussed the role of entrepreneurial innovation in the success of CaféDirect: seizing the opportunities of direct trade on the producer and consumer through better quality, and introducing a new business model by building its own brand rather than just depending on labeling. In a later comparative study that looked at CaféDirect and the Oxfam Fairtrade Company as part of a larger study on social entrepreneurship, Hockerts (2010) noted how both cases manifested archetypal responses to manage the tension between their social mission and the perceived market requirements in the process of growth. Café Direct chose a partial abandoning of social objectives in favor of a business-oriented approach, while the Oxfam Fairtrade Company retreated towards the philanthropic core.

Within the social economy school of social entrepreneurship, a specific type of social enterprise called WISE or work integration social enterprises, has gained prominence. Such prominence may be attributed to increasing unemployment amidst the crisis of welfare states in Europe. WISE have evolved to provide employment opportunities to minority groups, persons with disabilities and other vulnerable sectors who could not find work or have been displaced from the mainstream economy (Nyssens, 2006; Defourny and Nyssens, 2010).

A European Commission-supported project study called ELEXIES (*L'entreprise sociale: lutte contre l'exclusion par l'insertion économique et sociale* or *The social enterprise - a tool to fight against exclusion*) involving the EMES European Research Network scanned existing WISE models in 12 member states of the European Union (Spear and Bidet, 2005; Davister, et al., 2004). Nearly one-third of the covered WISE

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<sup>3</sup> This is a definition by FINE, an informal network gathering the four main global Fair Trade umbrella organs: European Fair Trade Association or EFTA, NEWS or Network of European Workshops, Fair Trade Labeling Organization or FLO and International Fair Trade Association or IFAT, now known as WFTO or World Fair Trade Organization.



cases exclusively focused their work on the integration of persons with disability (PWD) and all the countries covered had at least one type of organisation belonging to this category. The study noted four main modes of integration of PWDs: transitional occupation; creation of self-financed jobs; professional integration with permanent subsidies through sheltered workshops and adapted social enterprises; and socialization through a productive work activity. The study noted a minority of WISE involving the participation of workers or users in the decision making process of the enterprise. They attributed such partly to the nature of employment in a number of WISE as transitional in nature. They also considered that various handicaps or disabilities might make the practice of democratic principles espoused in the social economy as somewhat utopian (Davister et al, 2004). Based on the same study, Spear and Bidet (2005) argued that WISE were particularly suited towards a ‘participation’ approach, drawing on the strengths of their social economy roots. They noted the spread of some effective WISE models in the form of social cooperatives and multi-stakeholder organizations despite under-resourced and fragmented support structures in the countries studied. In many of these countries, the state provided policy and financial support conducive to the development of WISE.

There have also been studies to understand the trends and challenges faced by cooperatives as social enterprises. A major research involving the EMES Network studied cooperatives as social enterprises from 10 developed and transition countries. From these studies, Borzaga and Spear (2004) noted trends towards the revival of the communitarian tradition, cooperative involvement in the provision of social services, a shift from single stakeholder to multi-stakeholder models and the convergence of associative and cooperative forms.

Borzaga and Spear (2004) explored the evolutionary dynamics of cooperatives to provide working materials and new research paths to researchers and practitioners interested in studying and promoting the development of social economy organizations. Their study draws from reports presented and discussed by contributors at the International Seminar – From Cooperatives to Social Enterprise, jointly organized by ISSAN (Institute for the Development Non-Profit Organisations) and the EMES Network that took place in December 2003 in Trento, Italy. The country experiences presented at the international seminar covered Canada and 9 European countries.

In studying developments among cooperatives in these developed and transition economies, Borzaga and Spear (2004) examined them as social enterprises within the cooperative framework. In general, the country experiences provided evidence that the orientation of the international cooperative movement is moving in the direction of revitalizing the communitarian tradition. The study also noted “Co-operatives’ increasing involvement in the provision of social services is to be noticed in some non European countries, such as the United States, Japan, Canada, Philippines and Latin America” (Borzaga and Spear, 2004, p.30).

The study discussed three main changes relative to cooperative models investigated in recent decades:

“... (1) the social orientation has overwhelmed the mutuality orientation in a number of countries; (2) a general evolution towards the production of general-interest services has become evident; and (3) co-operative attributes towards the provision of general-interest services have been increasingly incorporated into the new co-operative forms.... More specifically, it is the widening of the traditionally homogeneous social structure (single stakeholder model), that is responsible for both the gradual fading of the mutualistic purpose and the enhancing of the self-help dimension embracing the community as a whole (multi-stakeholder model). Considering more generally the evolution of organisations pursuing goals other than profit (the so called “third sector”) as a whole, particular emphasis is put on the convergence of the organisational forms, specifically the associative and co-operative. While the associative form has become more productive, the co-operative form has gradually reduced its traditional goal of mutuality”. (Borzaga and Spear, 2004, p. 5)

The authors noted the extremely different situations in developed and transition economies. In developed economies, a number of features are covered by new cooperative organisations, such as multi-stakeholder governance and the pursuit of an explicit social aim. Notwithstanding the differences in context, the trend towards communitarianism among cooperatives as social enterprises has many implications for practitioners and researchers. Foremost of these is the need to rethink the concept of democracy towards establishing new modes of stakeholder participation, new ways of harmonizing different interests in the community, and new ways to keep the balance between productive and social aims. As explained by the authors:

“The community interest needs to be harnessed into the governance structures. The concept of democracy, as traditionally understood by the co-operative tradition, has to be rethought in consideration of co-operatives’ broadening social commitment. Workable mechanisms of interest harmonization, aimed at motivating the different partners and contributors to work together for the common goal, are required. Moreover, new ways aimed at keeping the difficult balance between productive and social aims have to be specified and new social accounting and reporting tools have to be developed”. (Borzaga and Spear, 2004, pp. 11 – 14)

Scholars of the social economy school, notably Laville (2010) are critical of locating social enterprises in the market economy, emphasizing that cooperatives, mutual insurance schemes and social protection by public rules are not governed by market

principles. Building on the earlier works of Polanyi (1977) and citing Mauss (1997), Laville advanced the concept of a plural economy where the principles of reciprocity (voluntary collective actions of citizens) and redistribution (state efforts to redress inequalities) co-exist with market principles.

The earliest literature on social entrepreneurship in the Asian region appeared in the Philippines in 1994. A group of professors and researchers from the Asian Institute of Management (AIM) authored a book, mainly drawing from case research in the Philippines and India, entitled *Social Entrepreneurship and Enterprise Development* (Morato, 1994). The book contains readings and cases that showed how business tools might be applied to effectively and efficiently manage social enterprises. Morato (1994) articulated:

“The social enterprise exists for a community of worker-owners who seek to jointly improve their lot through collaborative, cooperative and prosperity-creating and prosperity-sharing mechanisms.... Some examples of social enterprises are cooperatives, livelihood associations and corporatives, a term.... to describe corporations that operate like cooperatives”. (Morato, 1994, p. 2)

Several years later from 2002-2004 a collaborative research, covering the Philippines, Indonesia, Thailand and India and involving faculty from the Asian Institute of Management (AIM) and practitioners in the Conference of Asian Foundations and Organizations (CAFO), defined social enterprises as wealth-creating organizations that serve the poor and marginalized sectors as primary stakeholders, adhere to at least a double bottom line (social and financial) and have a distributive enterprise philosophy. This definition of social enterprises is linked to social entrepreneurship as a process of creating spaces and transforming markets to serve the goal of poverty reduction and sustainable development. This tradition continues to be pursued by Asian scholars and practitioners, and was the inspiration behind the setting up of the Institute for Social Entrepreneurship in Asia (ISEA) based in the Philippines in 2008 (Dacanay, 2004; 2009b). Some scholars have appreciated this perspective of social enterprise and social entrepreneurship as context-specific to Asia (Robinson, Mair and Hockerts, 2009), a region where poverty and social inequity are stark realities. Robinson, et al., (2009) have noted that context matters in social entrepreneurship research, citing how the phenomenon has unfolded in different ways outside of Europe and the United States, not only in Asia but also in Latin America and the Middle East.

Regional and sub-regional conferences and dialogues on social entrepreneurship involving scholars, practitioners, and resource institutions have been held in Asia since 2005. Some of these notable initiatives include the Asian Social Entrepreneurship Forum held in Taiwan (2005), the International Workshop on Social Entrepreneurship in Asia held in the Philippines (2006), the Asian Social

Entrepreneurs Summit held in South Korea (2008), the Global Social Venture Research Conference in China (2009) and the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations held in Taiwan (2010).

Overall, these conferences provided arenas for sharing of perspectives and experiences among practitioners and scholars across developed, transition and developing country contexts in Asia.

In developed country contexts, the most dominant and visible forms of social enterprises studied have been work integration social enterprises. These were noted in Hong Kong (Chan, 2008; Chan and Sit, 2009; Po-ying & Kitajima, 2010); Taiwan (Kuan and Wang, 2009); South Korea (Bidet, 2009; Work Together Foundation, 2008); Singapore (Teo, 2008) and Japan (Sakurai, 2010). Legislation, government programs and subsidies have driven the growth of work integration social enterprises in Hong Kong, Taiwan and South Korea.

In developing countries, notably the Philippines, Thailand, Indonesia and India, four types of strategies were noted among social enterprises that served the poor or marginalized as primary stakeholders: intermediation strategies that provided the poor access to markets, technologies and financial services; empowerment strategies that enabled the poor to reap maximum benefits from owning and controlling the social enterprise; social inclusion strategies that assisted disadvantaged groups with access to employment and/or basic social services; and resource mobilization strategies where non-profit organizations ventured into market-based earned income strategies to support their development programs (Dacanay, 2004; 2009b).

In some countries such as Bangladesh and the Philippines, practitioners and scholars have advanced the concept of 'social business enterprise'. Yunus (2007) drew from his successful experience of developing and scaling up the Grameen Bank in Bangladesh to conceive of such. He defined a social business enterprise, as a new type of business that pursues goals other than making personal profit – a business that is totally dedicated to solving social and environmental problems. A social business has to recover its full costs while achieving its social objective. Sebastian (2010) drew from five Philippine cases to define the challenges faced by social business enterprises: maintaining the enterprise's social mission as the next generation of entrepreneurs takes over; assessing and measuring social impact; risk management given the vulnerabilities of the poor; and engaging the business sector and government to build meaningful partnerships.

In China, Yu and Zhang (2009) identified interrelated forces contributing to the rise of social enterprises. During the market transition, the state's efforts to privatize public services; the civil society or third sector's endeavors to overcome their fiscal crisis; and the private sector's growing interest in corporate social responsibility have interacted with the legacy from the country's socialist tradition. In this context, they noted that efficiency-centered market competition was aligned with justice-oriented social redistribution and reproduction. However, the regulatory framework and

institutional context for social enterprises is not well defined in China. Organizationally, social enterprises are of 3 types – nonprofit organizations with legal status; for profit and non-profit hybrids; and a third category that have no clear status. In terms of operations, there are 4 categories: provision of services for a fee; manufacture and trading of goods; service contracting by the state; and internal profits allocation. The social mission is wide ranging, and includes provision of specialized social services, poverty alleviation and rural development, education and employment promotion. Challenges faced are the lack of an enabling and supportive environment including access to funding, the lack of a democratic governance structure and achievement of financial sustainability. Fan and Tse (2010) characterized social entrepreneurs from various sectors as important actors in undertaking innovative and sustainable solutions to the social and environmental problems in China's transition. Amidst a weak civil society or third sector, social entrepreneurs are seen as catalysts' in an emerging movement towards the elimination or mitigation of inequality, as China adopts market principles.

Despite having been a topic of academic inquiry for almost 20 years, social entrepreneurship has been characterized as being in an embryonic stage by Short, Moss and Lumpkin (2009). In their review of literature, these scholars found that conceptual articles outnumber empirical studies, and empirical efforts often lacked formal hypotheses and rigorous methods.

Scholars studying social entrepreneurship are interested “to move the conversation beyond the discussion of definitions toward a discussion of constructs, concepts, frameworks and theories” (Robinson, Mair and Hockerts, 2009, p. 3). In the process of theory building, one can use existing theory to explain the phenomenon of creating and sustaining social enterprises, or consider how the phenomenon brings to light practices, themes and concepts where existing theories do not explain what we see on the ground (Robinson, 2006).

An increasing number of scholars in social entrepreneurship have entered this theory building mode. Robinson, Mair and Hockerts (2009) described notable social entrepreneurship research that utilized existing theory focused on identifying actors and measuring performance and sustainability of social entrepreneurial ventures using social-psychology, institutional theory and sociology (Simms and Robinson, 2009; Nicholls, 2009; Sharir et al., 2009). Beyond applying existing theory, a few scholars have explored the extension of existing theories in their study of social entrepreneurship. Noteworthy examples are Mair and Marti's (2009) exploration of the concept of institutional voids as an extension of institutional theory; the study of Krueger et al., (2009) on how social dimensions of opportunities could enrich literature on entrepreneurial intentions and entrepreneurship and Haugh's (2009) exploration into new dimensions offered by social enterprise cases to the resource-based view of the firm.

One way of describing this research project therefore is, as an effort to contribute to theory building in this evolving field of social entrepreneurship. It utilizes what may be relevant and applicable from the three aforementioned schools of thought in social entrepreneurship and builds on the research that has been done on the subject in Asia. Of particular interest is exploring how the experience of social enterprises may be explained by and may enrich stakeholder theory.

### 1.3. Stakeholder Theory

Stakeholder theory has its origins in management literature of the 1960s at the Stanford Research Institute (SRI). ‘Stakeholder’ was defined as ‘those groups without whose support the organization would cease to exist’. The list of stakeholders originally included shareowners, employees, customers, suppliers, lenders, and society. From the 1960s, the stakeholder concept was further evolved in strategy literature by the work of Russell Ackoff, C., West Churchman, and other systems theorists; the literature on corporate social responsibility; and the work of Eric Rhenman and other organization theorists (Freeman, et al., 2010, pp. 30-31).

In 1984, Freeman’s landmark book, ‘Strategic Management: A Stakeholder Approach’ defined stakeholders as “any group or individual that can affect or is affected by the achievement of the corporation’s purpose” or more generally “the organization’s objectives” (Freeman, 1984, p. vi and 46). In conceiving a stakeholder approach, Freeman provided a conceptual map for corporations to interpret the changes that had occurred in their external environment so that “... managers can begin to respond in a more effective way to the demands that these changes have wrought”. He specified “... the emergence of the consumer, environmental and other activist groups; an increase in the scope of government; a global marketplace and the resulting strength of foreign competitors; an increasingly hostile media; and a general decline in the level of confidence which members of our society place in the business corporation and its managers” as part of the turbulent environment needing to be strategically managed for corporate survival (Freeman, 1994, p. 246-247). He held the view that enterprise level strategy should answer the question “what do we stand for?”, and involve tradeoffs about the relative importance of stakeholder concerns, values and social issues. Freeman argued that organizations that do not have an appropriate enterprise strategy over time are not socially viable and experience a great deal of internal and external stress. In this context, he defined a typology of enterprise strategy: specific stakeholder strategy; stockholder strategy; utilitarian strategy; Rawlsian strategy; and social harmony strategy (Freeman, 1984, p. 101).

Since Freeman, many articles and books on the stakeholder concept have been published. A number of scholars have done reviews of stakeholder literature and have defined various ways of understanding stakeholder theory. Donaldson and Preston

(1995) defined three aspects of stakeholder theory: descriptive; instrumental; and normative. The descriptive aspect reflects and explains past, present and future states of affairs of corporations and their stakeholders. The instrumental aspect makes a connection between stakeholder approaches and commonly desired objectives such as profitability. The normative aspect interprets the functions of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations. Donaldson and Preston (1995) argued that stakeholder theory is 'managerial' and recommends the attitudes, structures and practices that, taken together, constitute a stakeholder management philosophy with its ultimate justification found in its normative base (Donaldson and Preston, 1995).

Jones and Wicks (1999) described two divergent approaches to the stakeholder theory – a social science approach and a normative ethics approach, and proposed a convergent approach to stakeholder theory development. These scholars argued for stakeholder theory to have a well-defended normative core and supporting instrumental arguments to demonstrate its practicability. They proposed that the normative core be about morally desirable relationships characterized by mutual trust and cooperation (Jones and Wicks, 1999).

Pragmatic philosophy has been offered by Buchholz and Rosenthal (2005) as a way of providing the theoretical basis for a relational understanding of the firm and its stakeholders. They argue that the corporation is not isolatable from its stakeholders but is in fact constituted by the multiple relationships in which it is embedded and which give it its being. The major function of the corporation is therefore the enrichment of these multiple relationships (Buchholz and Rosenthal, 2005).

The connection of stakeholder theory with strategic management had been made by many scholars with a number of them providing stakeholder-based strategic management tools. Freeman (1984) introduced a model of strategic management that dealt with an evaluation of stakeholders; managing stakeholders to achieve organizational objectives; and measurement of stakeholder satisfaction with organizational outcomes.

This stakeholder approach to strategic management was further developed by Harrison and St. John (1994, 1998). They introduced the stakeholder approach as an overarching framework within which traditional approaches such as industrial organization economics and the resource-based view operated as strategic tools. These scholars divided the stakeholder environment into three regions: the broad environment; the operating environment; and the internal organization. The broad environment (society, technology, economy and political/legal) forms the context in which the firm and its operating environment exist. The operating environment consists of external stakeholders that influence the firm and over which the firm has some influence. The internal organization is made up of stakeholders with formal ties to the firm. This is shown in Figure 1.1.

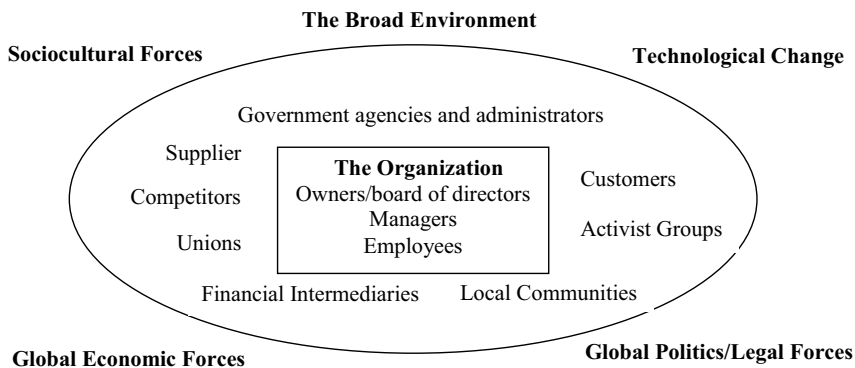


Figure 1.1. The organization and its primary stakeholders.

Source: J.S. Harrison and C.H. St. John (1998). *Strategic Management of Organizations and Stakeholders: Concepts and Cases*. 2<sup>nd</sup> edn. Cincinnati, OH: Southwestern College Publishing. p. 8.

The model of Harrison and St. John considered the resource-based view as a tool to help managers determine how internal stakeholders may be used to create competitive advantage. Porter’s (1985) five forces are integrated into an analysis of external stakeholders, and traditional economic approaches are used to analyze the remote environment (Harrison and St. John, 1994; 1998). Freeman, et al., (2007; 2010) later clarified the basic idea of managing stakeholders as essentially one of creating value for them. Business is understood as a set of relationships among groups that have a stake in the activities that make up the business. They defined “primary or definitional stakeholders” as part of an inner circle composed of financiers, customers, suppliers, employees and communities. They are “those groups without whose support the business would cease to be viable”. Those who affect primary stakeholders, the special interest groups, consumer advocate groups, competitors, government and media, comprise the “secondary or instrumental stakeholders” (Freeman et al., 2010. pp. 25-26).

Another group of scholars later defined three broad categories of stakeholders, which were similar to Harrison and St. John’s (1994; 1998) three regions of the stakeholder environment: the resource base; industry structure; and social-political. Each group is characterized as being situated in a set of concentric circles with those belonging to the resource base closest and those belonging to the socio-political the most distant (Post et al., 2002a; 2002b). This is shown in Figure 1.2.



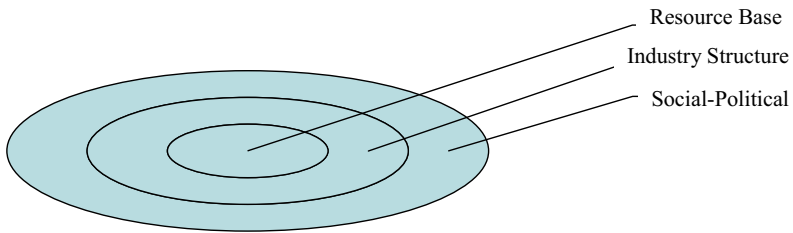


Figure 1.2. Broad categories of stakeholders  
 Source: Post et al., 2002a; 2002b

The issue of understanding stakeholders, how firms relate to them and how to prioritize them has been a recurring issue in stakeholder theory. This has sometimes been referred to as ‘stakeholder legitimacy’ and answers the question of who among the many stakeholders deserve consideration. Kaler (2002) noted several streams of definitions such as claimant (stakeholders are groups who make a claim on the firm); influencer (stakeholders are those who can influence, or may be influenced by the firm); or a combinatory definition. He argued for the claimant definition as superior (Kaler, 2002). Mitchell, Agle and Wood (1997) suggested the criteria of power, legitimacy and urgency as principles for defining who really count as stakeholders. Phillips (2003a) proposed the principle of fairness as a basis, arguing that stakeholders who voluntarily accept the benefits of a mutually beneficial scheme of cooperation are the groups who have legitimacy and a claim on the firm, as well as duties owed to it.

Clarkson’s (1998) distinction between primary and secondary stakeholders emphasized the role that the former group has in making the firm a going concern, and that the latter group has a more indirect relationship with the firm and is not critical to its survival. Other scholars have also made this distinction between primary and secondary stakeholders. Primary stakeholders are groups whom the firm is closely, formally or officially tied, and may have special duties that are similar to what is owed to shareholders. Secondary stakeholders have more distant ties and to whom management has no special duties, but to whom they may have regular moral duties such as not harming (Carroll, 1993; Gibson, 2000).

A key area of inquiry in stakeholder theory is stakeholder engagement defined broadly as the process of involving individuals and groups that either affect or are affected by the activities of the firm. Stakeholder engagement as a theme has been characterized as an under-theorized area of research (Greenwood, 2007; Sloan, 2009; Freeman et al., 2010). Greenwood argued that stakeholder engagement may be understood in a variety of different theoretical perspectives, and may or may not involve a moral dimension. He offers a model of stakeholder engagement that allowed

for corporate responsibility or corporate irresponsibility (Greenwood, 2007). A recently concluded research involving key European corporations characterized two models of stakeholder engagement: the control model and the collaboration model. The control model is focused on managing risk and ensuring survival of the company, while the collaboration model is oriented at partnering with stakeholders towards contributing to the strength and sustainability of the company. The research emphasized the importance of shifting models of stakeholder engagement from control to collaboration (Sloan, 2009). The salient dimensions characterizing these models are in Table 1.1.

Table 1.1. Models of Stakeholder Engagement

<b>Dimension</b>	<b>Control Model</b>	<b>Collaboration Model</b>
Corporate focus	Arm's length engagement	Inclusive engagement
Manager orientation to stakeholders	Stakeholders are a source of risk	Stakeholders are a source of opportunity
Key engagement processes	Monitoring, listening, telling	Collaborating, partnering, learning
Relationship to core business process	'Bolted on' to core business and strategic processes	Integrated into core business and strategic process
Potential for corporate change	Limited change	Transformative change
Likely performance	Good	Great

Source: Sloan, 2009

Much earlier, stakeholder management scholars defined two basic postures for managing stakeholders, which have parallels with Sloan's (2009) control and collaboration models of stakeholder engagement: buffering and bridging (Daft, 1992; Harrison and St. John, 1994). Buffering is described as a low-interaction stakeholder management approach. It involves monitoring activities with the purpose of containing the effects of stakeholders on a firm. Bridging lowers organizational barriers, builds on interdependencies, recognizes common goals and includes the formation of longer-term relationships (Freeman et al., 2010). In a study about businesses playing an active role in the protection of human rights, an empowerment and constructive engagement perspective was also developed (Mena et al., 2010).

The non-profit and public sectors have a great affinity to the concept of stakeholders and stakeholder engagement/management. A review of literature, exploring the foothold of stakeholder theory beyond the corporate context, has yielded various perspectives related to law, public administration, health care and environmental policy. Neugebauer (2003) proposed stakeholder theory as providing a useful strategy for indigenous peoples to protect their interests better. Poindexter (1995) saw stakeholder theory as providing a process for decision-making that can be used to resolve conflicts over environmental issues. De Lopez (2001) provided a review of a stakeholder management framework in the Ream National Park,

Cambodia, in the context of resolving trade-offs between conservation and development. Jamal and Eyre (2003) offered a detailed study of a multi-stakeholder process that resolved conflicts towards developing a new plan for a protected area in Canada. In fisheries management, Mikalsen and Jentoft (2001) distinguished different classes of stakeholders and separated primary from secondary groups, noting that stakeholder theory makes normative (duties to honor the legitimate claims of stakeholders), managerial (designing proper structures) and instrumental (positive outcomes) claims upon managers. They emphasized that managers need to consider groups that have been overlooked in the past as legitimate stakeholders, including local communities, environmental agencies, consumers and future generations. In water management, Beutler (2005) among others, made reference to methods of the International Association for Public Participation (IAP2) that relate degrees of involvement, increasing level of impact, goals of outreach, public expectations, and tools and methods to forms of stakeholder engagement that span inform, consult, involve, collaborate, and empower. Beutler (2005) identified eleven prerequisites to stakeholder collaboration, with the need for stakeholders to represent organized constituencies as an important condition. Grimble and Wellard (1997) studied the relevance of stakeholder analysis as a tool for natural resource management (NRM). They argued that for strategic approaches to be efficient, equitable, and sustainable, there is a need to differentiate stakeholders, as primary and secondary, active and passive, according to level of importance, and capacity to exert influence. These scholars noted that subsistence farmers and other small-scale resource users are critical stakeholders, though often overlooked and under-appreciated. They raised market failure as well as poverty and under-representation as specific issues that need to be addressed in stakeholder analysis in NRM (Grimble and Wellard, 1997).

On the whole, much of the literature on stakeholder theory within law, public policy, health care and the environment explore the descriptive and instrumental dimensions of stakeholder theory, although there are some notable references to normative stakeholder theory. Many of them provide empirical tools for stakeholder analysis, management, and engagement. In health care literature, there is much emphasis on stakeholder analysis with the purpose of trying to attain advantage for the organization, or developing the best strategy to manage each stakeholder. This is in contrast to the stakeholder literature in public/environmental policy and natural resource management where there is a strong emphasis on engagement with stakeholders and a belief that the larger normative goals to guide organizations emerge from the give and take of stakeholder dialogue (Freeman, et al., 2010).

In social entrepreneurship literature, stakeholder theory has been cited by scholars of the social economy school, notably Spear et al., (2010) as a theoretical perspective for understanding social enterprises as organizations where stakeholder groups with differing interests, beyond owners and members, are given consideration and representation in boards to respond to broader social interests. Vidal (2010) takes it

further by providing a theoretical introduction to social enterprises as multi-stakeholder organizations. She proposes multi-stakeholder dialogue (giving a voice to stakeholders) and multi-stakeholder administration (giving a vote to stakeholders in decision making bodies) as means for achieving multi-stakeholder governance (a state where commitments approved by different stakeholder groups define organizational direction) in social enterprises. Vidal (2010) defined a multi-stakeholder organization as one that promotes the interests of several stakeholder groups, no matter how unequal. By giving them a voice and a vote in decision-making structures, the multi-stakeholder organization is assumed to be better equipped to address society's general interests. The emphasis on multi-stakeholder organization and governance in literature from the social economy school of social entrepreneurship is explained by scholars such as Defourny (2001) as an innovation from the more traditional social economy organizations composed of homogeneous groups such as workers' cooperatives or mutual societies of civil servants.

While not explicitly locating their work in extending stakeholder theory, social entrepreneurship scholars from the social economy school include features of what may be considered a different stakeholder engagement model as part of the social dimensions of their working definition of an ideal type of social enterprise. Specific features such as decision making based on "the principle of 'one member, one vote' or at least a voting power not distributed according to capital shares on the governing body.... but the decision making rights are shared with other stakeholders" (Defourny, 2001. p. 20) go beyond the corporate stakeholder engagement strategies of control and collaboration defined by Sloan (2009). Corporate collaboration models may promote inclusive engagement but decision-making in their governance structures is still distributed to stakeholders according to capital shares. Social enterprises having a "democratic management style" and in many cases aiming to "further democracy at local level through economic activity" (Defourny, 2001. p. 20) also go beyond the features of these corporate models of stakeholder engagement. Using Vidal's (2010) framework of multi-stakeholder governance in social enterprises, Sloan's (2009) corporate collaboration models may be characterized as promoting stakeholder dialogue (giving stakeholders a voice) but not multi-stakeholder administration (giving stakeholders a vote).

Even as stakeholder theory has had a growing foothold beyond the corporate context, Bevan and Werhane (2010) raised an issue about the corporate centrality of stakeholder theorizing and the need to give a face to the different categories of stakeholders.

Leading scholars on the stakeholder theory, in concluding their book, *Stakeholder Theory: The State of the Art*, have called for a "richer description" of stakeholder engagement strategies or models, a "redescription" of organizations other than corporations in stakeholder terms and "relating descriptions" or contributing to the conception of stakeholder theory for different types of organizations (Freeman, et al.,

2010. p. 286). It is in this context, that this thesis contributes to the conception of a stakeholder theory for social enterprises with the poor as primary stakeholders (SEPPS), a dominant type of social enterprise in the South.

## 1.4. Business and Society: Exploring the Role of Business in Poverty Reduction

In characterizing globalization and poverty, Blowfield (2007) examined four dimensions of the business-poverty relationship: While companies could view poverty as a business opportunity, business could also be a cause or a victim of poverty, or it could remain neutral.

During the past decade, the proposition that businesses have reason to be concerned and could contribute to poverty alleviation/reduction and development has gained both supporters and critics (Blowfield and Frynas, 2005; Jenkins, 2005; Singer, 2006; Davidson, 2009; Jeppesen and Lund-Thomsen, 2010). A specific proposition that has gained the most prominence, and generated much debate is for corporations to learn to profitably serve the poor at the Bottom or Base of the Pyramid (BOP)<sup>4</sup> as customers (Prahalad and Hammond, 2002; Prahalad, 2004; Prahalad, 2005). Similar models called ‘sustainable livelihood business’ (SLB) and ‘development through enterprise’ that looked at poverty as an economic opportunity for multi-national corporations (MNCs) or emphasize business models driven by a profit motive to engage the poor as producers and consumers were also advanced by the World Business Council for Sustainable Development and the World Bank (WBCSD, 2002, 2004; World Bank, 2003).

The BOP platform gained strength as successful microfinance initiatives such as the Grameen Bank (Yunus, 1999) became the basis for a worldwide movement to provide financial services for the poor as a strategy to fight poverty. This was linked to global efforts to reach the Millennium Development Goals, with the United Nations declaring 2005 as International Year of Microcredit.<sup>5</sup>

From the time it was first conceived in 2002, Paton and Halme (2007) characterized the BOP debate as having progressed, referring to the results of two major conferences as basis. The Greening of Industry Network (GIN) Conference in June 2007 in Waterloo, Ontario devoted three sessions on the BOP. The BOP approaches in the empirical examples and discussions during the conference indicated many types of entrepreneurial activity not only by MNCs, but also by small and medium enterprises (SMEs), social enterprises and NGOs. Scholars who synthesized

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<sup>4</sup> Proponents of the BOP later changed ‘Bottom of the Pyramid’ to ‘Base of the Pyramid’ in response to criticisms that ‘Bottom’ was derogatory.

<sup>5</sup> <http://www.yearofmicrocredit.org/>, (accessed 26 October 2010)

the results of the GIN Conference<sup>6</sup> framed the varied approaches as ‘eradicating poverty in an economically feasible way’ (Kandachar and Halme, 2007). Another conference titled ‘Business with Four Billion’, hosted by the University of Michigan in September 2007, called for a reframing of the BOP perspective as a hypothesis that private sector efforts to address the needs of the poor can create mutual benefit for the poor and the businesses involved<sup>7</sup>. Taking off from this proposition of mutual value creation, London, et al., (2010) discussed how business ventures serving BOP producers addressed local constraints and created mutual value. London and Hart (2011) also explained the importance of shifting BOP business strategies from ‘*finding a fortune at the base of the pyramid*’ to ‘*creating a fortune with the base of the pyramid*’.

Despite such progress, Paton and Halme (2007) have noted:

“Our theories about how business can help address the needs of the poor have to date been presented largely as stories about what the businesses have done. The poor themselves have largely appeared in our drama like movie extras, in the background, while our stories focus on the central business characters.... The BOP research community can raise the value of its contributions to the BOP debates by shedding light on the effects of the businesses from the perspective of the poor and their unmet needs”. (Paton and Halme, 2007. p. 585)

The BOP proposition has had its share of criticisms. One stream of the critique against the BOP and other market models for poverty reduction is outright rejection, calling the ‘Fortune’ at the BOP as a ‘Mirage of a Fortune’ and emphasizing the critical role and responsibility of the state in poverty reduction (Karnani, 2010). Another stream calls for a more holistic perspective of engaging the poor as customers, suppliers and employees, emphasizing the need to inject corporate social responsibility (CSR) and cooperation between companies practicing CSR, government and non-government organizations (NGOs) with a joint explicit mission of reducing poverty (Singer, 2006; Davidson, 2009; Habib and Zurawicki, 2010).

An evolving body of literature concerning business and society provides critical perspectives on CSR in the developing world (Blowfield and Frynas, 2005; Prieto-Carron, et al., 2006; Jeppesen and Lund-Thomsen, 2010). In the business and poverty reduction debate, scholars from this perspective point out that the evidence that business can help reduce poverty is not particularly strong. Taking off from the experience of tea farmers involved in fair trade in Kenya, Blowfield and Dolan (2010)

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<sup>6</sup> <http://www.greeningofindustry.org> (accessed 26 October 2010).

<sup>7</sup> <http://www.nextbillion.net/research> (accessed 26 October 2010).

revealed gaps between well-intentioned fair trade policies and the actual experiences of their intended beneficiaries.

Jeppesen and Lund-Thomsen (2010, p. 140) studied the “tension that exists between pressures to adopt Western-style CSR initiatives in Africa, Asia and Latin America and the search for locally appropriate solutions to these pressures”. To create greater chances for CSR to deliver impact on its intended beneficiaries in the developing world, they advocate democratizing CSR. For practitioners, this means instituting measures for greater accountability and giving the intended beneficiaries such as local firms, farmers and workers a bigger say in formulating and executing CSR policies affecting their operations and lives. For researchers, they assert the need to take a bottom-up approach by putting local firms, farmers, workers and communities at the center of future analyses of CSR interventions in the developing world (Jeppesen and Lund-Thomsen, 2010).

This thesis explores how social enterprises are serving the poor and addressing poverty in the developing world from the perspective of key actors, especially the poor. By giving attention to the voices of the poor as key actors, this thesis hopes to contribute to enriching the evolving BOP discourse and the broader debate on business and poverty reduction. Social enterprises serving the poor as primary stakeholders (SEPPS) that could be shown to have meaningful contribution to poverty reduction may provide new vistas and benchmarks for BOP enterprises. SEPPS may also be seen as local actors that could potentially interface with both local and multinational companies in search of innovative ways of pursuing CSR in the developing world. In this context, this study on SEPPS may be seen as an *indirect* contribution to the literature on critical perspectives on CSR and BOP enterprises in developing countries.

## *CHAPTER 2 – RESEARCH FRAMEWORK AND METHODOLOGY*

This thesis develops a framework for understanding how social enterprises serve the poor and address poverty. It sheds light on the effects that social enterprises have on poverty in a developing country context, from the perspective of the poor as stakeholders.

### **2.1. Theory Building on Social Enterprises Engaging the Poor as Stakeholders**

From Chapter 1, poverty has been identified as one of the most pressing social problems in the 21<sup>st</sup> century. Governments and practitioners have recognized the importance of the business sector and civil society (or the third sector) in contributing to poverty eradication (UNDP, 2000; Bissio, 2003). Whether seen from the perspective of being part of the third sector (Spear, et al., 2010), in the intersection of the public, private and civil society sectors (Hulgaard, 2008), or creating new business models involving corporations and civil society (Seelos and Mair, 2005), social enterprises have been recognized as important actors in serving the poor and making an impact on the alleviation of poverty in the poorest countries (Seelos et al., 2006). In this context, the relevance of this research in the real world is in providing policy makers and practitioners a better understanding of the strengths and limitations of the various ways in which social enterprises engage the poor as stakeholders.

The researcher has been engaged in action research on this theme in the Philippines and other developing countries in Asia for a number of years (Dacanay, 2004; 2009). In this regard, she saw the thesis as an opportunity to build on the results of her action research and contribute to theory building in the evolving field of social entrepreneurship.

The importance of social entrepreneurship theory building in general, and theory building on her area of inquiry (i.e. how social enterprises serve the poor as stakeholders in a developing country context) as a research gap was validated by her review of literature, as discussed in Chapter 1:

- Based on a scanning of social entrepreneurship literature in major academic journals, social entrepreneurship as a topic of academic inquiry over the past 20 years has been characterized as being in an embryonic stage, needing more empirical studies with formal hypotheses and rigorous methods (Short, et al., 2009);



- Synthesizing their scanning of the state of social entrepreneurship research at the international level, Robinson, Mair and Hockerts (2009, p. 3) have pointed to the need to move social entrepreneurship discourse to a “discussion of constructs, concepts, frameworks and theories”;
- Social entrepreneurship discourse is currently dominated by European and American schools of thought emanating from developed country contexts (Dees and Anderson, 2006; Defourny and Nyssens, 2008 and 2010) and could benefit from perspectives from a developing country context;
- Major cross country research scanning work integration social enterprises and studying trends and challenges faced by cooperatives as social enterprises have mainly covered experiences in developed and transition country contexts in Europe and Canada (Borzaga and Spear, 2004; Davister et al., 2004, Spear and Bidet, 2005);
- As detailed in Chapter 1, there are an increasing number of scholars who have engaged in theory building research. However, social entrepreneurship theory building research dealing with stakeholders is focused on social enterprise governance and multi-stakeholder governance systems (Spear, et al., 2010; Vidal, 2010). While they refer to stakeholder theory, they are not focused on applying or extending stakeholder theory; and
- A significant percentage of social entrepreneurship literature in Asia has been on the rise of work integration social enterprises in developed country contexts (Chan, 2008; Chan and Sit, 2009; Po-ying, & Kitajima, 2010; Kuan and Wang, 2009; Bidet, 2009; Teo, 2008; Sakurai, 2010). There is also literature evolving that provides frameworks for understanding the rise of social enterprises in developing (Dacanay, 2004; 2009) and transition countries (Yu and Zhang, 2009). On the whole, however, social entrepreneurship theory building research has not really taken off in Asia.

The researcher’s review of social entrepreneurship literature clearly validated the relevance of pursuing theory building research focused on how social enterprises serve the poor as stakeholders in a developing country context. However, it does not adequately provide the basis of whether the way to go is theory building rather than theory testing. Applying what Eisenhardt and Graebner (2007) proposed as a sound basis for justifying theory building, the question the researcher needed to answer was, does existing theory provide feasible answers?

Based on the researcher’s review of literature on stakeholder theory discussed in Chapter 1, there are four major reasons why theory building is the more appropriate option:

- Much of stakeholder theory is based on corporate experience. Stakeholder literature outside the corporate context, in the non-profit and public sectors, mainly discuss perspectives on the usefulness of stakeholder theory and provide empirical tools for stakeholder analysis, management and engagement (Freeman, et al., 2010);
- Stakeholder theory scholars have pointed out that stakeholder engagement is an under-theorized area of research (Greenwood, 2007; Sloan, 2009; Freeman et al., 2010). Stakeholder engagement is broadly defined as the process of involving individuals and groups that affect or are affected by the activities of the firm. Answering how social enterprises serve the poor as stakeholders is within the purview of stakeholder engagement;
- In assessing the state of the art of stakeholder theory, Freeman, et al., (2010) have called for a “richer description” of stakeholder engagement strategies or models, a “redescription” of organizations other than corporations in stakeholder terms and “relating descriptions” or contributing to the conception of stakeholder theory for different types of organizations (Freeman, et al., 2010. p. 286).
- Social entrepreneurship scholars from the social economy school are engaged in research on social enterprises as multi-stakeholder organizations that foster democracy and participation among various stakeholder groups (Defourny, 2001; Borzaga and Spear, 2004; Spear and Bidet, 2005; Davister et al., 2004; Defourny and Nyssens, 2008; Spear et al., 2010; Vidal, 2010). Such may be broadly appreciated as exploring stakeholder engagement models beyond the corporate context. However, much of their empirical studies have focused on social enterprises in developed and transition countries.

These observations from the researcher’s review of literature on stakeholder theory completes the justification for theory building - that there is a strong basis for contributing to the development of a stakeholder theory for social enterprises in general, and to the development of a theory on stakeholder engagement among social enterprises that serve the poor in a Southern country context in particular.

Interestingly, Paton and Halme (2007) have also noted that theories on how business address the needs of the poor treat the poor “like movie extras” and would benefit from contributions that shed light on the “effects of the businesses from the perspective of the poor and their unmet needs”. This weakness opens the possibility for this thesis to also contribute, though indirectly, to the discourse on business and poverty.

Having explained the basis for a theory building research on how social enterprises serve the poor as stakeholders in a developing country context, the next sections clarify the research questions, the research setting, and the chosen

methodology of case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

## 2.2. Definition of the Research Question

Towards building theory on how social enterprises serve the poor as stakeholders in a developing country context, the researcher pursued the following research question:

*In those cases where social enterprises serve the poor as stakeholders in a developing country context, how have they engaged the poor, and why have they been effective in terms of their impact?*

To answer these questions, the researcher tracked the roles and role changes among the poor in the social enterprises studied to serve as indicators of the way the poor were involved or engaged as stakeholders of the social enterprise over time. Studying why and how their roles changed over time gave indications about the elements or dimensions that mattered in bringing about role changes. Studying how these elements or dimensions relate to impact on the poor in turn indicated patterns of effective or ineffective ways that social enterprises engaged the poor and addressed poverty.

In terms of process, the general theme of how social enterprises serve the poor as stakeholders was clear from the start but the research questions evolved over time. As the researcher was undertaking field research on the first case, which as would be explained later became the centerpiece case, the research question took the following more operational forms:

*What roles do the poor play as stakeholders in social enterprises? Do these roles change over time? How and why do they change? What impact do these role changes have on the poor, the social enterprise and poverty?*

The formulation of the research question was further refined during the theory building and monograph writing phase. This was in response to the need to better align the research question with the theory building goal.

## 2.3. Overall Methodology

The researcher decided to pursue case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) as the methodology. Given that the broad theme was *how* social enterprises serve the poor as stakeholders in a developing country context,

an unexplored area of research – the strategy of building theory from multiple cases was deemed the most suitable. The researcher chose multiple cases rather than a single case to enable comparisons towards yielding a relatively more robust and testable theory (Yin, 1994; Eisenhardt and Graebner, 2007).

Multiple cases were to serve as replications, contrasts and extensions of the emerging theory (Yin, 1994). Theoretical sampling, or choosing the cases for theoretical, not statistical reasons (Glaser and Strauss, 1967), was central to the chosen methodology. In designing the theoretical sample, the researcher decided to define theoretical categories (Eisenhardt, 1989) based on the usual roles enacted by the poor in social enterprises: the poor as workers, the poor as clients, the poor as suppliers, and the poor as owners. On application of the categories, it became evident that the poor as owners tended not to be a distinct category but cut across categories. Therefore, three categories (poor as worker, poor as client, and poor as supplier) were chosen for this research with the provision that about 50% of the theoretical sample should also represent the poor as owners. A matched pair for each of the categories of social enterprises (Hockerts, 2006b) was deemed a reasonable number within the timeframe of the thesis.

## 2.4. Research Setting

The research setting was the Philippines, providing the developing country context that was required to answer the research question. Like other developing countries in Asia, the Philippines manifests the phenomenon of worsening poverty despite economic growth. Data from the National Statistics Office (NSO) and the National Statistical Coordination Board (NSCB) show that from a baseline of 45.3% (28.1 million people) in 1991, poverty incidence in the country, measured in terms of income poverty, stopped declining at 30% in 2003 and from that point on proceeded to rise steadily up to 32.9% (27.6 million people) in 2006. Considering the impacts of the global crisis in 2008-2009 and the natural disasters of 2009, the poverty situation could only have gotten worse (Serrano, 2010). When the Philippines registered worsening poverty in 2006, Forbes magazine listed 3 Filipinos in its annual list of billionaires with their net worth ranging from US\$ 2.3-2.6 billion each (Kroll, 2006). The 2008 National Nutrition Survey (NNS) revealed that 3 out of 10 children were undernourished, with the percentage of underweight children less than 5 years of age comparable to the United Nations Children Fund's (UNICEF's) 2006 estimates for Sub-Saharan Africa.

Between 1980 and 2010, the Philippines' Human Development Index (HDI) rose by 0.7% annually from 0.523 to 0.638, which gives the country a rank of 97 out of 169 countries with comparable data. This places the country in the medium human development category. The HDI of East Asia and the Pacific as a region increased

from 0.391 in 1980 to 0.650 in 2010, placing the Philippines below the regional average. Not only has the Philippines been lagging behind its neighbors in terms of human development, it may just mean there have been more countries that have been worse off. While its GDP per capita was US\$ 3,600 in 2010, Philippine indicators for education and health were not encouraging. Public health spending was placed at 1.3% of GDP, which was very low compared to the 5% World Health Organization recommendation. On average, there were 32 children who died before age 5 per 1,000 live births. Public spending on education was 2.6% of GDP. About 80% of the population has had some form of schooling. The average number of years of adult enrollment was 8.7 in contrast to 11 years of expected schooling. Only 62 per 1,000 people had access to the Internet (UNDP, 2010).<sup>8</sup>

In terms of the Basic Capability Index (BCI), the Philippines scored 77 out of a perfect score of 100, belonging to the group of countries with a very low BCI category. These countries were characterized as having a very low level of achievement in terms of meeting the basic needs and facing very significant obstacles in achieving the well being of their population (Social Watch, 2008).

Despite the trend towards urbanization, poverty in the Philippines is still largely a rural phenomenon. In 2006, 75% of the poor were still found in the rural areas, up from 71% in 1991 (Balisacan et al., 2008). The poor are the landless, homeless, jobless, underemployed, uneducated, sick, malnourished, discriminated Filipinos. Many of them are women, Muslims, Indigenous Peoples, and tribal Filipinos (Serrano, 2010).

A 2005 study commissioned by the Asian Development Bank on Poverty in the Philippines: Income, Assets and Access detailed how poverty in the country was a deprivation of and lack of access to essential assets falling under the categories of human capital, physical capital, natural capital, financial capital, and social capital. The same study identified seven factors that were seen to be direct causes of poverty (Schelzig, 2005):

- Macroeconomic policies that have resulted to economic growth but have not reduced poverty;
- Unemployment and underemployment especially in agriculture, forestry and fishery;
- Unchecked population growth;
- Structural issues in the agricultural sector including a problematic agrarian reform program and ineffective policy and service support to small farmers;
- Governance concerns including corruption and an ineffective state that is unable to deliver basic services;

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<sup>8</sup>See <http://hdr.undp.org/en/statistics/data/> for details on the 2010 Human Development Report

- Armed conflict especially in the poorest areas of Muslim Mindanao; and
- Disability caused by malnutrition, unsanitary living conditions, accidents and injuries, with most persons with disabilities living in poverty.

A fundamental cause of rural poverty in the Philippines is the distribution of land (World Bank, 1988; Balisacan and Pernia, 2002). Land reform, the main asset reform program of government, remains a major bottleneck with a large amount of land (1.4 million hectares) left that still needed to be distributed by the end of the government's Comprehensive Agrarian Reform Program (CARP) in 2008. Despite CARP being adopted by various Philippine administrations, not much has been achieved. Bello et al., (2004) have assailed CARP as having failed to change the feudal landscape and to address the roots of land concentration in the hands of a few rural and urban elites. CARP has suffered from problems such as lack of funds, opposition from a landlord-dominated Congress, lackluster performance by the Department of Agrarian Reform (DAR), intense resistance from landlords, and legal hurdles (Schelzig, 2005).

The Philippine state's failure to address poverty has created a robust civil society sector engaged in development work and advocacy over the years (Serrano, 2010). Within the business sector, most corporations and small and medium enterprises continue to do business as usual even as a growing number have started to practice various forms of corporate social responsibility. However, the dominant orientation of corporate social responsibility practice in the Philippines, especially among business firms in the agricultural sector, remains at the level of charity and public relations, rather than the integration of social objectives into company philosophy and strategy (Dacanay and Roy, 2007). In this context, social enterprises that have been set up to serve the poor have become important actors in poverty reduction and sustainable development.

## 2.5. Defining SEPPS as Target Population

The following working definition of social enterprises with the poor as primary stakeholders or SEPPS was used by this research in the beginning:

*'SEPPS are social mission driven wealth creating organizations that have at least a double bottom line (social and financial), explicitly have as principal objective poverty reduction/ alleviation or improving the quality of life of specific segments of the poor, and have a distributive enterprise philosophy'.*

This definition was adapted from the results of the author's earlier action research on social enterprises in Asia (Dacanay, 2004; 2009). Defining this specific type of social enterprise (SEPPS) as population is a refinement from the researcher's earlier

research, where social enterprises in general was deemed the population (Dacanay, 2004; 2009). Conceiving of SEPPS as a specific type of social enterprise to serve as target population for this study overcomes the difficulty of unintentionally excluding within the social entrepreneurship (SE) domain, social enterprises that may not necessarily serve the poor as primary stakeholders. For example, some scholars, notably Hockerts (2006) have pointed to the importance of including initiatives in the realm of sustainability and ecological entrepreneurship as topics within the SE domain. More importantly, conceiving of SEPPS as a specific type of social enterprise serving as population for this research better clarifies the domain of the findings (Eisenhardt, 1989).

There are three aspects to the working definition of SEPPS as target population:

Firstly, SEPPS are social mission driven organizations explicitly pursuing poverty reduction/alleviation or improving the quality of life of specific segments of the poor as primary objective. This social dimension is a tradition that SEPPS shares with third sector or civil society organizations. They are engaged not only as workers, clients or suppliers, but more importantly as partners in their own poverty reduction. In the thesis, this dimension was demonstrated to mean engaging the poor as transactional and transformational partners: as transactional partners, they are engaged to participate in social enterprise and value chain management; as transformational partners, they are engaged to effectively participate in social enterprise governance and to enact roles as change agents in their community, sector or society as a whole.

Secondly, SEPPS are wealth-creating organizations that have at least a double bottom line (social and financial). Just like business or private enterprises, and unlike the traditional non-profit organizations that are dependent on grants or public subsidies - or wealth created somewhere else - SEPPS are engaged in the production/provision and sale of goods and services. However, unlike business or private enterprises that principally produce/provide and sell goods and services to create profit for shareholders, SEPPS do so with the objective of financial sustainability. They create wealth to partially or fully cover their operations and to invest in other activities related to their social mission. Their financial bottom line plays a supportive role to their social bottom line of poverty reduction/alleviation or improving the quality of life of specific segments of the poor.

Thirdly, SEPPS have a distributive enterprise philosophy. Unlike in a business or private enterprise where payments or wages made to the poor are considered as financial costs to be minimized, these are considered as social benefits for primary stakeholders that need to be optimized. Moreover, the distributive philosophy is expressed in the surplus or profits accruing to the poor as dividends as well as being reinvested back to the enterprise to sustain the fulfillment of its social mission or in activities that benefit and assist the poor in overcoming poverty or improving their

quality of life. In the thesis, this dimension was elaborated to mean the provision by the social enterprise of transactional and transformational services for the poor to overcome poverty and capability deprivation. This is directly related to the first element in the definition, as it is the combination of transactional and transformational services provided by SEPPS that enable the poor to participate in social enterprise management, governance as well as community, sectoral and societal change.

The aforementioned definition of SEPPS adopted by this research may be considered a ‘strong’ definition relative to what may be considered a ‘weak’ definition from the perspective of Freeman et al., (2007; 2010). Using Donaldson and Preston’s (1995) aspects of stakeholder theory, the ‘weak’ definition of SEPPS considers the poor as primary stakeholders from a descriptive and instrumental perspective. As primary stakeholders, they are part of an inner circle of “groups without whose support the business would cease to be viable” (Freeman et al., 2010. pp. 25-26). This perspective is shared by many other scholars of stakeholder theory (Carrol, 1993; Clarkson, 1998; Gibson, 2000). The strong definition adopted by this research on the other hand has a normative perspective (Donaldson and Preston, 1995) of the poor as primary stakeholders in an enterprise principally governed by its social bottom line and distributive philosophy.

This research enhanced this strong definition and normative perspective by clarifying that SEPPS are responses to pervasive state and market failures to serve the needs of the poor in developing country contexts. As such, SEPPS provide a combination of services (transactional and transformational) aimed at assisting the poor overcome capability deprivation to enact both transactional and transformational roles. On one hand, the poor are assisted to enact transactional roles as workers, suppliers and clients, as well as partners in social enterprise or value chain management. On the other hand, the poor are assisted to enact transformational roles as full fledged owners of social enterprises and as organized partners practicing democracy not only in social enterprise governance but also in the pursuit of community, sectoral, and societal transformation.

These enhancements in appreciating the context and elements that define SEPPS are the subject of discussion in the cross case analysis, propositions and conclusions (Chapters 9-11) of the thesis.

## 2.6. Rapid Appraisal of Significant Segments of SEPPS in the Philippines

The target population is Philippine social enterprises with the poor as primary stakeholders or SEPPS. These social enterprises should have existed for at least 5 years, preferably longer, to allow studying possible changes in the way these social



enterprises engaged the poor and the corresponding impact of such on the poor over time.

There have been no systematic studies and surveys in the Philippines to establish a comprehensive profile of social enterprises in general, and SEPPS in particular. The researcher, therefore, did a rapid appraisal using secondary data and interviews with key informants from national networks of social enterprises, social entrepreneurship resource institutions and regulatory government agencies. The results of the rapid appraisal are contained in a monograph authored by the researcher (Dacanay, 2007). The results of the rapid appraisal became the basis for defining significant segments of SEPPS, identifying a shortlist of potential networks for consideration and making a long list of social enterprises from which to identify and choose the matched pairs for study.

Social enterprises with the poor as primary stakeholders, or SEPPS, have a long history, with development trends that occurred at different junctures, giving rise to various segments (Dacanay, 2007):

- Cooperatives;
- Fair trade organizations;
- Microfinance institutions;
- NGO-initiated earned income enterprises;
- Sector or area-based enterprises serving specific poverty groups; and
- Small entrepreneur-initiated enterprises with a clear social agenda.

While these segments are not mutually exclusive, they have been identified as significant because groupings of these social enterprises belong to identifiable networks. Sometimes, they are clustered together as partners of specific government agencies or resource institutions that support their agenda.

The number of SEPPS in the country is difficult to establish. There are conflicting statistics from secondary sources especially involving cooperatives. Many cooperatives also mirror the trend towards communitarianism and exist as multi-stakeholder cooperatives where the poor may or may not be the majority members. Many of those that involve the poor as majority owners, part of what we may call SEPPS, are agricultural cooperatives (including cooperatives of agrarian reform beneficiaries or small holders who acquired lands under the government's land to the tiller program), savings and credit cooperatives that have gotten engaged in microfinance operations, and cooperatives providing various forms of social protection schemes (e.g. health insurance) (Dacanay, 2007).

The researcher came up with an informed estimate of 30,000 SEPPS based on the rapid appraisal. About 28,000 of these are cooperatives registered with the Cooperative Development Authority (CDA). About 500 are microfinance institutions

that are not cooperatives. The rest of the 1,500 are shared by the 26 fair trade organizations organized in one network, NGO-initiated and small entrepreneur initiated social enterprises, as well as sector or area-based enterprises serving specific poverty groups of farmers, fishers, indigenous communities and persons with disability (Dacanay, 2007).

## 2.7. Choosing the Theoretical Sample

Among the various segments, the author chose 3 networks or clusters of social enterprises that would correspond to the 3 theoretical categories for the sample: the poor as workers, the poor as suppliers, and the poor as clients. It was from these chosen networks or clusters that the matched pairs were chosen.

To choose the pairs within each of the networks or clusters, the added criteria used to ensure variability of the cases were relative social and financial performance of the social enterprise pairs, in addition to achieving an overall balance in terms of social enterprises owned and not owned by the poor.

Relative social and financial performance was deemed important given that the research problem entailed examining the impact of how social enterprises engaged the poor on the poor themselves, the social enterprise and poverty. Ownership and non-ownership of the poor as additional consideration for choosing actual pairs became feasible only in the case of one pair, as would be evident in the actual results of the theoretical sampling process. However, the balance in terms of ownership and non-ownership of the poor as part of the criteria was achieved overall.

From the rapid appraisal of social enterprise networks or clusters (Dacanay, 2007), the following were identified as distinct sources of the pairs of social enterprises for study:

- For social enterprises where the poor were suppliers, the lone network of fair trade organizations in the country was identified as a distinct source;
- For social enterprises where the poor were workers, an identifiable cluster of social enterprises serving persons with disability (PWD) was identified as a distinct source; and
- For social enterprises where the poor were clients, microfinance institution networks or cooperative networks were identified as possible distinct sources.

For the poor as suppliers, there was only one national network of fair trade organizations with 26 members – the Philippine Fair Trade Forum, which at the time of the research was being renamed as World Fair Trade Organization-Philippines (Lagazo, 2009).

For the poor as workers, there was a network of cooperatives serving PWDs, but there were other social enterprises that served this segment that were not cooperatives. While no formal network of all these PWD social enterprises (PWD SE's) existed, there was a dedicated government agency, the National Council on Disability Affairs (NCDA), where they were known, and there were non-government organizations that knew and had assisted them. There were at least 20 PWD SE's known to key informants from the NCDA and NGOs assisting PWDs (Labanon, 2009).

For the poor as clients, a choice needed to be made between cooperative or microfinance institution networks. The researcher made a choice in favor of cooperative networks to give due importance to social enterprises owned by the poor, and noting that most cooperatives that served the poor were also undertaking microfinance.

Among cooperatives, a number of networks existed, but VICTO National (with 218 members) was chosen because they were the recognized pioneer in the conduct of cooperative social audits in the country (Castillo, 2009).

## 2.8. Use of Panel of Experts

A panel of at least 3 experts from each of the networks or clusters identified, capable of making an informed judgment of the relative social and financial performance of the social enterprises within these networks or clusters, was organized to assist in identifying potential pairs for study.

For the fair trade cluster, the panel of experts was composed of the Convenor of the Asia Fair Trade Forum, the Executive Director of the Advocates for Philippine Fair Trade Inc., and the Coordinator of the Philippine Fair Trade Forum.

For the PWD SE cluster, the National Program Coordinator as well as the Regional Program Coordinator of the National Council on Disability Affairs and the Chairperson of a foundation serving PWDs comprised the panel.

For the cooperative cluster, the Chief Executive Officer of VICTO National, VICTO National's Social Development and Advocacy Head, VICTO National's Sector Network Building Head, as well as a Senior Consultant and an Executive Officer in charge of relating to their member cooperatives composed the panel of experts.

The members of the panel of experts for each of the networks or clusters identified are listed in Appendix 12.1. While the intention was to convene the three panels of experts, it became difficult to bring together members coming from different organizations at a common place and time. The researcher therefore resorted to undertaking separate interviews for panel members who belonged to different organizations. The panel members for the 'poor as clients' category, who were all from VICTO National, were convened together on August 3, 2009. The panel

members for the ‘poor as workers’ and ‘poor as suppliers’ categories were interviewed separately.

A panel of experts was resorted to because there was no sustained practice for objectively evaluating the levels of social enterprise performance (integrating both social and financial performance) within each of the networks or clusters concerned. However, since the panels of experts were knowledgeable about the relative performance of the social enterprises in their sector, subsector, cluster or network, they were in a good position to identify shortlists of social enterprises and discern a level of variability in terms of their social and financial performance.

## 2.9. Theoretical Sample Defined

The panel of experts first assisted in defining a shortlist of potential pairs of high performing and average performing social enterprises within their respective networks or cluster. From the shortlist, the researcher chose a preferred pair and an alternate pair. The pairs chosen by the researcher were what seemed the most similar, and hence comparable, in terms of their nature of products or services, the nature of the poor served, age and size in terms of assets or revenues. In all three pairs, the preferred pair was validated by the panel of experts as an appropriate set of cases for the theoretical sample given the basis used by the researcher. Table 2.1. shows the matched pairs of social enterprises that were identified for the theoretical sample.

The 3 cooperatives among the 6 case subjects, such as Lamac MPC, Cordova MPC and the PWD Fed, by their nature also featured the poor as owners of the social enterprises. The 3 others, Alter Trade, Upland Marketing, and Tahanan, were not owned by the poor in the beginning. However, in both Alter Trade and Upland Marketing, the social enterprise system that evolved over time included people’s organizations, cooperatives or community-based enterprises owned by the poor by virtue of partnerships with these entities (in the case of Upland Marketing) or as a direct result of organizing and capacity development services provided by the social enterprise (in the case of Alter Trade)

Table 2.1. Matched Pairs of SEPPS in Theoretical Sample

<b>Fair Trade Network (Poor as Suppliers)</b>	<b>PWD SE Cluster (Poor as Workers)</b>	<b>Coop Cluster (Poor as Clients)</b>
Alter Trade Group (Alter Trade)	National Federation of Cooperatives of Persons with Disability (PWD Fed)	Lamac Multi Purpose Cooperative (Lamac MPC)
Upland Marketing Foundation Inc. (Upland Marketing)	Tahanang Walang Hagdanan (Tahanan)	Cordova Multi Purpose Cooperative (Cordova MPC)

Table 2.2. shows the poverty sectors served by the three pairs of cases chosen.

Table 2.2. Poverty Sectors Served by SEPPS in Theoretical Sample

<b>Name of Social Enterprise</b>	<b>Description of Poverty Sector(s) Served</b>	<b>Scale of Reach</b>
Alter Trade	Agrarian reform beneficiary-sugar farmers; <sup>9</sup> Backyard growers of bananas (naturally grown Balangon variety)	820 sugar farmers in 1 province (Negros Occidental) and 3,493 banana growers spread nationwide
Upland Marketing	Community-based producers of food: majority are muscovado sugar producers and organic rice farmers	60 community-based enterprises with 3,000 poor producers as members/partners in upland, lowland and coastal communities nationwide
PWD Fed	Unemployed persons with disability (PWD) trained to manufacture school chairs	1,250 PWDs organized in 15 cooperatives nationwide
Tahanan	Unemployed persons with disability trained in metal craft, woodwork, needlecraft	273 PWD employees, workers, producers and students
Lamac MPC	In Lamac: upland farmers and livestock raisers, construction, domestic and migrant workers and entrepreneurial poor In other areas: entrepreneurial poor	35,040 poor representing 90% of 38,933 members in various provinces located in the Visayan region <sup>10</sup>
Cordova MPC	Artisanal fishers, handicraft makers, tricycle and trisikad drivers, workers, entrepreneurial poor	5,694 or 90% of 6,327 members spread in 1 municipality (Cordova) and in 1 city (Lapu-Lapu) in Cebu province <sup>11</sup>

In terms of age, the social enterprises have been in existence for a period ranging from 15-38 years and have annual revenues ranging from PhP 24.0 million to PhP 202.8 million. Details of the age and annual revenues of the SEPPS in the theoretical sample are contained in Table 2.3.

The researcher noted the diversity and complexity of organizational forms between and among the social enterprise pairs chosen. Table 2.4. provides details of these diversities and complexities.

Alter Trade and Upland Marketing (as one pair) were both multiple organizations, while the pair comprising of Lamac MPC and Cordova MPC were single organizations. Only the pair of PWD Fed (multiple organization) and Tahanan (single organization) exhibited a marked difference in terms of complexity of

<sup>9</sup> Former workers of big lands called haciendas that used to be owned by sugar barons or landlords, who were awarded part of the land they were tilling under the Comprehensive Agrarian Reform Program of government.

<sup>10</sup> The other 10% of members are professionals and salaried employees like teachers, and government employees

<sup>11</sup> The other 10% of members are professionals and salaried employees like teachers, and government employees

organization. The most complex of the social enterprise cases in terms of organization was Alter Trade as it exhibited the most variety of organizational forms, and the only one that utilized a stock-for-profit corporation (e.g. Alter Trade Corporation) as a subsidiary of the Alter Trade Foundation.

Table 2.3. Age and Revenues of SEPPS in the Theoretical Sample

<b>Name of Social Enterprise</b>	<b>Years in existence (year established)</b>	<b>Annual Revenues (M means millions of pesos)<sup>12</sup></b>
Alter Trade	21 (1988)	PhP 202.8 M (2007)
Upland Marketing	17 (1992) <sup>13</sup>	PhP 32.0 M (2007)
PWD Fed	15 (1994)	PhP 48.0 M (2007)
Tahanan	36 (1973)	PhP 24.0 M (2007)
Lamac MPC	17(1992) <sup>14</sup>	PhP 101.4 M (2008)
Cordova MPC	38 (1971)	PhP 25.8M (2008)

The researcher noted that the organizational diversity and complexity of the social enterprises was unavoidable. The researcher observed that the multiple organizational cases (Alter Trade, Upland Marketing and PWD Fed), without exception, involved cooperatives or associations of the poor that were intentionally organized and linked to the core social enterprise at the onset (in the case of PWD Fed) or over time (in the case of Alter Trade and Upland Marketing). This indicated that the diversity of organizational forms might have represented different ways that the social enterprises engaged the poor, the main area of inquiry of the dissertation.

Table 2.4. Diversity and Complexity of Organizational Forms in Theoretical Sample

<b>Name of Social Enterprise</b>	<b>Organizational Form(s)</b>	<b>Organizational Complexity</b>
Alter Trade	Corporations, foundation, cooperatives/associations	Multiple organizations
Upland Marketing	Foundation, cooperatives/associations	Multiple organizations
PWD Fed	Primary cooperatives, cooperative federation, foundation	Multiple organizations
Tahanan	Foundation	Single organization
Lamac MPC	Cooperative	Single organization, with area-based chapters
Cordova MPC	Cooperative	Single organization, with area-based branches

<sup>12</sup> PhP stands for Philippine pesos, the local currency. Exchange rate is about Php 46 to 1USD

<sup>13</sup> The Foundation was set up in 2000 but it evolved from an Upland Marketing Program set up in 1992

<sup>14</sup>Lamac MPC has its roots in the Lamac Samahang Nayon composed of farmers set up in 1973. After experiencing management and leadership problems resulting to its financial decline, the Lamac Samahang Nayon was reconstituted in 1992 into a multisectoral and multipurpose cooperative called the Lamac MPC with a local professional group taking over the management.

The relationship between organizational complexity and the nature of stakeholder engagement among the poor was explored during the analysis phase and became the subject of one of the propositions (Proposition 6) and conclusions.

## 2.10. Methods of Data Collection and Analysis

After the matched pairs of SEPPS were chosen, the researcher designed a set of guidelines for field research defining the guide questions for field interviews and documents to be requested from the case subjects. This 2-page document entitled Guidelines for Field Research is attached in Appendix 12.2.

A formal letter introducing the research, containing the aforementioned guidelines and a Memorandum of Understanding between the Case Subject and Researcher (attached as Appendix 12.3.) was then sent to the Chief Executive Officer (CEO) of each of the case subjects. Field research dates were set based on the mutual availability of the case subjects and the researcher. Follow-up research activities were undertaken as needed.

As required, multiple data collection methods were used. Key informant interviews and focus group discussions (FGDs) together with a study of internal organizational documents and a review of previous studies on the case subjects was undertaken to gather data. Key informant interviews with a minimum of 10 to a maximum of 30 people were conducted for each of the cases. For all cases, these key informants included:

- Top management (current and past);
- Middle managers or senior staff;
- Chair or representative from the Board of Directors or Trustees;
- Representatives of key program and/or funding partners;
- Purposively selected partners among poverty sectors served; and
- Experts from the concerned subsector, sector or industry.

A list of the key informants per case subject is contained in Appendix 12.6.

Triangulation of perspectives among key informants and data sources was used to establish the reliability and validity of case study results (Yin, 2003). Case study notes were in the form of hand-written field notes, tape recorded interviews, and narratives written by the researcher on various aspects of the research. Case study drafts were written and submitted to the case subjects for data validation.

A dialogue ensued between the case subjects and the researcher leading to the finalization of the case studies. In four of the cases, substantive dialogue ensued with some key informants based on their comments on the case study drafts. The dialogue,

taking off from the comments of some of the key informants, generally improved the quality of data contained in the final case study. In two of the cases, the changes introduced substantively altered the researcher's analysis. However, in the other two, the changes introduced did not. This may be because the researcher had done research and consultancies with the latter two case subjects in the past and her familiarity with their external and internal environment facilitated a more accurate interpretation of the data.

With the last two cases, no substantive dialogue ensued after the case study drafts were submitted to them for data validation. This may have been due in part to the unexpected departure of staff that had played key roles in facilitating the case research. The researcher notes this as a limitation that may or may not have affected the quality of the data on these cases. Notwithstanding such, the researcher believes the minimum data required for their inclusion in the thesis was met, and they still have valid contributions to the overall analysis.

Within the theoretical sample, the first pair that was identified and studied was Alter Trade Group and Upland Marketing Foundation Inc. The panel of experts was interviewed in February 2008 and the field research for Alter Trade Group started shortly after. Field research for the Alter Trade Group was completed in January 2010, although follow-up interviews and email exchanges continued up to the time that the case study was finalized in May 2011. It was through studying the Alter Trade Group that the research question evolved from one that explored enterprise strategy content and strategy formation processes among social enterprises to finally focusing on stakeholder engagement strategies. It was for this reason that the level of case research done on Alter Trade Group was the most intensive. Alter Trade Group proved to be a very rich case as well in terms of content. This is because it is a story of distinct but interrelated cases on stakeholder engagement with two segments of the poor: one in relation to their experience with organic sugar farmers and the other in relation to their experience with Balangon banana growers. Given these reasons, the Alter Trade Group has been considered by the researcher as a centerpiece case for the thesis. As such, the chapter on Alter Trade has been deliberately given double the usual number of pages allotted for a case.

The panels of experts for the other two pairs were convened and interviewed in July 2009 (for the cluster of social enterprises serving persons with disability or PWD SE cluster) and August 2009 (for the cooperatives in the VICTO National network). By then, refinements on the research questions had already been made, facilitating the conduct of more focused research activities. Field research was conducted for these two pairs of cases from November 2009-February 2010, although some follow up interviews were conducted after. In one of the cases, a research associate assisted the conduct of follow up interviews.

From the database generated for each of the social enterprises in the theoretical sample, case descriptions were made with the aid of chronologies of the most



important events. Patterns and relationships were established with the help of tables and diagrams. The focus was to establish patterns and relationships about roles and changes in the roles enacted by the poor as primary stakeholders of the social enterprise, how and why these changed, and the impact of these role changes on the poor, poverty and the social enterprise.

Using the inductive method, within-case and cross-case data analysis (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) between each of the three pairs and across all six case subjects was done towards contributing to building a framework for understanding how social enterprises engage the poor and address poverty.

## 2.11. Mintzberg's Theory of Strategy Formation as Major Analytical Tool

To establish patterns within and between the social enterprise cases in terms of how they engaged the poor over time (what was later called primary stakeholder engagement strategies), Mintzberg's (1978, 2007) theory of strategy formation was used by the author as a major analytical tool.

Mintzberg (2007) defined strategy simply as 'patterns in actions' or consistency in behavior over time. He conceived of realized strategy as an interplay of deliberate and emergent, intended and unrealized strategies across the three organizational stages of initiation, development, and renewal. The initiation stage refers to the establishment years when vision is defined, learned or imported by the founders; the development stage refers to the period when the organization grows, experiments or pursues its vision programmatically; and the renewal stage refers to a period of change, oftentimes following a crisis. Deliberate strategies are planned strategies that are actually implemented while emergent strategies are not planned but arise spontaneously during the implementation phase. Intended strategies are planned strategies but during the implementation phase, they may or may not be implemented, in part or in full (Mintzberg, 2007).

The interplay of deliberate, emergent, intended and unrealized stakeholder engagement strategies (illustrated in Figure 2.1.) across the organizational stages of initiation, development and renewal did not only prove useful in establishing patterns on how the social enterprises involved or engaged the poor over time, they also helped in exploring rival explanations (Yin, 2003) to answer how and why changes in stakeholder engagement strategies among the poor happened or did not happen.

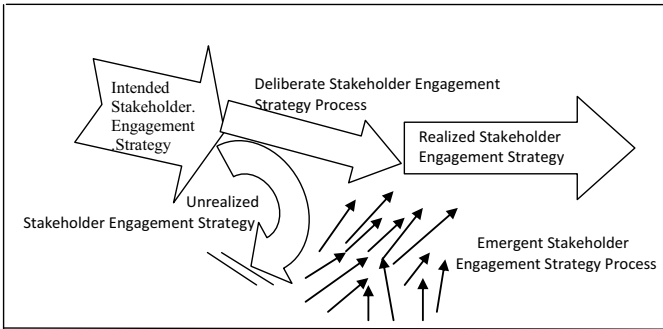


Figure 2.1. Stakeholder Engagement Strategy Formation Process  
 (Adapted by the author from Mintzberg, 2007)

## 2.12. Research Scope, Limitations and Ethical Considerations

The researcher intends to make a contribution to developing a theory on social enterprises with the poor as primary stakeholders or SEPPS. She locates her theory building research within the realms of social entrepreneurship and stakeholder theory. In particular, she develops a framework for understanding stakeholder engagement strategies vis-à-vis the poor among SEPPS. The researcher notes that a future study exploring theories relevant to poverty reduction, development, empowerment and participation, would further ground the theory building presented here.

The research is clearly focused on SEPPS and their stakeholder engagement strategies vis-à-vis the poor. In this context, she would only study the roles enacted by other stakeholders in so far as they help explain the hows and whys of the primary stakeholder engagement strategy. The researcher refers to the primary stakeholder engagement strategy as stakeholder engagement strategy because of the nature of SEPPS: they are social enterprises that engage the poor as primary stakeholders from a normative perspective (Donaldson and Preston, 1995). As was earlier discussed, the researcher does not intend to make a direct contribution to the discourse on business and poverty reduction in this thesis. The indirect contribution is alluded to given the expressed limitation of business theories in terms of their impact on the poor (Paton and Halme, 2007). The indirect contribution is also in reference to the potential for the thesis to provide perspectives on the interface between social entrepreneurship and corporate social responsibility. Such is explored in relation to the case of Upland Marketing Foundation, Inc. The researcher however notes the potential for her to do collaborative research with business and society scholars to pursue some of the themes relevant to business and poverty reduction generated by this research.

The researcher endeavored to keep to the rigour required by multiple case study research and case-based theory building given limitations of time and resources. She made a conscious decision to delimit her research on Upland Marketing, even as going in the direction of pursuing a case on the network of NGOs that set up Upland Marketing became an interesting option. She also made a conscious decision to delimit her comparative analysis of the qualitative impact of Alter Trade's intervention within Negros Island, rather than including Alter Trade-banana's impact outside of Negros Island. These were calculated decisions to manage the limitations of time and resources in completing the field research in both cases. These conscious delimitations were fully considered in the analytical section of the cases and in considering what the two cases could offer during the process of cross case analysis.

The researcher endeavored to effectively manage the process of actively engaging the case subjects to provide as complete a set of data and perspectives as possible for the research. In managing the process, the researcher also endeavored to take full consideration of the ethical issues pertinent to undertaking a PhD dissertation. Many of these ethical issues arise from managing sensitive data gathered from organizations and respondents who may be vulnerable and unduly exposed to risks. The researcher took special note of not divulging data that were requested to be kept confidential. She endeavored to respect such without affecting the integrity of the within case and cross case analysis. Where the data was critical to the integrity of the case study, due care was made to protect the identity of the respondents. The case subjects were given an opportunity to review and give clearance to the case drafts for inclusion in the dissertation and publication. The case subjects were also made aware of the option of not using their real identity in the final case study chapter, if deemed necessary.

All these were fully discussed and introduced in a Memorandum of Understanding (MOU) during the start of the research process. The MOU was meant to address these issues and to develop a mutual understanding of the requirements of what it meant to be a case subject. A sample of this MOU is contained in Appendix 12.3.

The researcher established rapport by presenting the mutually beneficial objective of the research in contributing to the evolving body of knowledge on social entrepreneurship useful for education and training programs on social entrepreneurship and social enterprises. The Memorandum of Understanding also committed the researcher to do the following:

- Give due care in handling internal data and reports that the case subject shares, and commit to respect the confidentiality of sensitive information and documents identified as such;
- Get the clearance of the designated officer for all research outputs emanating from the research on the case subject to be included in the dissertation report and other publications;

- Allow the case subject use of any research findings and outputs for its internal and organizational purposes;
- Give the case subject and key informants the option to be anonymous, or their identities confidential as may be agreed upon; and
- Utilize the findings of the case research only for education, publication and other purposes consistent with the objectives of the research.

The researcher endeavored to observe these commitments during the 4-year research process. In this sense, the research outputs are a negotiated outcome of the dialogue between the researcher and the case subjects, subject to these provisions.

Even as she had a written, formal endorsement of the leadership of the social enterprises studied, the researcher was still dependent on the actual willingness and capacity of the key officers among the case subjects to prioritize accommodating her requests for follow-up interviews and additional data, given the other demands on their time. In this regard, the researcher points to the possibility that the richness of the analysis she generated on two of the cooperative cases (Lamac MPC and Cordova MPC) may have been affected by her inability to gather additional data and substantive feedback on the case study drafts she presented to them for validation. Notwithstanding this limitation, she still believes that the cases as written and analyzed present a partial but adequate reality of the experience of Lamac MPC and Cordova MPC, to merit inclusion in the thesis.

The researcher has obtained clearances for inclusion in the thesis and the publication of outputs from designated representatives of the six case subjects.

## 2.13. Presentation of Research Results

The results of this thesis are presented in the next two parts of this monograph. Part II, composed of Chapters 3-8 present the empirical cases in the following order:

- Chapter 3 – Alter Trade Group:  
Enabling Suppliers as Transactional and Transformational Partners
- Chapter 4 – Upland Marketing Foundation Inc:  
Suppliers as Transactional Partners in Value Chain Management
- Chapter 5 – National Federation of Cooperatives of Persons with Disability:  
Enabling Owner-Workers as Transformational Partners
- Chapter 6 – Tahanang Walang Hagdanan:  
Workers as Transactional Partners in Social Enterprise Management

- Chapter 7 – Lamac Multi Purpose Cooperative: Owner-Clients as Transactional Partners
- Chapter 8 – Cordova Multi Purpose Cooperative: Owner-Clients as Transactional Partners

Part III, composed of Chapters 9-11 contain the chapters on theory building and cover the following:

- Chapter 9 – Cross Case Analysis: Social Enterprises with the Poor as Primary Stakeholders
- Chapter 10 – Propositions and Contributions to Social Entrepreneurship and Stakeholder Theory
- Chapter 11 – Conclusions

## **PART II – EMPIRICAL CASES**

## CHAPTER 3 – ALTER TRADE GROUP: ENABLING SUPPLIERS AS TRANSACTIONAL AND TRANSFORMATIONAL PARTNERS

*This chapter discusses how the Alter Trade Group, as SEPPS, pursued two different ways of engaging the poor, with dramatically different outcomes. On one hand, the case demonstrates a stakeholder engagement strategy of empowerment: the Alter Trade Group engaged assetless and powerless sugar plantation workers cum beneficiaries of the state's land redistribution program, as transformational partners not only in the organic muscovado sugar value chain but in the broader social-political stakeholder environment. On the other hand, the case demonstrates a stakeholder engagement strategy of collaboration: the Alter Trade Group engaged upland farmers mainly as transactional partners within the Balangon banana value chain. The case shows that the qualitative difference in impact on the poverty situation of their partner producers could be attributed in a major way to their realized stakeholder engagement strategies. Through its organizational stages of initiation, development and renewal, enabling stakeholders and solidarity markets in Europe and Japan had provided comprehensive support, serving as countervailing forces to the failures of state and market institutions in the Alter Trade Group's operating and broader social-political stakeholder environment. As a SEPPS entering its renewal stage, the Alter Trade Group is poised to bring the empowerment of their sugar partners to a higher level in partnership with the Negros Organic Fair Trade Association (NOFTA), an independent federation of these producers. NOFTA was serving not only as a vehicle for representing the voice and vote of the poor in Alter Trade's multi-organizational social enterprise system, it also served as the poor's vehicle for self-governance and empowerment beyond their primary cooperatives and associations. This narrative of the Alter Trade Group presents a case for developing a stakeholder theory for social enterprises with the poor as primary stakeholders or SEPPS. Current constructs from stakeholder theory, especially in the undertheorized area of stakeholder engagement emanating mainly from for profit literature could not adequately explain how the Alter Trade Group is engaging the poor and addressing poverty. This narrative also provides a Southern perspective to literature on social enterprises as multi-stakeholder organizations, where the poor are not only given a voice and vote, but are enabled to overcome their capability deprivation towards becoming empowered stakeholders in their own poverty reduction process and in contributing to community and societal transformation.*

### 3.1. Introduction

The Alter Trade Group (Alter Trade) began as an initiative between Filipino and Japanese social activists in the 1980s. It grew out of a ‘Trade not Aid’ or people-to-people trade concept amidst a sugar crisis that hit the Island of Negros in the central Philippines in the mid-1980s.

Alter Trade’s main products were organic muscovado or unrefined brown sugar, and naturally grown native bananas of the Balangon variety. For the most part of their existence, they had exported these products to partners mainly in Japan and Europe.

Alter Trade’s primary stakeholders were backyard producers of naturally grown Balangon bananas among indigenous and upland communities in various parts of the country, and former landless sugar plantation workers in Negros Occidental province. The latter were beneficiaries of the government’s land reform program and were assisted by Alter Trade to become farmer-partners producing organic sugar cane. Before Alter Trade’s intervention, muscovado sugar was no longer being produced in large quantities in the province, and Balangon bananas did not have commercial value in Negros Island or elsewhere in the country.

In 1993, Alter Trade became a member of the International Federation of Alternative Trade (IFAT), now the World Fair Trade Organization (WFTO). These fair trade organizations (FTOs) provided marginalized producers sustained access to global markets. These FTOs also enabled the marginalized producers to be part of their own development. FTOs in the Philippines adhered to international Fair Trade Standards that had been codified into 76 indicators adapted to Philippine conditions (Advocate of Philippine Fair Trade, Inc. (APFTI), 2005). The standards included the provision of fair prices to producers, fair wages to workers, production pre-financing, prompt payment of deliveries, and an assurance of a long term relationship (Gomez, 2004).

Among the 20 major fair trade organizations (FTOs) in the Philippines, Alter Trade Group was recognized by leaders of the Philippine fair trade movement as the biggest in terms of sales (reaching PhP 200.7 million in 2008) and outreach among poverty sectors served (820 sugar farmers and 3,493 banana growers as of end 2007). It was one of two Philippine FTOs carrying Fair Trade Labeling Organizations International (FLO)<sup>15</sup> certification (Agustin, 2008; Lagazo, 2008; David, 2008).

Alter Trade was also considered by the big players within the sugar industry as “the market leader in terms of volume and quality of product in the muscovado subsector” (Bennet, 2008). Department of Trade and Industry officials affirmed this:

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<sup>15</sup>Fairtrade Labeling Organizations (FLO) International is a non-profit, multi-stakeholder association with 23 member organizations (Labeling Initiatives and Producer Networks), traders, and external experts. FLO develops and reviews fair trade standards and supports fair trade-certified producers by assisting them in gaining and maintaining fair trade certification and capitalizing on market opportunities.



“Alter Trade is the most competitive in terms of quality and volume and is a model for organic muscovado, being the only company in the Philippines that is Institute for Market Ecology (IMO) -certified using European and US standards. Alter Trade has virtually no competitors because it is at a level above the rest of the players in the subsector.”<sup>16</sup> (Borje, 2008)

There were 4 entities that made up the Alter Trade Group: Alter Trade Corporation (ATC, set up in 1988) – which handled marketing of organic muscovado sugar, natural Balangon banana, and other products; the Alter Trade Manufacturing Corporation (ATMC, set up in 1992) – which handled purchasing and processing of organic sugarcane; the Alter Trade Foundation, Inc., (ATFI, set up in 1997) – which was in charge of the development of partner producers; and the Diversified Organic Enterprise, Inc., (DOEI, set up in 1997 ) – which produced organic fertilizer for use by partner growers.

These core and allied partner organizations making up the Alter Trade Group as a multi-organizational social enterprise system that were covered by the study are listed in Table 3.1.

Table 3.1. Alter Trade Group (ATG) Core and Allied Organizations

<b>Name of Organization</b>	<b>Role/Description</b>
<b><i>A. Core Organizations</i></b>	
Alter Trade Foundation Inc., (ATFI)	Mother organization of the Alter Trade Group (ATG) and responsible for the development of partner producers
Alter Trade Corporation (ATC)	Marketing arm of ATG; subsidiary of ATFI
Alter Trade Manufacturing Corporation (ATMC)	Purchasing and processing arm for organic sugar cane of ATG; subsidiary of ATFI
Diversified Organic Enterprise Inc., (DOEI)	Organic fertilizer production arm of ATG; subsidiary of ATFI
<b><i>B. Allied Organizations</i></b>	
Alter Trade Japan	Exclusive trading partner for the Japanese market and shareholder of ATC

<sup>16</sup> At the international level, ATG’s four entities have received a Certificate for Organic Agriculture Production and for the Processing and Marketing of Organic Products from the Institute for Market Ecology (IMO) for its muscovado sugar, banana, and coconut products that are valid for 2007-2008 (Certificate # 9732 IMO). A similar Certificate was awarded by the US Department of Agriculture’s National Organic Program (NOP) to ATG (Certificate # 23008 NOP).

<b>Name of Organization</b>	<b>Role/Description</b>
Negros Organic Fair Trade Association (NOFTA)	Independent federation of producers with 17 partner sugar farmer organizations of ATG as founding members. These 17 organizations included: AMANO DAFWARBA HCATRIFWO MIARBA NAPFWA NARB-MPC STARFA SIPFAWA STC-MPC
Banana Grower Organizations in Negros Island (Negros Occidental and Oriental) PIBFA	One of 33 partner banana grower's organizations of ATG
Partner Organizations Engaged in Banana Trading with ATC outside Negros Island	PFTAC in Bohol CORDEV in Northern Luzon PARTNERS in Panay Island

### 3.1.1. Poverty and Hunger amidst Sugar Crisis

The sugar crisis that hit Negros Island in the mid-1980s was a direct result of the lowering by the US of its sugar imports in general, and the share of the Philippines in the US quota system for this commodity, in particular. Philippine sugar exports to the US averaged 1.3 million tons per year from 1968-71 but reached a low average of 284,000 tons from 1983-1988, plummeting to 161,000 tons in 1988 (Dolan, 1991).

The economy of the island was almost completely dependent on sugar, with large tracts of land owned by an elite few who also controlled the sugar mills. In these sugar estates, farm workers were paid meager wages for slave-like labor and were prohibited by their landlords from planting crops other than sugarcane. As the few owners of land and capital, the Negrense elite, who also controlled the decision-making in government, had benefited disproportionately from the export-oriented monocrop economy, at the expense of the area, its people and their life support system (Dacanay, 1996).

In 1984, landless sugar workers, numbering 62,500 households, were the poorest among the poverty groups in Negros Occidental, followed by diversified shifting cultivators and upland farmers with 1 hectare or less of land, lowland farmers in non-irrigated lands, artisanal or municipal fishers, and coconut farmers (Aguilar, 1984). Poverty incidence in Region VI, where Negros Occidental was located, was placed at

65%, with 227,096 families living below the monthly income threshold of PhP 2,654 (Family Income and Expenditure Survey (FIES), 1988).

As the price of sugar plummeted in the world market, many landlords in the sugar estates abandoned their farms, causing hunger among thousands of sugar workers. Land occupations by members of sugar worker unions became rampant, in an effort to transform the crisis into an opportunity for agrarian reform. Cooperatives and people's organizations (POs) were set up and became conduits for relief, livelihood and income-generating projects.

### 3.1.2. Call for International Assistance

A call for international assistance was issued as the crisis deepened. In response to the call, the Japan Committee for Negros Campaign (JCNC) was launched on February 25, 1986<sup>17</sup>. The Campaign came in with relief goods, tools and agricultural inputs. However, they wanted to develop a more long-term relationship of solidarity and suggested the setting up of an alternative trading system. As a manifestation of this idea, Filipino and Japanese social activists established the Alter Trade Corporation and further developed this concept in a conference sponsored by Japanese consumer cooperatives.

### 3.1.3. 'Land to the Tiller' in Sugar Lands

With the end of the dictatorial regime of President Ferdinand Marcos in 1986, a new Philippine constitution was put in place. Agrarian reform, carrying the principle of 'land to the tiller' beyond rice and corn lands<sup>18</sup>, became an urgent agenda. The passage of the Comprehensive Agrarian Reform Law (CARL) in 1986 opened up the opportunity for sugar workers to own the lands that they were already tilling. The law, and its implementing Comprehensive Agrarian Reform Program (CARP), also helped the process of legitimizing land occupations by sugar worker union members that were already widespread in Negros Occidental.

A study of the Negros Occidental Provincial Government some 20 years after, showed that 78,770 tillers became agrarian reform beneficiaries in the province (Provincial Government of Negros Occidental, 2007).

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<sup>17</sup> The people behind JCNC were Japanese activists who were part of the Japan Committee for Philippine Concerns. They were part of a campaign against the Japanese government's aid policy towards the dictatorial regime of President Ferdinand Marcos, whom they accused of anti-labor policies and human rights abuses. The JCNC was organized the day after Marcos fled the country amidst a peaceful people's uprising that installed President Cory Aquino in power.

<sup>18</sup> The Marcos government initiated land reform which covered rice and corn lands, but did not include large agricultural lands planted to cash crops such as sugar.

### 3.1.4. Lack of Agricultural Support Services amidst Domination of Usurer-Traders

This shift from being farm workers to small land owners required the development of new capabilities. These new capabilities, in turn, created the need for organizations that could provide a package of assistance to these agrarian reform beneficiaries or ARBs. Such needs were made urgent by an agricultural trading system in the Philippines that had historically been dominated by usurer-traders. These usurer-traders lent production capital at very high interest rates and dictated farm gate prices. The idea of Alter Trade became even more compelling as the government's Comprehensive Agrarian Reform Program (CARP) did not have the resources to offer much-needed agricultural support services to a majority of the ARBs. A 2007 study of the Negros Occidental Provincial Government cited that CARP, since its inception in the 1980s, had failed to reach 97% of agrarian reform beneficiaries in the province, with 41% of them unable to till their lands because of lack of capital and support services (Provincial Government of Negros Occidental, 2007).

### 3.1.5. MIARBA's Story before Alter Trade

The story of the Minoro Isabel Agrarian Reform Beneficiaries Association (MIARBA), one of Alter Trade's partner sugar producers, mirrored the squalor and struggle among a large segment of the poor in Negros Island in the 1980s. It also mirrored the opportunity created by agrarian reform, and the sad reality of an ineffective government program to support and move farmers out of poverty. These provided the rich historical context giving birth to Alter Trade as a social enterprise. (See Box 3.1)

## 3.2. Initiation Stage (1987-1993): Venturing into People-to-People and Fair Trade

Alter Trade Corporation was formally registered with the Securities and Exchange Commission in July 27, 1988, but was set up a year earlier to facilitate people-to-people trade. Their first effort in 1987 was to provide markets to small producers by assisting urban poor groups sell farm products using pushcarts in local neighborhoods. Such did not prosper. The founders then ventured into people-to-people and fair trade with solidarity markets in the North. Unlike the mainstream markets that pushed farm gate prices to the lowest levels possible, solidarity markets were concerned about uplifting the lives of producers through trade. Naturally grown

Balangon bananas became the main product with Japanese cooperatives believing in people-to-people trade. Organic muscovado sugar became the main product with fair trade organizations mainly in Europe.

**Box 3.1. MIARBA’s Story Before Alter Trade**

Sources: MIARBA FGD, 2008; ATG, 2008; Roy, 2009

The Minoro Isabel Agrarian Reform Beneficiaries Association or MIARBA had 132 members, 57 women and 75 men. They used to be agricultural workers in a sugar estate called Hacienda Isabel, with a land area of 224.24 hectares, located in a village called Minoro in the town of La Castellana, Negros Occidental. They were organized as a workers’ cooperative in the 1980s. MIARBA leader Imelda Cervantes related:

“During the time when we were still under the hacienda system, we worked like slaves, we did not have command of our time nor did we have the right to demand for the landlord to pay us rightfully”. (Cervantes as cited by ATG, 2008)

The members of MIARBA echoed her sentiment:

“Our day would start at 4:00 a.m. when we were given work assignments. Wages were in the form of a weekly rice supply that was barely enough to feed our families”.

Under these conditions, families were living below subsistence level, with parents and children alike having little or no opportunity to finish grade school. Among the members present in the FGD, none of them had finished grade school.

The situation went from bad to worse during the sugar crisis. The hacienda stopped operations and the workers were left to fend for themselves. The workers then occupied and planted rice and corn in 48 hectares of idle land. In 1988, the landlord re-asserted ownership, and an initial agreement was reached for the workers to continue controlling the rice-growing areas, while the owner would again take charge of the sugarcane areas.

The workers’ cooperative pushed for the implementation of the Comprehensive Agrarian Reform Law, and a long-drawn struggle to possess the land ensued. It was only by 2002 that they finally gained ownership of 57 hectares of sugar land (managed communally) and 20 hectares of rice land (under individual cultivation). Their claim for another 50 hectares of land was still pending with the Registry of Deeds. It was in 2001-2002, as they were installed as agrarian reform beneficiaries, that MIARBA’s partnership with Alter Trade flourished.

### 3.2.1. People-to-People Trade with Japan: From Mascobado to Balangon

#### 3.2.1.1. Trading ‘Sugar of the Masses’

Through the persuasive efforts of Yukioka Yoshiharu, then chairman of the Kyoseisha Cooperative, people-to-people trade between Negros and Japan was started with Mascobado. Muscovado, or raw sugar processed using a Spanish colonial era technology, was largely seen then as the ‘poor man’s sugar’. As the first product identified by Alter Trade, it served as a counterpoint to the refined white sugar produced in sugar centrals, mostly landlord-owned sugar mills that had exploitative relationships with agrarian reform beneficiaries. Alter Trade adopted the name Mascobado, to signify it was the “sugar of the masses”, a symbol of the people’s struggle to achieve a better life. Mascobado was first shipped to Japan in 1987 and sold to organized consumers’ cooperatives. Since muscovado was no longer produced in Negros, in large quantities by then, the first shipment came from the nearby province of Antique. This first shipment had very high impurities and moisture content, and could not be sold in the Japanese market. To address this problem, the Green Coop Consumers’ Cooperative Union (Green Coop), one of the consumers’ cooperatives in Japan, processed the sugar into candies. Green Coop also sent its leaders to Negros to help improve the quality of Mascobado. In October 1987, a traditional muscovado mill was built in San Enrique, Negros Occidental to control the milling process and ensure compliance with basic quality and food safety standards.

#### 3.2.1.2. Balangon as Counterpoint to MNC Bananas

In 1988, the Green Coop suggested the trading of bananas given the observation that muscovado had a limited market in Japan. As they sent representatives to explore the varieties of bananas growing in Negros, they chose the naturally grown Balangon variety for its sweet-sour (koku) taste, which was pleasing to the Japanese palate. The Japanese saw the naturally grown Balangon as a counterpoint to Philippine bananas commercially exported to Japan by multi-national corporations (MNCs). These MNC bananas were produced by multi-national corporations with the use of harmful chemicals in an exploitative plantation environment.

Alter Trade sought out upland communities in the province where Balangon bananas were naturally grown as a supplemental crop in backyards of households. At that time, bananas of the Balangon variety had no commercial value. Alter Trade worked out arrangements with individual growers willing to serve as partner suppliers.

The first four shipments of Balangon to Japan were a disaster as a majority of the fruits were already black when they reached the port of entry. Japan's Quarantine Act required that bananas reaching Japanese ports were green. Ripe bananas were seen as carriers of harmful insects. It became obvious to Alter Trade and its Japanese partners that a complex system of cultivating, harvesting, washing, packing and shipping by a very capable and dedicated organization, needed to be put in place. Alter Trade and its Japanese partners made a commitment to develop a system to address these needs in cooperation with local grower communities.

### 3.2.1.3. Alter Trade Japan as Intermediary Organization

In 1989, Alter Trade Japan (ATJ) was established to serve as the marketing arm of the people's products from Negros in Japan, with Masahiko Hotta as President. Since then, the Balangon bananas and Mascobado from the Alter Trade Corporation that reached the Japanese cooperatives and consumers had all been coursed through ATJ. ATJ was also a shareholder of Alter Trade Corporation.

### 3.2.2. Fair Trade of Mascobado with Europe

While muscovado did not have much appeal in the Japanese market, the European market proved promising. In 1987, OS3 was the first European company to import Mascobado from Negros, using it to manufacture "Mascao Chocolate", a mixture with fair trade cocoa from Bolivia. Later in 1989, the European Fair Trade Association (EFTA), GEPA (a fair trade company in Germany), and OS3 (now Claro Fair Trade) formally introduced the idea of Fair Trade to Alter Trade during their visits to Negros.

With the growing demand for Mascobado, Alter Trade Manufacturing Corporation (ATMC) was set up in 1992 and a modern muscovado plant capable of crushing 30 tons of sugar cane per day with juice extraction at about 70%<sup>19</sup> was constructed. With this, Mascobado production reached 500 tons per year. The ATMC mill provided a market for the cane of the sugar workers who already owned their lands as agrarian reform beneficiaries.

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<sup>19</sup> Traditional mills have a crushing capacity of less than one ton of cane per day and an extraction rate of less than 50%.

### 3.3. Development Stage: Visioning, Learning and Planning with Solidarity Markets (1993-2008)

#### 3.3.1. Clarifying Alter Trade's Vision

Alter Trade conducted what it considered as its 1<sup>st</sup> strategic planning workshop in 1994-95. Alter Trade came out with a mission statement founded on its commitment to people's empowerment at the grassroots, and the development of Alternative Trading and Marketing. An Alternative Economic System that was just and friendly to Mother Earth was envisioned.

With the concept of "Save the Land, Save the Production with Agriculture as Core", it advanced a framework for agrarian reform and rural development for the whole Negros Island. To Alter Trade, Alternative Trading and Marketing involved an integrated system of enterprises – from production, procurement, selling, distribution, promotion, research and development, banking and financing, and transportation. This system of enterprises was to address the demands for goods and services of basic sectors, organized into grassroots and people's organizations, interlinked and interdependent as producers and consumers.

#### 3.3.2. Shift to Organic Mascobado with Assistance of German Partners

In 1993, prompted by the growing demand for organic agricultural products in the European market, the German fair trade company GEPA encouraged Alter Trade to produce organic muscovado sugar. That year, Alter Trade started to conduct experiments and trials on organic sugarcane production.

With support from Bread for the World, a Protestant church-based development agency from Germany, Alter Trade started its Bio-Organic Conversion Program in 1994. It was in this year that the first certified organic Mascobado sugar was sold to GEPA.

#### 3.3.3. Certification and Membership in International Organic and Fair Trade Bodies

In 1993, the same year that it decided to shift to organic muscovado, Alter Trade also joined the International Fair Trade Association (IFAT) to widen its network among European fair trade organizations. In 1994-1995, with its Bio-Organic Conversion Program in place, it became a member of the International Federation of



Organic Agriculture Movements (IFOAM). Its membership in both international bodies enhanced its standing in the fair trade and organic niche markets, translating into increased revenues and support in the years that followed.

Under the Bio-Organic Conversion Program (1995-2000), Alter Trade was further assisted to open its farms, milling and packing facilities to annual inspection and control procedures from the Institute for Market Ecology (IMO), based in Switzerland. Its Mascobado was certified organic by the European Economic Community, Naturland and Bio Suisse standards and by 2002, the United States Department of Agriculture standards.

### **3.3.4. Setting Up of Organic Fertilizer Plant and Expansion of Sugar Mill**

In 1997, the Diversified Organic Enterprise Inc. (DOEI) was established to respond to the farmers' need for organic fertilizer. The DOEI organic fertilizer plant was later expanded to double its annual fertilizer output in 2004.

Also, in 2004, in response to the growing market for Mascobado, largely in the European fair trade market, a new Mascobado mill was built. The new mill had the capacity to produce up to 2,000 metric tons of muscovado per year.

### **3.3.5. Partnership with Balangon Growing Communities Beyond Negros**

As the demand for naturally grown Balangon bananas grew among Japanese consumers, production in Negros fell short of demand, and prompted Alter Trade to establish partnerships with small grower communities outside of the island. It expanded to the province of Bohol in 1993, to Panay Island in 1994, and to the Northern Luzon region in 1997. Subsequently, Alter Trade helped to establish the People's Fair Trade Assistance Center or PFTAC in Bohol in 1995, the Center for Organic Farming and Integrated Rural Development or CORDEV in Northern Luzon in 1999, and the Partnership for Rural Transformation and Ecological Renewal Inc. or PARTNERS in Panay in 2003. These organizations had since become Alter Trade's partners in Balangon trading, managing the value chains in their respective areas of operation.

### 3.3.6. Establishment of a Foundation Dedicated to Marginalized Producers

Alter Trade Foundation Inc., (ATFI) was created in 1997 to invest the proceeds of the people-to-people and fair trade initiatives into programs for marginalized producers. At the same time, the Alter Trade Corporation started to have a positive net income.

Alter Trade staff recalled that in the beginning, there were expectations that the Negros Council for People's Development, a local NGO engaged in agrarian reform advocacy and community development, would serve as an institutional partner in providing comprehensive development services to partner communities. Alter Trade decided to set up its own foundation after this expected partnership arrangement did not materialize.

ATFI Executive Director Edwin Lopez explained the beginnings of Alter Trade's social development program for its partner producers:

“Alter Trade started in 1989-90 providing credit for sugarcane production. The Bio-Organic Conversion Program in 1993 paved the way for conversion to organic farming in addition to credit. This developed the capability of members of what used to be sugar worker unions fighting for land, to make their lands productive in a sustainable way, as agrarian reform beneficiaries. The foundation was set up in 1997 as the programs and services of the corporation for partner producers became more complex and the need for Alter Trade to undertake comprehensive development intervention among them was felt”. (Lopez, 2010)

1997-2001 was a period of needs assessment and program development for capacity building. Around 1999-2000, some efforts at management capacity building were initiated. Around 2000, a study was made on the state and needs of partner agrarian reform beneficiaries (ARBs). These efforts paved the way for evolving a Sustainable Agriculture for Sustainable Community (SASC) program framework. The Sustainable Agriculture for Sustainable Communities (SASC) framework became an input to Alter Trade's strategic planning in 2001-2002 and the basis for evolving integrated programs for partners. Under SASC, Alter Trade was to set up or enhance existing organizations of farmers with service programs on credit and savings, bio-organic conversion, sustainable farming technologies, gender mainstreaming, rural enterprise development, and sustainable management systems for farmers' organizations (details can be found in Box 3.2.; 3.3.; and Section 3.3.12.). These programs were integrated in individual Community Development Plans, which represented their partner producer organizations' own road maps towards empowerment and sustainability. It was in 2002 after the strategic planning process of

2000-2001 that the foundation, as Alter Trade’s development arm, pursued a comprehensive process of capacity development using the SASC program framework (Lopez, 2010).

At the time of this 2<sup>nd</sup> strategic planning process, there were already four entities of Alter Trade: the corporation or ATC, tasked with product development and marketing; the foundation or ATFI, tasked with development of producers’ groups and communities; the manufacturing company for procuring sugar cane and processing Mascobado or ATMC; and the organic fertilizer company or DOEI.

### 3.3.7. 10-Year Strategic Plan and Strategy Adjustments

Alter Trade had a ten-year strategic plan that was a product of what the group considered their second strategic planning exercise held in 2000-2001 and completed in 2002. Unlike the first plan that was facilitated internally, this second exercise was assisted by their partner German development agency, Bread for the World with the help of external facilitators. The strategic plan articulated the following vision:

“We envision our organization as a professional, innovative, and socially responsible business organization in partnership with self-reliant and self-determining communities responding to the demands of customers in the Philippines and the world for quality produce from sustainable agriculture, operating in a viable, socially-just economic system that is in harmony with the environment and the society”. (Alter Trade Corporation, 2002)

The strategic plan for 2003-2013 articulated the principles of Fair Trade and Sustainable Agriculture/Organic Farming as foundations for the interventions of Alter Trade. It also adopted the core values of Fairness, Integrity, Teamwork, Pro-Environment, Excellence, Competence, and Commitment to People’s Development.

Unlike the previous plan that was mostly just descriptive of the vision and general direction that Alter Trade was committed to, the 2003-2013 strategic plan articulated a set of goals, key result areas, performance indicators and strategies.

The plan developed in 2000-2002 was hinged on a diversification strategy of working with Alter Trade sugar farmer partners. The centerpiece of the diversification strategy was to set up Balangon plantations in selected areas of sugar farmer partners<sup>20</sup>. The plan also included the commercialization of other organic crops (herbs and spices, coffee, rice, and corn) to be sold to the domestic and export markets. Mango and pineapple trading (which could be non-organic in the beginning) were

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<sup>20</sup> In 1998, Alter Trade Corporation faced its first crisis with armed rebel groups burning their trucks for trading Balangon. This partly explains why they were trying to shift their efforts from the uplands, the natural habitat of Balangon, to the lowlands.

identified to support efforts towards achieving financial stability. By-products of Balangon (e.g. chips, catsup) and muscovado (e.g. syrup, wine, and masco blocks) were defined as new products for introduction.

However, Alter Trade realized during the implementation stage that the diversification strategy as defined was based on flawed assumptions. Among these flawed assumptions were the non-suitability of lowland sugar areas for Balangon; insufficient preparedness and capacity of Alter Trade and its partners to scale up production of non-sugar crops for trading; and lack of market demand for mango and pineapple.

In the years that followed, Alter Trade shifted to increasing organic muscovado production with sugar producing partners in Negros Occidental with sustained producer development processes in Alter Trade sugar areas only. Alter Trade through Alter Trade Corporation started organizing its banana growers in Negros Island only in 2006, although it had assisted the formation of banana growers and their support institutions outside of Negros Island since 1993. Alter Trade also expanded its Balangon trading partnerships with indigenous and upland communities outside of the province, mainly in Panay and Mindanao (Alter Trade Group FGD, 2008).

### 3.3.8. Learning the Hard Way: Failed Balangon Plantation Experiments

In August 2000, Alter Trade, ATJ, JCNC, CORDEV and other partners, jointly launched a Balangon Renewal Program. This was intended to develop the production of Balangon in new areas outside its natural upland habitat. Alter Trade conceived this in 1999 in response to various concerns – the bunchy top virus that was starting to infest Balangon producing areas, the threat of armed rebel groups in the uplands, the need to improve access to production sites, and the need to lower the reject rates. The idea was to cultivate Balangon in plantations; this was especially attractive as a diversification strategy involving Alter Trade’s partners who were already engaged in organic sugar production.

With PhP 10 million from the Japanese cooperatives, 100 hectares were committed for this experiment in Negros, and another 100 hectares in Northern Luzon. Unfortunately, the experiment failed in 95% of the areas. Alter Trade learned the hard way that lowland areas, which were open with no windbreaks and had clay rather than sandy loam soil, were not suitable for Balangon. In addition, as plantation technologies were introduced, there was a tendency for the kuko or sweet sour taste of Balangon, so important to the Japanese palate, to get diluted.

### 3.3.9. Growers' Development to Manage Threats in Balangon Trading

Alter Trade learned from this costly mistake. Realizing that the natural habitat of Balangon could not be replicated just anywhere, they developed the concept of Balangon Cultural Management (BCM) for introduction in both old sites (called Old Balangon) and new sites (called Improved Balangon). BCM promoted what were observed as effective cultural practices involving entire communities and local government units, not just immediate Alter Trade partner growers, in preventing and controlling the spread of plant diseases.

Alter Trade also realized how critical it was for the growers to own and manage the community enterprises that handled the post harvest facilities and processes for Balangon trading. It was seen that this would not only strengthen BCM but would also improve the quality of Balangon products for trading, as the growers and their communities were assisted to have greater stakes in Alter Trade. At the same time, with the growers owning and managing the community enterprises it would effectively neutralize the threat of armed rebel groups who were active in the same upland areas as the natural habitat of Balangon.

Emerging from the failed Balangon experiment, Alter Trade Corporation initiated the Growers' Development Program in 2003 for the individual Balangon producers. That year, it also introduced Good Manufacturing Practices (GMP) and Hazard Analysis Critical Control Points (HACCP) principles in the packing centers.<sup>21</sup>

### 3.3.10. Organizing Balangon Growers in Negros Island as a Crisis Response

While the Balangon Renewal Program (BRP) was supposed to include organizing growers, the failure of the program created tensions between, and confusion in the roles played by Alter Trade Corporation and Alter Trade Foundation. Under the BRP, from 2000-2002, all Balangon areas and their growers were to be assisted by the foundation in terms of application of Balangon technology. On the other hand, the corporation was tasked with research and training of agriculturists on the technology of growing Balangon. When the delineation of roles did not materialize according to plan (resulting in confusion on both sides), along with the failure of the program and subsequent non-payment of loans by participating farmers, the corporation and foundation decided to segregate their areas of assignment altogether, with the corporation tasked with partner development for Balangon. However, the pressure to produce the volume, quality and price (VQP) requirements for Balangon trading

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<sup>21</sup> GMP and HACCP were also implemented in Alter Trade's sugar mill.

became the preoccupation of the corporation in the years that followed. The corporation was unable to give attention to growers' development in a broader sense until a truck burning incident that served as its wake-up call in 2006.

In 2006, an armed rebel group burned a delivery truck owned by Alter Trade after the latter did not pay a 'revolutionary tax' on demand. Alter Trade Corporation transformed the truck-burning crisis into an opportunity to strengthen their relationship with the Balangon growers who wanted to ensure that their trading activities with Alter Trade continued. The corporation started to organize the Balangon growers into cooperatives or associations. To sustain efforts at organizing partner banana growers, one staff from Alter Trade Corporation was assigned to focus on this task in 2007.

Alter Trade also facilitated the transfer of ownership and management of the delivery truck business to partners. At that time, Balangon growers' organizations were deemed unprepared to immediately own and manage group enterprises. Thus, the sugar farmers' organizations, which were evaluated to be in a better position, were given the opportunity. Alter Trade Corporation issued soft loans to enable the farmers' organizations to purchase the trucks, and then rented the trucks from them.<sup>22</sup> No truck burning incident had happened since then.

### 3.3.11. Japanese Second Party Audit for Quality Assurance and Learning

In 2005, the first Second Party Audit by Japanese consumers of Alter Trade's Balangon operations, initiated by the PAL System Consumers' Cooperative Union of Japan, was conducted. This helped resolve issues on the integrity and traceability of Alter Trade's Balangon banana exports. Earlier, questions on whether or not bananas being exported were all indeed naturally grown by small grower partners of Alter Trade had been raised. At one time, Alter Trade failed to promptly report one of its areas of expansion, before shipments that included bananas were made from this area. The issue reached crisis proportions when a label of a commercial company that grew and exported chemically grown plantation bananas was found in one of the shipments of Balangon by a Japanese cooperative. Alter Trade vouched for their shipments and pointed to the possibility that the label may have accidentally entered the shipment during the long shipping phase from Negros to Manila, then to Japan. Issues of integrity and traceability of shipments persisted. To resolve these issues, the two parties conceived and implemented a second party audit by Japanese consumers.

Another Second Party Audit by PAL System transpired in 2007. As shown by the results of the 2005 and 2007 Second Party Audits, they were not only important as a quality assurance measure for the Balangon bananas being traded, they also provided

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<sup>22</sup> As of 2008, 6 partners owned 8 trucks - all of them partner sugar farmers' organizations.

a much-appreciated venue for mutual learning among Japanese consumers, Alter Trade and Balangon growers about people-to-people trade.

### **Box 3.2. Sustainable Agriculture for Sustainable Community Program Components**

(supported by Bread for the World, Germany)

Source: ATFI (2003-2009). Annual Reports for 2002-2008.

- Sustainable Production and Area Development Enterprises (SPADE): bio-organic conversion; sustainable agriculture and organic farming technology development; crop, livestock and income diversification; and capability building in marketing and enterprise development;
- Capability Building and Support Services (CBSS)/Credit Access and Savings Program (CRASP): savings and capital build-up; credit extension for production and diversification; and capacity building in project proposal making, finance management and loan repayment; and
- Holistic Organizational Empowerment (HOE): capacity building in community development planning; land resource and development planning; organizational, project and enterprise management including participatory monitoring and assessment processes; leadership development, gender mainstreaming; and producer partners' conferences to share experiences and knowledge

### **Enhancing Projects**

- Land Tenure Recovery Project: redemption of ARBs who were about to lose their lands to leaseholders or financiers, 2005-2008 (ATFI-financed);
- Farm Equipment Services/Integrated Rural Enterprise Development Program: provision of tractor, irrigation and postharvest truck services, 2004-present (supported by Oikocredit International, the Netherlands since 2005);
- Enhancing Productivity and Women Participation: farmers' and rural women's needs for farm equipment, crop diversification, livestock and poultry raising and community service facilities, 2006-present (supported by APNET or Alternative People's Network for Peace and Life; and Dure Producers and Consumers' Cooperative, South Korea); and
- Nurturing Learning Communities on Organic Agriculture for Exports to European Markets: establishment of facilities and resource centers for multi-media instructional materials on organic farming and fair trade; 12 Farmers' Field Schools (FFS) for sugarcane, rice and Balangon; Lakbay Aral or study tours to organic and diversified farms in 18 sites nationwide; production and showing of documentary film on the Alter Trade story; local weekly radio program featuring organic farming, FFS sites and Lakbay Aral results, 2006 (supported by European Commission Small Projects Facility)

### 3.3.12. SASC I and II: Program for Transforming Sugar Farmer Partners

ATFI Executive Director Edwin Lopez characterized how SASC went beyond transactional services or making their sugar farmer partners' effective suppliers of organic sugar cane for Mascobado trading:

“SASC I and II provided management capacity building services in addition to credit and sustainable technology. We assisted the partners to develop their capacity to manage themselves and their organizations to achieve food security and community development”. (Lopez, 2010)

SASC I, covering 2002-2004, centered on the strengthening of local partner communities on basic sustainable agriculture and organic farming technologies and management of their production, credit and finance, and community resources. The evaluation results of SASC I can be found in Box 3.3. SASC II, covering 2005-2007, centered on boosting capacities of local communities on sustainable agriculture, fair trading practices, management and development of own resources and strengthening inter-community cooperation through cluster organizations. The main funding partner of Alter Trade for SASC I and II was Bread for the World, a German development agency, providing close to 50% of their program budget since 2002.

#### **Box 3.3. SASC External Evaluation Results, 2004**

Source: Ibus and Basilio (2004), Sustainable Agriculture for Sustainable Communities: An Impact Evaluation

“The Bio-Organic Conversion Program (BOCP) and Sustainable Agriculture for Sustainable Communities (SASC) projects provided the much-needed interventions to the agrarian reform beneficiaries (ARBs) at the most critical time – upon installation by the Department of Agrarian Reform. Without the loan, technology, market, and organizational capacity building assistance, many ARBs would have run back to the land owners or to local financiers”.

“... ATFI has carved a niche in the development community in Negros Occidental. Over the past 5 years, it has developed a credibility of delivering affordable credit, assured market, appropriate technology and processes for sustainable agricultural production and organizational capacity building of farmer organizations. The combination of these services makes ATFI program effective and unique in the development sector in the province. Many development organizations are not able to assure their parties of a market for their key products. ATFI has done it for sugarcane, bananas and lately on a trial basis, for rice...”



### 3.3.13. Sugar Farmer Partners: Self-Governance Through Experiential Learning

Since 2005, Alter Trade Foundation Inc. had started to convene an Annual PO (People's Organization) Conference among partner producers, usually for 2 days within December. The purposes of the PO Conferences were to provide a venue for consultation and decision making about Alter Trade plans that directly affected the POs, and to likewise provide a venue for discussion, learning, and sharing of perspectives and experiences between Alter Trade and POs and among POs. The following provides insights to some of the major areas of discussion and decision making that had transpired from 2005-2007, and their implications from the perspective of the POs (FGD with Alter Trade Partner PO Leaders, 2010):

- 2005: Sustainable agriculture and diversification of crops and income was a main theme of the first PO Conference. While diversification as a strategy to ensure food security, increase income, and manage financial risks was discussed by Alter Trade, the POs were asked to define their particular strategies based on land and climate suitability, and the preferences of the producers themselves. Dama Farm Workers Agrarian Reform Beneficiaries Association (DAFWARBA) Chairperson Daniel Diamante related how, from their monocrop practice as sugar workers until 2002, their organization decided on and pursued the collective allocation of the 78 hectares awarded to their 29 agrarian reform beneficiary members as follows: sugarcane (35 hectares), forest (30 hectares), rice (10 hectares), rock pile (2 hectares), residential (0.6 hectares) and hacienda road (0.4 hectares). They also invested in 2 carabaos, 2 bull carts, 1 hand tractor, 2 threshers, 2 irrigation pumps, 1 rice mill, 100 heads of native chicken, and Php 216,000 for rice trading. Diamante explained: "As workers, we were only concerned with benefits. Alter Trade taught us that as owners, we needed to make sure our capital generated profits so we could reap benefits in addition to fulfilling our obligations to pay our land tax and amortization. It was from Alter Trade that we learned to manage our land and to have a good harvest with diversified products and projects to have food sufficiency, education for our children, housing and medical services. Alter Trade also taught us the value of capital build-up and how to manage our finances well. These were in our Community Development Plans, and from 2003-2010, many of these plans have materialized". (Diamante, 2010)
- 2006: Sharing and assessment of diversification efforts pursued by POs, reasons for failure, and alternative efforts were discussed. Torino Tamaro, Chairman of Sta. Rita Farmers' Association (STARFA), Alter Trade's partner for 14 years, remembered their unsuccessful experiment of going into raising 8

cows as part of their diversification efforts. “The project went bankrupt as expenses exceeded our income from selling the cows. We shifted to setting up a piggery which is working better”. (Tamaro, 2010). Jaime Hilarbo, Chairman of STC-MPC shared: “Our Balangon project failed because the land and climate were not suitable. We even lost in our initial production of sugarcane. However, Alter Trade helped us with the technology to improve soil fertility and increase productivity. Although we experienced failures, we have learned from our mistakes. Now we have overcome our losses and have achieved diversification with coffee, fruits, vegetables, chicken, piggery and goat raising”. (Hilarbo, 2010)

- 2007: The ruling by the Fair Trade Labeling Organization (FLO) to transform ATFI into a producers’ foundation was discussed following the 2006 recommendation by the FLO inspector/consultant. It was here where 16 of the partner sugar POs became members of ATFI and 4 PO leaders were elected to be formally part of the ATFI Board. The PO leaders present in the FGD were unanimous in expressing: “We have a direct voice in the decision-making processes of ATFI, through our representatives in the board. That is in addition to the day-to-day engagement we have with ATFI staff. This is different from our mainly business relationship with ATMC and ATC, where we have transactions (e.g. selling our sugar cane) and negotiations (e.g. about quantity and price), and our influence is less”. (FGD with Alter Trade Partner POs, 2010)

Romy Noble, Chairman of Asosasyon Sang Mamumugon sa Nolan (AMANO), explained their influence on the negotiation of sugar cane pricing with ATMC:

“For the pricing of sugarcane, it’s 50-50 in terms of our participation and influence. Before every milling season, Alter Trade calls for a consultation so we can study and agree on a price. We also have a provision for special meetings in case we experience crop damage or there are changes in the global market. Since we started, it’s only now that a special consultation is being called. The POs are asking for PhP 2003 - PhP 2008/ton, from the PhP 1,700/ton agreed upon before the milling season. This is important because at the sugar centrals now, they are buying non-organic sugarcane at PhP 1,900/ton”. (Noble, 2010)

### 3.3.14. Resources for Transformational Programs and Services

Financial resources of ATFI, the foundation, that allowed them to undertake transformational programs and services, from 2002-2008, are shown below in Table 3.2.

Table 3.2. ATFI Staffing and Program Expenditures, 2002-2008 (in PhP million)

<b>Year</b>	<b>Actual Program Expenditures</b>	<b>Actual Loans Released</b>
2002	No data	3.5
2003	10.4	6.1
2004	9.02	8.3
2005	9.47	13.5
2006	17.93 <sup>23</sup>	15.7
2007	8.11	18.0
2008	9.98	23.1

Source: ATFI 2003-2009. Annual Reports, 2002-2008

ATFI's credit fund portfolio started with PhP 6.8 million in 2002 and grew to PhP 18.0 million in 2008.

Alter Trade Corporation (ATC) provided a total contribution of PhP 8.48 million from 1999-2003 or 20% of the total resources generated by ATFI (Ibus and Basilio, 2004). Contributions to ATFI operations from ATC in succeeding years amounted to PhP 1.97 million (2004), PhP 1.9 million (2005), PhP 1.805 million (2006), PhP 1.5 million (2007) and PhP 1.825 million (2008). These totaled PhP 9.025 million over a 5-year period, averaging PhP 1.8 million annually, which represented 17% of ATFI's program expenditures (ATFI Annual Reports, 2004-2008). From 1999-2008, ATC had made a contribution of PhP 17.505 million to Alter Trade Foundation Inc., averaging PhP 1.75 million a year.

In terms of staffing, ATFI had a total of 27 staff, 8 management positions and 19 technical, front line and administrative support positions as follows:

- Executive Director
- Deputy Executive Director/HOE Director
- SPADE Director
- Administrative and Finance Officer/CRASP Director
- Human Resource Development and Internal Systems Officer
- CRASP Coordinator
- Cluster Team A Head

<sup>23</sup> PhP 10.576 million of this was spent for the special project funded by the European Union, including the organization and hosting of an International Conference, "Opening Windows for Organic Trade with Europe and the World" on November 14-16, 2006 participated by 240 delegates; mounting of a weekly radio program; and the production and showing of the documentary film, "No More Tiempos Muertos" among Negros rural communities.

- Cluster Team B Head
- SPADE Staff: 5 agriculturists, 1 Farm Equipment Services In-charge, 2 tractor operators
- HOE Staff: 3 Community Organizers
- CRASP Staff: 4 Credit Staff
- Administration and Finance Staff: 4 including 1 driver

An Officer-in-Charge for ATFI was initially appointed in 2000, and later became Executive Director until 2002. The current Executive Director had held his position since 2002. Credit staff, agriculturists and community organizers composed the core staffing since 2002. Cluster Heads were put in place in 2005. The full staffing was realized in 2007, and remained the same for 2008.<sup>24</sup> (Jakosalem, 2008; Lopez, 2010; ATFI 2003-2009)

### 3.4. Evaluation, Planning and Renewal: Closing the Gap between Vision and Action (2008-2010)

The period starting 2008 pointed to a new phase of renewal on the part of the Alter Trade Group. Unlike the 2<sup>nd</sup> Strategic Planning process that was driven by external partners, this 3<sup>rd</sup> Strategic Planning process was clearly internally driven with the external consultants they hired chosen by them. This renewal stage put empowerment of the poverty sectors they served at the center of their deliberate strategy process, even as they continued to face the challenges of building a domestic market and better serving their solidarity markets in Europe, Japan and other parts of Asia, markets that were then expected to continue to grow in the next 10 years.

#### 3.4.1. Mid Term Evaluation and Planning

Upon completion of the first five years (2003-2007) of the strategic plan they formulated in 2000-2002, the Alter Trade Group hired external consultants to assess their implementation of the plan, and used the studies as input to define/refine their plan for the succeeding five years (2009-2013) (Box 3.3.). Following strategic planning workshops in 2008-2009, Alter Trade made some major strategic decisions.

It was decided that while Alter Trade would continue to serve the growing export market for its products, it would make the development of partner farmers and growers and their organizations and communities a more conscious objective, complete with the development of measures to quantify their progress. There were no clear indicators of progress for the development of farmer and grower communities in

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<sup>24</sup> No data on staffing of ATFI could be found in organizational documents before 2007.

the past. In this respect, Alter Trade realized the need to catch up on its organizing and development program for its banana growers. Relative to the sugar farmers, they had been left behind.

Alter Trade was also poised to more fully develop its Philippine market, and in the process go back to their original intent of setting up an alternative trading system between local communities. Consistent with these, they decided to make Alter Trade Foundation Inc. (ATFI) as the mother organization, and make the three enterprises subsidiaries of ATFI. Historically, ATFI was considered the development arm of the group, with Alter Trade Corporation, the marketing entity, as the mother organization (Parreno, 2009).

### 3.4.2. Sustainable Agriculture for Sustainable Community Phase III

As has been pointed out, the SASC program, supplemented by other special projects, provided the transformational services, on top of the transactional services, to assist the process of developing self-reliant and self determining producer communities, as enshrined in Alter Trade's vision.

ATFI Executive Director Edwin Lopez characterized how SASC III, the follow up program to SASC I and II, that covered the period from 2008 and was on going up to the time of the research:

“By SASC III, building on the gains of the previous programs, we systematically introduced crop and income diversification and capacity building in processing and marketing, as well as federation building. In 2009, the Negros Organic Fair Trade Association (NOFTA) was born”. (Lopez, 2010)

SASC III was centered on developing diversified farming to reach commercial volumes and quality; developing links of farming communities with domestic consumers and markets; and establishing a micro-finance people's bank that would propel ATFI to become self-sustainable. The main funding partner of Alter Trade for SASC III, who also funded SASC I and II was Bread for the World, a German development agency.

SASC III, like SASC I and II and funded by Bread for the World, was a project meant for sugar farming communities of Alter Trade.

However, efforts had been made to transfer the development of banana grower communities as a responsibility and program under the foundation. SASC as a program framework was to guide the development of banana grower communities as well.

### 3.4.3. Sugar Partners Decide on Fair Trade Premiums

During the 2008 PO Leaders' Conference, the sugar farmer partners discussed such topics as PO asset management; assessing the inflow and outflow of products in the community; and defining products that are being produced or could be produced within the community.

It was also within this year that a Fairtrade Subgroup composed of PO representatives was set up within the ATFI structure and decisions on the use of the fair trade premium were discussed.

Alipio Torio, Vice Chairman of Hacienda Cahilamunan-Trinio Farm Workers Organization-Multi-Purpose Cooperative (HCATRIFWO-MPC) explained the discussion and decision on the fair trade premium:

“We had Php 1.6 million as fair trade premiums<sup>25</sup>. Alter Trade proposed that the PO share be 20%. We proposed to increase that to 30% and it was carried. So we agreed that 60% be allocated to a common project, 30% to POs and 10% for administrative expenses. We also made a decision on how to allocate the 30% for POs: that 50% be allocated for the PO, 40% for a business project and 10% for administration”. (Torio, 2010)

The Fairtrade Subgroup (FTSG) within ATFI became the training and testing ground for the preparedness of the PO partners of Alter Trade to independently plan and implement a Collective Business Project using their share of the fair trade premiums from Mascobado trading. The FTSG organized and delegated this task to a Collective Business Project Committee (CBPC) on July 31, 2009. The Committee that was headed by Imelda Cervantes of MIARBA had as members Reynaldo Canoy (Chairman, C-92), Romy Noble (Chairman, AMANO) and Lito Estama (Project Manager, NARB-MPC), with Sally Aguirre representing the ATFI Management Committee. The CBPC decided to invest Php 650,000 to provide postharvest services.

Imelda Cervantes explained the project as addressing the needs of small farmers who milled their canes in conventional sugar mills. As payment for their cane deliveries, small farmers received their share of sugar volume stipulated in ‘quedans’. These were negotiable documents that represented the volume of sugar produced from the delivered canes and entitled to the farmers. ‘Quedans’ were bought by sugar trading cooperatives from the farmers and they were paid in checks. Small farmers did not want to go to the city to encash their checks because of the travel time and additional expenses. However, they needed immediate cash to pay the harvesters and truckers as soon as they returned to their farms. Because of this, they sold their checks

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<sup>25</sup> The Fairtrade Labeling Organization (FLO) facilitates fair trade premiums from the sale of organic muscovado among socially oriented consumers.

to financiers at 1% service charge right there at the mill gates. The FTSG-CBPC decided to replace the role of the financiers by engaging in this post-harvest financial service to small farmers, so the service charge would not be lost to private financiers, and instead would be accumulated to generate capital to be reinvested in farm production and enterprises of agrarian reform beneficiaries (Cervantes, 2010).

The CBPC had deposited the amount of PhP 669,545.00 at the Bank of Commerce branch in Bacolod City. They chose this bank, as it was the same bank of the La Carlota Central that issued the check payments to their target farmer-clients. Imelda Cervantes herself negotiated with the bank manager to accept second-endorsed checks. The CBPC was intending to operate every Friday during the annual milling season of eight months from September-April.

The Collective Business Project Committee of the FTSG was transformed into the Business Development Committee of NOFTA when it was founded later in the year.

### 3.4.4. NOFTA: Birth of Independent Federation of Producers

In 2009, the setting up of an all producers organization distinct from Alter Trade was discussed at the PO Conference, following a recommendation from the FLO inspector the year before, and to implement a decision of the ATFI General Assembly in August 2009 to spin off the Fairtrade Subgroup into a full blown organization composed of primary producer organizations of Alter Trade<sup>26</sup>. It was during what the PO leaders considered to be their 5<sup>th</sup> PO conference that the Negros Organic Fair Trade Organization or NOFTA was established.

The Negros Organic Fair Trade Organization or NOFTA (refer to Box 3.4. for details) was established during a Founding General Assembly on December 14-15, 2009, attended by 109 voting delegates from 16 primary producer organizations of Alter Trade, at the Congregation of the Immaculate Conception of Mary (CICM) Retreat House in Talisay City, Negros Occidental.

The following were decisions highlighted in the minutes<sup>27</sup> of the NOFTA Founding General Assembly:

- The Chairperson of the Assembly was Imelda Cervantes from MIARBA who was the Chairperson of the ATFI Fairtrade Subgroup (FTSG);
- The drafters of the organizational documents who met earlier on December 5, and the people who took turns explaining the vision, mission and goals of NOFTA during the Assembly, came from the FTSG and were all PO leaders, namely Imelda Cervantes (MIARBA), Romy Noble (AMANO), Lito Estama

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<sup>26</sup> With this decision came the reorganization of ATFI into an organization of individual advocates, intellectuals and selected PO leaders

<sup>27</sup> The original was in the local language but an English translation was made available to partners. The researcher used the English translation

(NARB-MPC), Ramir Rivera (Sitio Paho Farm Workers Association or SIPFAWA) and Torino Tomaro (STARFA);

- Changes on the draft constitution and by-laws were made after a spirited discussion, many times dividing the house, with the majority position being carried. These changes included the following:
  - For membership to include not only agrarian reform beneficiaries but also small producers, as long as they subscribed to sustainable agriculture-organic farming and fair trade;
  - For membership to include small producers' organizations in the whole of Negros Island, and not just from Negros Occidental, opening the possibility of recruiting those not present in the Assembly from the neighboring province of Negros Oriental; and
  - The inclusion of non-government organizations (NGOs) and private institutions as potential partners, not just government agencies.
- It was agreed that NOFTA would “develop a successful inter-PO production and trading system that will open new and rewarding opportunities for the next generation”;
- The discussion on how they were to elect their first set of officers was spirited, with a majority opting for the appointment by each PO of 2 representatives to a Council of Leaders, direct election by the General Assembly of the officers of NOFTA (versus a proposal for the Council of Leaders to elect them), and a decision to vote by secret balloting;
- With the exception of the position of treasurer where only Imelda Cervantes of MIARBA was nominated and unanimously elected, and the 2 cluster-based positions each of Public Information Officers and Environmental Officers that were also filled unanimously, the election process was lively with 6 nominations for President, 6 for Vice President, 4 for Secretary General and 4 for Auditor;
- The body unanimously approved and accepted the plans for the post-harvest financial service initiated by the CBPC, and agreed to transform the CBPC into NOFTA's Business Development Committee. With ATFI as proponent and guarantor, NOFTA also endorsed a PhP 2 million loan proposal to the Alternative Fund for Mutual Benefit<sup>28</sup> as additional capital for this project. Terms of the loan included a 5% interest per annum with payments of PhP

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<sup>28</sup> This is a solidarity fund set up by the Alternative People's Linkage in Asia (APLA), established on May 17, 2008 as the successor organization of the Japan Committee for Negros Campaign (JCNC). APLA is a mechanism to link up and work together to advance community building based on sustainable agriculture and fishery and to build face to face solidarity and mutual trust to fight against globalization that is causing inequity, poverty and conflicts among ordinary people.



200,000 per year starting the second to the fourth year, and would be fully paid with PhP 1.4 million on the fifth year. Project net income in 5 years was expected to amount to PhP 3,736,000; and

- The body agreed to conduct participatory workshops involving each producer organization on Fairtrade orientation and standards, Usage of the Fairtrade Premium, Fairtrade Policies especially for Small Producer Organizations, Internal Control System on Fairtrade and the Environment, and an assessment of compliance to standards. The participating leaders synchronized schedules per PO from February 24-April 26, 2010, and agreed that each PO together with NOFTA would shoulder the food expenses while ATFI would share with transport expenses and facilities. The officers of each PO designated an Environment Officer.

PO leaders present during a focus group discussion were unanimous in expressing:

“The leaders we voted for in NOFTA are those who have had a good experience in leading their local organizations.” (Alter Trade Partner PO FGD, 2010)

Romualdo Noble, Chairman of AMANO and elected Vice President of NOFTA during the Assembly, noted:

“There was 100% participation in decision making among all the leaders of POs present during the General Assembly. We elected our officers and made decisions about our 5-year business plan. In addition to organic sugar, we will be trading organic rice, vegetables and livestock. We need to ensure clean food to protect our health and we also need to make sure that the price of organic food remains reasonable. Alter Trade will help us develop a local market in Negros for these products”. (Noble, 2010)

### **Box 3.4. Negros Organic and Fair Trade Association (NOFTA)**

Source: Negros Organic and Fair Trade Association Inc., translated into English by Alter Trade Foundation Inc as annex to a report to partners in 2010

#### **VISION:**

We dream that our group will be known as producers who produce and sell organic and fair trade harvests from the land we own. We will ensure food security, and establish our financial capability by setting up our own funds, capital and implements of productions. We are for the protection of the environment as we are dependent on its bounty and both women and men equally work for its preservation.

We will establish a bond with consumers to establish a guaranteed market both locally and abroad. We will responsively address the needs and convince small producers and the community to take part in the organic and fair trade movement. We will do this to ensure a more prosperous future for our succeeding generation.

#### **MISSION:**

We are committed in the propagation of organic farming and fair trade principles and practice by organizing agrarian reform beneficiaries (ARBs) and small producers to progressively own and develop resources to make them productive, comprehensively own the land, ensure food for all, link up and establish a fruitful cooperation among producers and consumers here and abroad.

#### **GOALS:**

In five years we intend to:

- Organize and strengthen organizations who propagate organic farming and fair trade;
- Build up resources and financial institutions that are supported by sectors who trust and have faith in organic farming and fair trade movement;
- Join in the effort to protect the environment and engage in solid waste management systems;
- Women and men are in the forefront in setting up programs, projects and policies;
- Establish links with the Government, NGOs and other institutions locally and abroad who assist organic farming and fair trade movements;
- Train the youth as successor of the sustainable agriculture practice and who will continue and improve the projects and work started using organic farming-fair trade practice; and
- Ensure the education of the youth to further enhance and improve the projects started and help in securing the sources of revenue of every family.

## 3.5. Financial and Social Outcomes

### 3.5.1. Financial Outcomes

From an initial capital of PhP 55.0 thousand in 1988, Alter Trade Corporation's assets had consistently grown, reaching PhP 25.456 million in 1997 and PhP 135.347 million in 2008. Its sales, mainly from its export markets, had grown through the years, reaching PhP 64.930 million on 1997 and PhP 200.723 million in 2008. Asset turnover (sales over assets) averaged 1.94 over the ten-year period from 1999 to 2008, ranging from a high of 2.45 in 2007, but dipping to 1.48 in 2008, the lowest level in the ten-year period.

Figure 3.1. shows gross sales and assets from 1997-2008, in millions of pesos.<sup>29</sup>

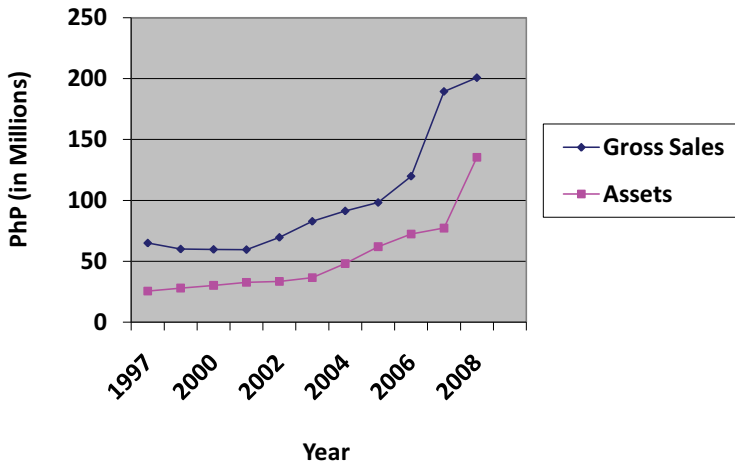


Figure 3.1. Alter Trade Corporation, Gross Sales and Assets, 1997, 2002, 2004, 2006 and 2008  
Sources: Audited Financial Statements, 1997, 2002, 2004, 2006, 2008

The crisis that Alter Trade experienced with its Balangon banana production and trading resulting from disease infestation and the failed experiment of growing them outside their natural habitat from 2000-2004 adversely affected their sales, leading to slow growth until the mid-2000s. However, the negative impact on their revenues was

<sup>29</sup> Financial statements before 1997 were not audited, and it was relatively difficult to reconstruct and validate figures from various data sources. The financial statements for 1998 were not available.

cushioned by the significant increase in Mascobado production and trading with European partners and a favorable foreign exchange climate. Alter Trade Japan also assisted Alter Trade in managing their losses and expanding the sources of naturally grown Balangon bananas beyond Negros Island.

ATC's net income had not grown much, although it had managed to stay in the black over the years, earning PhP 92.437 thousand in 1997 and PhP 1.128 million by 2008 (ATC Audited Financial Statements, 1997-2008).

Figure 3.2. shows ATCs' net income during the 1997-2008 period, in thousands of pesos:

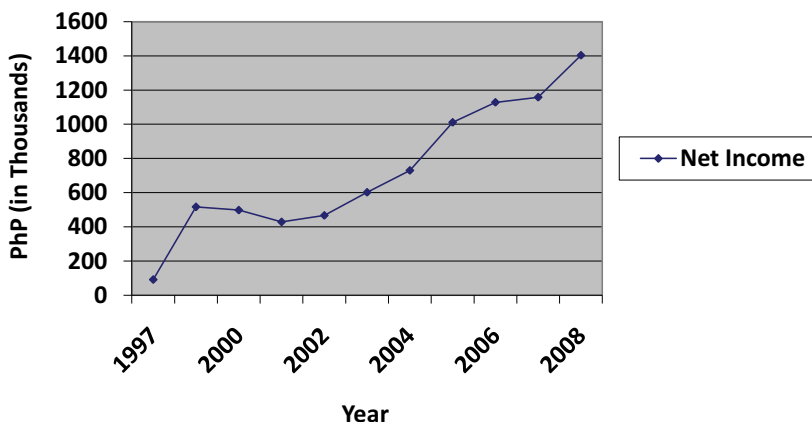


Figure 3.2. Alter Trade Corporation, Net Income, 1997, 1999 - 2008  
Sources: Audited Financial Statements, 1997, 1999 to 2008

Alter Trade had operated slightly above break-even over the years. Net income as a percentage of sales was at a mere 1% all throughout the 1999 to 2008 period. Return on assets (net income over average total assets) was at 1 to 2% over the same period. Contributing to the low percentage of income over sales were high levels of variable costs, particularly for direct materials and direct labor. Over the past few years, Alter Trade had tried to negotiate for higher prices with its main buyers to cover these costs, as it did not want to depress buying prices at the farm gate level. Alter Trade had also looked at its overhead and operating expenses and had had some success in managing these expenses.

On the whole, Alter Trade management believed that they could also have done better financially from better and more strategic investment decisions, earlier efforts to negotiate and implement price adjustments for their products, and more efficient operations. (Alter Trade Group FGD, 2008)

Within the Alter Trade Group, it was the Alter Trade Foundation Inc. that received grants from partner agencies mainly to finance the development programs for its partner producers (detailed in Section 3.3.14.). During the period 1999-2008, ATFI generated a total of PhP 77.98 million worth of grants from Bread for the World, Germany and other partner development agencies to cover the Sustainable Agriculture for Sustainable Community Programs and other projects detailed in Box 3.2. This included a grant in 2006 of PhP 10.576 million from the European Commission Small Projects Facility for its Nurturing Learning Communities on Organic Agriculture for Exports to European Markets. (Ibus and Basilio, 2004; ATFI Annual Reports, 2004-2008)

### 3.5.2. Social Outcomes

This section draws heavily from the results of an evaluative study conducted by the researcher that was commissioned by Alter Trade Corporation covering the period 2002-2007. The study was part of a consultancy project to undertake internal and external assessment in preparation for Alter Trade Corporation’s Strategic Planning Workshop in 2008-2009. The results of the evaluation were contained in a document written by the researcher entitled ‘Alter Trade Corporation: External and Internal Assessment’ (Dacanay, 2008). The study utilized a stratified random survey involving 99 respondents each among the partner sugar farmers and banana growers of Alter Trade as well as key informant interviews and focus group discussions involving key stakeholders.<sup>30</sup>

#### 3.5.2.1. Outreach among Sugar Farmers and Banana Growers

The outreach of Alter Trade operations among sugar farmers and banana growers is shown in Table 3.3.

Table 3.3. Alter Trade Outreach among Sugar Farmers and Banana Growers (2002-2007).

Total number of sugar farmers reached	820 in 18 people’s organizations (POs) in Negros Occidental (589 in 2002)
Total number of banana growers reached:	3,493
• Negros Island	1,052 in 33 POs (783 in 2002)
• Northern Mindanao	404
• Other areas	2,037

Source: Dacanay, M. L. (2008). Alter Trade Corporation, External and Internal Assessment Report.

<sup>30</sup> The study was done with the assistance of Rosalinda Roy and Rosario Espino and submitted to Alter Trade Corporation on October 5, 2008.

The number of sugar farmers reached by 2007 had increased by 39% relative to 2002. The 820 sugar farmers were mainly agrarian reform beneficiaries (ARBs), representing about 1% of the 78,470 ARBs in Negros Occidental (Provincial Government of Negros Occidental, 2007).

Outreach among banana grower partners in Negros Island (i.e. Negros Occidental and the adjacent province of Negros Oriental) had increased by 34% within the same period of 2002-2007. By 2008, partners in Negros Island accounted for 30.1% of the total banana grower partners. ATC also dealt directly, through a satellite office, with partner growers in Northern Mindanao, who accounted for 11.6% of total. Partner growers in all other areas, who were engaged with through local marketing intermediation NGOs (most of which Alter Trade had helped to establish), accounted for 58.3% of total.

### 3.5.2.2. Impact / Outcome on Sugar Farmers

The 2008 survey, led by the researcher, among 99 of Alter Trade's sugar grower-partners in Negros Occidental revealed that credit, marketing support, training/coaching, and animal/input dispersal were the top four forms of assistance from Alter Trade used by sugar grower-partners, with levels of use ranging from 72% to 89% as shown in Table 3.3. Among those who used the service, the average rating they gave ATC in terms of quality of service ranged from 89 to 96%, as also shown in the table.

Table 3.3. Level of Use and Quality Rating for Different Forms of Assistance among Sugar Farmers (2002-2007).

<b>Form of Assistance</b>	<b>Level of Use</b>	<b>Quality of Service Rating</b>
Credit	89%	70 to 100% (Ave. 96%)
Marketing support	86%	50 to 100% (Ave. 93%)
Training/coaching	83%	69 to 100% (Ave. 93%)
Animal/input dispersal	72%	50 to 100% (Ave. 89%)

Source: Dacanay, M. L. (2008). Alter Trade Corporation, External and Internal Assessment Report.

Around half of the respondents gave ATC the maximum rating of 100 percent in terms of quality of service.

In terms of impact on household income, the income of sugar farmers typically came from a variety of sources. Income streams that could be attributed mainly to Alter Trade interventions include those from sugar farming, both individually-farmed and under group management (due to improved cultivation and farm management practices, plus marketing support in the case of group-managed farms); income from other farming activities (crop diversification); and income from group farming and other group enterprise activities that were reflected in increases in capital build-up

(CBU), and payment/allocation for land tax and land amortization. Figures from the survey on these items are shown in Table 3.4.

Table 3.4. Average Annual Income Increase of Individual Sugar Farmers (PhP) Directly Linked to Alter Trade Interventions (2002-2007).

	<b>Average Income (2002)</b>	<b>Average Annual Income (2003-2007)</b>	<b>Average Incremental Income Per Year (2003-2007 vs. 2002)</b>	<b>% Average Income Increase</b>
Sugar Farming	16,364	32,016	15,652	96%
Farming Other Crops	2,690	9,498	6,808	253%
Provision for Capital Build-Up, Land Tax and Land Amortization	1,209	4,754	3,545	293%
<i>Total</i>	<i>20,263</i>	<i>46,268</i>	<i>26,005</i>	<i>128%</i>

Source: Dacanay, M. L. (2008). Alter Trade Corporation, External and Internal Assessment Report.

In terms of average annual income from sugar, the sugar growers started with PhP 16,364 in 2002. For the period 2003-2007, the average annual income had doubled to PhP 32,016 with an average incremental increase of PhP 15,652 over the base average income in 2002. Farming other crops accounted for an average of only PhP 2,690 in 2002, but grew to PhP 6,808 per year on the average within the 2003-2007 period. Lastly, each farmer’s provision for capital build-up, land tax and land amortization (directly deducted and credited to each farmer) almost quadrupled from a mere PhP 1,209 in 2002 to an annual average of PhP 4,754 within the 2003 – 2007 period. All of these made for an average increase in annual income of PhP 26,005 per farmer that could be directly attributed to Alter Trade’s intervention. It is noteworthy that 26% of the income increase – i.e. for farming of other crops – was not directly linked to the value chain for Mascobado, the main marketable product for the Alter Trade enterprise.

In the meantime, average income from other sources like employment also increased. From a base of PhP 8,638 in 2002, income from other sources accounted for PhP 26,341 per year during the 2003-2007 period. Hence, from an average total income of PhP 28,901 from all sources in 2002, there was a hefty increase of PhP 43,707 (151%) to an average total income per farmer of PhP 72,608 per year for the period from 2003-2007.

If we compare these figures to the average annual income of ARBs in Negros Occidental amounting to PhP 18,285.23, based on a provincial government-commissioned study in December 2007, the sugar farmer-partners of Alter Trade were already much better off even in 2002 and were clearly far better off by 2007. The average annual income achieved by Alter Trade’s sugar farmers amounting to PhP 72,608 came close to the annual national poverty threshold for a family of 5, based on

the 2006 Family Income and Expenditure Survey, which was pegged at PhP 75,288. In addition, it is worth noting that 64% of the average incomes of the sugar farmers during the period resulted directly from their relationship with Alter Trade.

A study commissioned by Bread for the World indicated that Alter Trade's intervention had directly moved 32% of their sugar partners above the poverty threshold from a baseline of 93.5% below the threshold before their partnership with Alter Trade. Thirteen per cent (13%) were now at the poverty threshold while the rest – 55% – had moved from deep poverty to food sufficiency (Panganiban, 2008).

A social return on investment (SROI) study, commissioned by Oikocredit, also indicated significant average increases in income of about PhP 52,450/year for participating sugar farmers and gains in many other non-income indicators of empowerment such as improved self-image, increased self-esteem, and group level capacities for self-management with a blended value of PhP 13 for every PhP 1 invested (Roy, 2009).

In determining the level of development attained by the partner PO sugar growers towards becoming self-reliant and self determining producer groups, a tool called the Partner PO Development Index, which was developed for the Alter Trade Group under an Oikocredit-sponsored research project supervised by the researcher, can be used as a tool for measurement. The Development Index used three levels in classifying the level of development attained by a partner PO: Level 1 (Self-Help Groups), Level 2 (Entrepreneurial Farmers' Organization), and Level 3 (Organization Practicing Social Entrepreneurship).

The results of the Oikocredit-sponsored study indicated that, using these classifications, 12 of the 18 partner POs were in Level 1, four were in Level 2, while two were in Level 3 (Table 3.5.).

Table 3.5. Level of Development of Sugar Farmer Partner Organizations (POs) Using Partner PO Development Index (2008).

		Level of Development					
		Level 1		Level 2		Level 3	
Total No. of POs	No. of members (proxy for Households or HHs)	No. of POs	No. of members (proxy for HHs)	No. of POs	No. of members (proxy for HHs)	No. of POs	No. of members (proxy for HHs)
18	820	12	515	4	147	2	158

Source: Dacanay, M. L. (2008). Alter Trade Corporation, External and Internal Assessment Report.

The Index had five basic elements by which a partner PO's level of development was measured/evaluated, i.e. Organizational Cohesion and Development, Capacity to Engage the Market, Income Diversification Among Members, Contribution to



Community and/or Sector Development, and, Financial Growth and Sustainability. (Please see Appendix 12.4 for the full instrument.<sup>31</sup>)

If the results of this study were to be used as an indicator of qualitative progress for Alter Trade's impact in developing self-reliant, self-determining producer communities, one may say that after about one and a half decades of trading organic muscovado sugar (which started in 1994), and eight years of systematic organizational capacity development (which started in 2000), there had been a relatively slow progress in this area. However, the 2 POs in level 3 and 4 POs in level 2 may also be seen as an indication of Alter Trade having developed a model for progressively transforming unorganized sugar workers into Self Help Groups, Entrepreneurial Farmers' Organizations, and Organizations Practicing Social Entrepreneurship.

Qualitative results of Alter Trade's intervention among its sugar farmer partners could best be illustrated by the story of the Minoro Isabel Agrarian Reform Beneficiaries Association or MIARBA (See MIARBA's Story of Partnership with Alter Trade – Box 3.5). Similar stories, with their own peculiarities, were articulated by leaders of Alter Trade's other partner agrarian reform beneficiary organizations in various areas, although MIARBA was admittedly the most advanced (FGD with Alter Trade Partner POs, 2010).

Alipio Torio, Vice Chairman of HCATRIFWO-MPC, a partner for 4 years, explained Alter Trade's role:

“Alter Trade plans were based on their assessment of our needs and then they consulted us, so their plans fit us. They also serve as our guide. We were able to rise up with their assistance”. (Torio, 2010)

Other sentiments expressed by the group of PO leaders interviewed were:

“Other NGOs like the Negros Council for People's Development helped us with land tenure issues, land struggle and advocacy but had no capability for development services like Alter Trade”. (FGD with Alter Trade Partner POs, 2010)

“Alter Trade has been a big help and played a big role for us producers and our organizations to stand on our own and have the capacity to make our own decisions”. (FGD with Alter Trade Partner POs, 2010)

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<sup>31</sup> The instrument, shown in Appendix 12.4, has since been enhanced following the Alter Trade's strategic planning sessions in December 2008.

Daniel Diamante, Chairman of DAFWARBA, a partner of Alter Trade for 7 years, elaborated,

“Alter Trade has taught us how to manage our land, how to get a good harvest, how to manage finances, how to manage projects, and how to relate with government for our needs such as education for our children.... Other ARB cooperatives that I know, who did not have a partner like Alter Trade, died after 5 years. They did not have marketing support. They were not assisted to do effective financial and project management”. (Diamante, 2010)

Beyond these self-governing cooperatives and associations of sugar farmers, an indication of the quality of impact of Alter Trade’s transactional and transformational services among the sugar farmers could also be seen in NOFTA. NOFTA was set up in 2009 as an independent federation of organic and fair trade producers initiated by the sugar farmer partners of Alter Trade, and it was meant to include all small producers advocating organic farming and fair trade in Negros Island. Cornelio Sandrico, Chairman of NAPFWA added:

“There is a big difference in the role that people’s organizations (POs) play as evidenced by the setting up of NOFTA. NOFTA could even deal with international partners directly, including contracting of loans”. (Sandrico, 2010)

Commenting on the role played by Alter Trade and the partner producers in the beginning and at the time of the study, ATFI Executive Director Edwin Lopez concluded:

“With NOFTA, the POs have graduated from facilitated decision making to independent decision making”. (Lopez, 2010)

**Box 3.5. MIARBA's Story of Partnership with Alter Trade**

Sources: MIARBA FGD, 2008; Roy, 2009

MIARBA, deemed as being in Level 3 using the Partner PO Development Index, credited Alter Trade with helping it in terms of visioning, community development planning and organizational development. It also credited Alter Trade for helping members improve crop production practices and diversifying their production and income sources. This was on top of Alter Trade's role in providing machinery and equipment for production, and in extending capital for livelihood and other concerns like health services. MIARBA members were unanimous in expressing that much of what they were and had now was a product of their own collective efforts, but they could not have done so without Alter Trade's help.

The partnership substantially started in 2001-2002. With Alter Trade's assistance, MIARBA crafted a 6-point Community Development Plan featuring:

- Ownership of land as source of livelihood for themselves and their children;
- Increased production and diversification including planting of trees as protection from natural disasters and source of additional income;
- Acquisition of their own machinery for production;
- Raising of sufficient capital for the projects of men and women;
- Provision of education for children to become effective heirs and managers of the land, to have broader employment opportunities and to prevent them from experiencing hardship; and
- Improved health services and facilities to ensure health for everyone.

MIARBA had successfully managed their 57 hectare communal farm. In the process, they put in place production, financial and organizational systems. It was considered as the best supplier of organic sugar cane among Alter Trade's partner organizations. Agricultural diversification had taken root with the planting of fruit and forest trees, setting up of fish ponds in rice farms, intercropping, and goat raising.

MIARBA's assets had reached PhP 1.58 million in 2005-2006. They had successfully negotiated for a loan of PhP 5 million in 2008 direct with Oikocredit International, for sugar production and acquisition of farm machinery. MIARBA now owned 2 farm tractors, one truck, a health clinic and a storage facility for rice. Net income had grown from PhP 788,417 in 2003-2004 to PhP 2.4 million in 2005-2006, mainly from sugarcane sales. Dividends and labor incentives of MIARBA in 2005-2006 averaged PhP 12,744 for each of the 132 members. By the time of the FGD in February 2008, MIARBA representatives estimated that in the latest crop year, dividends and labor incentives had reached PhP 55,000 per member. Twelve members of MIARBA covered in a survey cited that they received an average of PhP 20,000 per year in annual wages from MIARBA and another PhP 20,000 per year in terms of dividends from the past 5 years.

MIARBA had helped install facilities like water systems in the community and played a lead role in reforestation and health services delivery. It was recognized by the local government as a significant contributor to the economy and a leader in the promotion of sustainable agriculture, and was paying a land tax for members of PhP 244,000 per year. One of MIARBA's leaders sat in the ATFI Board. MIARBA was also a founding member of the Negros Organic Fair Trade Association.

### 3.5.2.3. Impact / Outcome on Banana Growers

The 2008 survey led by the researcher among 99 of ATC’s banana grower-partners in Negros Occidental and the adjacent province of Negros Oriental revealed that the top three forms of assistance from Alter Trade used by them were training/coaching on Balangon Cultural Management (BCM); crop disease management and organizational development; marketing support; and credit provision.

Training and coaching as well as marketing support were used by more than 90% of the growers but only 33% used credit. The respondents also rated ATC at 84-86%, on average, as far as quality of service was concerned. The results are detailed in Table 3.6.

Table 3.6. Level of Use and Quality Rating of Forms of Assistance among Balangon Growers (2002-2007).

<b>Form of Assistance</b>	<b>Level of Use</b>	<b>Quality of Service Rating</b>
Training/coaching	95%	60 to 100% (Ave. 86%)
Marketing support	92%	45 to 100% (Ave. 84%)
Credit	33%	50 to 100% (Ave. 85%)

Source: Dacanay, M. L. (2008). Alter Trade Corporation, External and Internal Assessment Report.

Notably, the survey results among the Balangon growers generally showed lower ‘quality of service’ ratings compared to the ratings given by the sugar farmers. In terms of form of assistance, though, a much higher percentage utilized training/coaching. This could be attributed to two reasons. For one, commercial production of Balangon, requiring improved cultural management practices, was relatively new to the partner Balangon growers. Second, the associations of Balangon farmers were still comparatively new. All in all, the figures indicated that there was significant room for improving ATC’s quantity and quality of service among its Balangon producers.

BCM was deemed critical by ATC for growers to achieve the highest farm productivity in a sustainable way. Although the level of use was high, some farmers noted ATC’s lack of verification for BCM compliance among the farmers’ ranks on a sustained basis. This observation was validated by Alter Trade management staff, who acknowledged that the last audit for BCM compliance was conducted in April 2005. Before that, regular audits had been conducted every two months since the BCM started.<sup>32</sup> Growers also indicated the need for ATC to provide more interaction in the form of on-farm coaching.

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<sup>32</sup> Response to question posed by Ms. Mihara Fumiyo of L Coop during the open forum for the PAL System Consumers’ Cooperative Union Auditors’ visit to ATC Packing Centers on March 10-14, 2007.

While the farmers were generally appreciative of ATC's providing a market for Balangon, with 44 percent of respondents citing it as the form of assistance with the biggest impact, their comments related to the marketing support revolving around three themes: the need to provide more effective assistance in dealing with and managing the effects of disease infestation (disease eradication, crop rehabilitation, setting up a calamity/emergency fund, crop insurance); the need to be more holistic in providing marketing support for Balangon (grading to allow for what were rejects to be bought at a lower price and sold in the local market; assistance in processing what were rejects and marketing the end products); and the need for providing marketing assistance for other farm products.

In terms of average annual income, the banana growers in Negros Island started with PhP 7,426 in 2002 as their income from Balangon. From 2003-2007, the average income was PhP 10,117 per year, for an increase of PhP 2,691 (36%). The average annual income from all sources (inclusive of Balangon) was PhP 19,495 in 2002 and PhP 25,207 in 2003-2007, for an increase of PhP 5,712 in annual income (29%).

Again, comparing these figures with the average annual income of PhP 18,285.23 among ARBs in Negros Occidental based on a provincial government-commissioned study in December 2007, we could conclude that the Balangon grower-partners of ATC were better off, with their income from Balangon trading with Alter Trade making a 47% contribution to their income increase during the period 2003-2007.

Although the average income of PhP 25,207 during the period 2003-2007 was still way below the FIES poverty threshold of PhP 75,285 for a family of 5 in 2006, it was also observed by ATFI Executive Director Edwin Lopez that PhP 25,207 was above the PhP 24,000 cash income requirement articulated by farmer households during an ATFI study in 2004-2005.

A result of the survey among Balangon banana growers worth noting were the highest annual incomes achieved by some respondents:

- *Improved Balangon/Old Balangon (IBOB)* Farmer A had no income from banana in 2002. Since his linking with ATC in 2004, he realized an income of PhP 100,800 from banana in 2005, although this tapered to PhP 28,800 two years later in 2007.
- *IBOB* Farmer B started linking with ATC in 1999 and since then had been generating a fluctuating annual income: PhP 43,200 in 2000, which dipped to PhP 9,600 in 2002, then rose to PhP 86,400 in 2003 and 2004, then dipped again to PhP 43,200 in 2006.
- *New Balangon (NB)* Farmer C, whose *Old Balangon (OB)* income was PhP 2,000 in year 2000, realized an income of PhP 80,000 in 2004 and PhP 50,000 in 2005.

These significant income increases experienced by some of the Balangon growers showed that there was a high potential for Balangon trading to improve the incomes and status of many grower-partners of ATC, if only ATC were to find more effective ways of managing, if not eradicating the bunchy top and other diseases that had caused the marked decreases and fluctuations in incomes among Balangon partner growers over the past 5 years.

It was also interesting to note that among the Balangon survey respondents, 15 percent specified food security and sufficiency as the specific area of impact they experienced directly resulting from ATC's marketing support. This indicated a potentially significant non-income impact area worth monitoring.

To gauge the level of development attained by the partner POs in the Balangon subsector in Negros, the Partner PO Development Index may also be used as a tool for measurement. The results from the Oikocredit-sponsored study among Balangon grower partner organizations indicated that all 33 POs were still in Level 1 (Self-Help Groups). This was expected given that organizing partner POs became a conscious strategy of ATC only by 2006, and community development services became a program, with the deployment of 1 staff, only in 2007.

A social return on investment (SROI) study of Alter Trade's impact on its Balangon banana partners in Negros Island showed that for every PhP 1 invested from 2002-2007, a blended value of PhP 26 was generated, representing incremental income, proxy indicators of increased self esteem and self-image among members and leaders of partner people's organizations, increased group assets, and increased capacity for self management. (Roy, 2009)

As to the impact on banana growers and NGO/PO trading partners outside of Negros, the survey conducted among the NGO/PO trading partners cited marketing services as the most significant assistance extended by ATC to them, getting a rating of "10" from a scale of 1 to 10. However, one respondent rated ATC "5" for marketing services as it cited the need for diversification. Greg Lasigan from CORDEV articulated the need for ATC to assist in processing and marketing what could not be absorbed by the export market, and in providing marketing assistance for other farm products compatible for intercropping with Balangon such as pineapple and cacao.

Except for CORDEV, all the rest said that ATC absorbed their Balangon production by a hundred percent, with some indicating that they had been unable to produce enough to cover ATC's requirements. The main problem articulated by Greg Lasigan of CORDEV was the mismatch between CORDEV's peak season in terms of production (May-September) and the peak season in terms of demand (October-April). Mr. Lasigan believed that there needed to be a sustainable way of rationalizing supply and demand so that during the peak seasons of production, all that was produced was absorbed by the market. Some of the promising products that Mr. Lasigan suggested should be further explored for processing excess production or

rejects were frozen puree, banana chips, fresh or banana powder for cake making (Balangon was reputed to be a variety that was most suited for banana cake) and banana wine. Mr. Lasigan pointed out that one of their partner cooperatives, the Ambaguio Fruits and Vegetables Multipurpose Cooperative, had an existing tie up with a bakery for the production of banana cake.

Other potential products included Arabica coffee and mango. The need for diversification was a recurring theme among the partners.

Other services extended by ATC mentioned by the respondents as having significant impact on them were training, technology transfer, financial support, assistance in establishing packing centers, and installation of operating systems.

The impact of the trading relationship with ATC included increased incomes, provision of livelihood and employment, formation/sustenance of PO or NGO services in the community, enhancement of image and recognition as development players by the local government unit or LGU, and even peace and community building. The latter was manifested by the inclusion of MILF<sup>33</sup> members as Balangon growers and workers in Tupi, South Cotabato. Palo Siete Village was formed in Upper Allah Valley as a direct result of Balangon trading operations. Also cited, as a significant impact, was the achievement of family and community cohesion since Balangon growing proved to be a viable alternative to migrant labor. Qualitative impact was felt the most among indigenous people's communities in Mindanao (among the Ubo and T'boli communities) and the Cordillera region.

## 3.6. Alter Trade and Social Entrepreneurship

### 3.6.1. Alter Trade as SEPPS

The Alter Trade story validates the definition of SEPPS in Section 2.5.

Firstly, Alter Trade was a social mission driven group of organizations that for over 20 years explicitly pursued poverty reduction/alleviation and improving the quality of life of two segments of the poor as primary objective:

- Landless sugar plantation workers turned sugar farmer-agrarian reform beneficiaries, who were organized into and/or assisted as partner producer cooperatives or associations, in Negros Occidental province; and
- Backyard producers of naturally grown Balangon bananas in indigenous and upland communities in various parts of the country, who were initially partners as individual growers and later organized into cooperatives or associations.

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<sup>33</sup> MILF stands for Moro Islamic Liberation Front, an armed group fighting for the self determination of the Moro people in southern Philippines

As shown in Section 3.5.2 Alter Trade had demonstrated positive impact in empowering and improving the quality of life of these poor stakeholders.

Secondly, Alter Trade was a wealth-creating group of organizations that pursued a triple bottom line (social, financial and environmental) in the provision and production of goods and services. Alter Trade created wealth by producing and trading organic muscovado sugar and naturally grown Balangon bananas mainly to solidarity markets in Japan and Europe. By engaging the poor as partner producers using the principles of fair trade and sustainable agriculture, its wealth creation activities and the achievement of its financial bottom line was framed as supportive to its social and environmental bottom lines.

Thirdly, Alter Trade had a distributive enterprise philosophy. By engaging the sugar farmers and banana growers as partner producers using the principles of fair trade and sustainable agriculture, Alter Trade served not as a mechanism for accumulating profit for share holders, but as a mechanism for distributing wealth to partner producers. The buying price of the organic sugar cane from the farmers were negotiated and governed by fair trade principles, usually higher than the prevailing market price of sugar cane. The partner producers also received fair trade premiums, the uses of which were subject to their decision. Alter Trade also served as mechanism to direct surplus wealth created to finance investments or activities related to their social mission. As shown in Section 3.5.1, the wealth that Alter Trade created was just adequate (i.e. slightly above breakeven) to cover its operations for the past years. As discussed in Section 3.3.14, the wealth created by Alter Trade also consistently provided the core funding, representing 17-20%, of the requirements for its transformational program for producers.

A legitimate question to ask is, how can this be ensured in the future in the event that Alter Trade Corporation starts to become more profitable? Given that Alter Trade Foundation Inc had been made the mother company and owner of the three subsidiary enterprises (Alter Trade Corporation, Alter Trade Manufacturing Corporation and Diversified Organic Enterprise Inc.) during its reorganization in 2010, the organizational and governance system in place seemed to have problematized and resolved this concern.

### 3.6.2. SEPPS in a Developing Country Context

While the Alter Trade story validates the definition of SEPPS in Section 2.5, it is important to explore how the developing country context of the Philippines relates to or interacts with the concept of SEPPS. An emerging theme dramatized by the Alter Trade story is the conception of SEPPS as a response to the failure of market and state institutions to serve the needs of the poor in the Philippines.



The entire conception of Alter Trade emerged as a response to the sugar crisis that hit Negros in the 1980s. The sugar crisis resulted from the abandonment by landlords of sugar lands as a reaction to the lowering by the US of the Philippine sugar import quota. With the local economy being almost completely dependent on sugar with the US as the main market, this led to the collapse of the local economy, particularly the sugar industry, which in turn led to a hunger crisis among sugar workers in Negros Occidental.

The agrarian reform program opened up opportunities for the landless sugar workers to own and manage their land. However, the government failed to provide sufficient financial, technical and other support services to 97% of Negros Occidental's agrarian reform beneficiaries (ARBs), the majority of them former sugar workers, to make the lands awarded to them productive. The implementation of the agrarian reform law has also been characterized by prolonged, unresolved land cases in agrarian courts and inability of ARBs to pay amortizations. The experiences of Alter Trade's partners' bear this out.

The Philippine government had played a minor and passive role in the Alter Trade story. Given the reality of land occupations by sugar workers that had already become widespread in the mid-80s, it was still critical that they enacted and implemented agrarian reform to provide the legal basis for transforming the landless sugar workers to become small owner cultivators of land.

In the process of transforming the poor, key stakeholders who may be characterized as having played enabling and supportive roles were solidarity markets in Japan (such as Green Consumers Cooperative Union and PAL System Consumers' Cooperative Union) and Europe (such as GEPA and OS3) and international development-oriented organizations (such as Bread for the World, Alter Trade Japan and Oikocredit). These solidarity markets and enabling institutions played four critical roles:

- They served as intermediary marketing organizations for people-to-people and fair trade consumers in Japan and Europe;
- They provided critical financial and technical resources to develop Alter Trade's capability to effectively deliver quality products;
- They provided critical financial and technical resources to transform partner producers into owners, decision-makers and managers of their own community enterprises; and
- They pro-actively participated in strategy formation: from venturing into organic muscovado and naturally grown Balangon bananas; to providing expertise and resources for strategic planning, evaluation and audit; to bearing the financial costs of piloting and learning from failed experiments; and to ensuring the continuing organizational development of partner producers.

An important reason for such a big role played by these stakeholders in Alter Trade's development, including their pro-active participation in strategy formation, was their shared vision, values, and bias for small producers and social transformation. This included their belief that countries in the North had a direct responsibility in exploiting the South, and that fair trade or people-to-people trade was an expression of international solidarity action to address poverty.

Ayado Yoshida, Chairperson of Green Coop Consumers' Cooperative Union expressed:

“We are greatly encouraged to learn that the people's trade we have been engaged in for the past twenty years has definitely promoted the Green Coop principles: living together between nature and human beings, between south and north, between women and men, and between peoples.... In 1987 when a group of Green Coop members embraced small children suffering hunger in Negros Island, they were determined to take action to save them. They realized that our daily life in Japan in the North is supported by exploitation of people in the South that caused the hunger.... At the trial import, we had to see the blackened banana at the port in Japan. Although we were disappointed, someone said, “It was a great success. Next time we will receive banana that we can eat!” When the Negros banana suffered from disease, we learned that “the weevil is also suffering”, unless nature and mankind live together.... We are deeply grateful for ATC who have shared difficulty and joy with us, and strengthened international solidarity together”. (Yoshida, 2008)

Masahiko Hotta, President of Alter Trade Japan, articulated his personal appreciation of the shared vision and values:

“We started 20 years ago with a unique effort to support landless farmers in Negros. We had a vision to organize a people's economy in cooperation with Japanese consumers' cooperatives. The problem was the farmers had no land, no money, and no power. Our theory (sic) model was to organize them to have power and independent resources through alternative people-to-people trade. Japanese consumers' cooperatives would assure markets for chemical free and natural products, make voluntary contributions and provide working capital, with Alter Trade Corporation and Alter Trade Japan serving as intermediaries. Unlike the context of capitalism, the support from Japanese consumers is a goodwill gift in exchange for the chemical free and natural products of small farmers against multi-national plantation bananas”. (Hotta, 2008)

This shared bias for small producers and the pro-active relationship was validated by GEPA Fair Trade Company's Claudia Grozinger:

“As GEPA – the Fair Trade Company, we are cooperating with ATC since 1988. In the early nineties, we came to the conclusion that only organic Mascobado will have a chance on the European market in the future.... We discussed this together in GEPA's office and in ATC office in Bacolod and finally agreed on it. We at GEPA knew that we asked a lot from your side. And that it is not easy at all to convince small farmers to start with it, knowing the situation in Negros. And besides that, you had to invest into a new sugar mill too, in order to guarantee a higher quality product. But we reached that goal together in 1996!... In the meantime, we do not only offer organic Mascobado in consumer packs, but also lovely organic chocolates, organic biscuits and organic syrup for coffee – all with your organic Mascobado. And GEPA customers just love it... Afterwards, I visited ATC a couple of times and could see, how fair trade grows and how the situations of the small producers have changed dramatically. And when small farmers cooperating with ATC tell me that they are able to send their children to high school or even college and have dreams for the future.... what more can you expect.... I am personally very proud of the organic Mascobado, the result of our joint efforts, but even more of the changes for the people of Negros through ATC and GEPA's Fair Trade!” (Grozinger, 2008)

### 3.6.3. SEPPS and Social Entrepreneurship

Among the various schools of thought in social entrepreneurship, the Alter Trade Group story resonates with the social economy school (Defourny and Nyssens, 2008; Laville, 2010), with some particularities arising from the context of failed state and market institutions in underdeveloped economies. This resonance is particularly strong in relation to SEPPS as multi-stakeholder organizations, the importance given to the role of the state and the evolving role of third sector organizations in promoting a plural economy governed not only by market principles but also the principles of redistribution and reciprocity (Defourny, 2001; Vidal, 2010; Laville, 2010).

- Alter Trade may be characterized as a multi-stakeholder organization that has evolved over time into a multi-organizational system where the poor were empowered partners. Such evolved not only to more effectively serve the poor and their markets, but also to give the poor a voice and vote. Beyond organizing the producers as a supplier base, Alter Trade assisted the sugar farmers to have a voice (through NOFTA) and vote (through their elected representatives in Alter Trade Foundation Inc.) in their governance system. Table 3.7.a. details the participation of Alter Trade's primary stakeholders in

the governance and management of Alter Trade as a multi-organizational multi-stakeholder SEPPS;

- The main stakeholders, including the main market channels for its products, are civil society or third sector players in the North and South, who share a vision of empowerment of the poor through people-to-people and fair trade and transforming the global trading system as a whole;
- The Alter Trade Group story shows the development of an alternative system of trade involving organized producers and consumers in the North and South, that is governed by non-capitalist principles of reciprocity and redistribution, characteristic of a social economy; and
- Government played a redistributive role in the whole story, in a minimal but critical way, in the sense that the transformation of the landless sugar workers as partner producers of organic sugar cane and as owners, decision-makers and managers of their own community enterprises would not have been possible without the enactment and implementation of the agrarian reform law that legitimized their claim over the lands they occupied.

The social economy school of social entrepreneurship in Europe has been characterized by scholars as embedded or contextualized in the crisis of welfare states that gave birth to autonomous initiatives within the third sector to provide for social services and employment among marginalized sectors. State support in the form of legal frameworks, public subsidies, fiscal exemptions and the like has been instrumental to their scaling up and institutionalization (Defourny and Nyssens, 2010; Hoogendoorn, 2009). This context, that gave rise to the social economy school of social entrepreneurship in Europe, is very different from the Philippine context of under-development and poverty as explained in Section 2.4, and what the case of Alter Trade exemplifies in terms of state and market failures as explained in 3.6.2.

As discussed in Section 2.4 and validated by the Alter Trade case, structural poverty and under-development in the Philippines, exacerbated by state and market failures, provides the context and has fueled the rise of social enterprises with the poor as primary stakeholders (SEPPS). The case of Alter Trade as SEPPS demonstrates the central role assumed by third sector actors in the North and South sharing a mission to transform the poor, to overcome market and state failures, and in the process pushing government to play a legitimizing, though minor role.

## 3.7. Alter Trade from a Stakeholder Perspective

### 3.7.1. The Poor as Alter Trade's Primary Stakeholders

Based on the articulation of its mission in 1994 up to the time of the research in 2010, and its 20-year practice of sustainable agriculture and fair trade, Alter Trade's primary stakeholders were the poor. Alter Trade considers the poor as primary stakeholders using a normative approach (Donaldson and Preston, 1995). To reiterate what was explained in Section 3.6.1, Alter Trade as a social enterprise with the poor as primary stakeholders (SEPPS) adheres to a distributive enterprise philosophy and pursues poverty reduction as principal goal.

Since initiation, the specific poverty groups that Alter Trade had served as primary stakeholders were:

- Landless sugar plantation workers turned sugar farmer-agrarian reform beneficiaries in one province, Negros Occidental; and
- Backyard producers of naturally grown Balangon bananas in indigenous and upland communities in various parts of the country

### 3.7.2. Roles and Role Changes: Transactional and Transformational Roles

Using Mintzberg's (2007) organizational stages of initiation, development and renewal, tracking the roles and role changes enacted by Alter Trade's primary stakeholders showed contrasting stories. Common to both sugar farmers and banana growers was their enactment of the role of supplier-partners of Alter Trade from the initiation to renewal stages.

However, the sugar farmers manifested dramatic role changes as self-determining producers' organizations in their communities during the development stage and as a federation of producers' groups at the provincial level during the renewal stage. As shown in Table 3.5. the 18 farmer organizations were at various stages of development as self-help groups, entrepreneurial farmers' organizations and as organizations practicing social entrepreneurship, using as measure the People's Organization Development Index (PO-DI). As shown in Appendix 12.4, the PO-DI considered organizational cohesion and development, capacity to engage the market, income diversification among members, contribution to community and/or sector development, and financial growth and sustainability, as demonstrated by the 132-member Minoro Isabel Agrarian Reform Beneficiaries Association (MIARBA) which had become a partner organization practicing social entrepreneurship. As such, not

only was MIARBA initiating income diversification efforts to increase farmer members' incomes beyond their participation as suppliers of organic sugar cane to Alter Trade, they were likewise leading efforts in water systems development, reforestation and health services delivery in their community. By the renewal stage, MIARBA and the other sugar farmer groups had federated themselves into the Negros Organic and Fair Trade Association. With NOFTA, the partner sugar farmers had collectively become an independent and co-equal partner of Alter Trade in the local and global organic and fair trade movement. In its first year of existence, NOFTA set up a post-harvest financial service for sugar farmers and was planning a local production and trading system for organic rice, vegetables and livestock, to provide healthy food for their communities and beyond.

The roles that the sugar farmer partners of Alter Trade enacted at the development and renewal stages as self-determining producer organizations and as an independent federation engaged in the practice and advocacy of organic agriculture and fair trade are clearly of a different nature. They may be characterized as transformational roles in the sense that the sugar farmers had collectively become conscious agents of change to move themselves out of poverty, in the process also participating in improving the quality of life of their community, sector and society at large.

These dramatic role changes did not happen among the banana grower partners of Alter Trade in the province. By the end of the development stage, the banana grower partners had just been organized into cooperatives and associations, manifesting capacities as self-help supplier groups. By the renewal stage, the associations were just starting to make and implement their first 5-year community development plans. For example, one of the banana grower associations, PIBFA was starting to implement their first enterprise project of capitalizing and managing a banana packing center in their town that would be linked to Alter Trade's Balangon banana trading. Some leaders of two of the banana growers' associations became observers during the founding conference of NOFTA but felt they were not yet in a position to become members.

The roles enacted by both the sugar farmers and banana growers of Alter Trade as supplier partners from initiation to renewal may be characterized as transactional in nature. As suppliers of organic sugar cane and naturally grown Balangon bananas, their relationship involved the exchange of a volume of agricultural produce of acceptable quality, delivered at specified times, for money. Even as the price was transparently negotiated between the supplier (sugar farmers and banana growers) and buyer (Alter Trade), the monetary exchange involved defined the transactional role enacted by the former.

Table 3.7. traces the evolution of roles of the sugar farmers and banana growers across Mintzberg's (2007) organizational stages of initiation, development and renewal of Alter Trade.

### 3.7.3. Roots and Routes of Role Changes: Understanding Transactional and Transformational Services

While the intention of Alter Trade in engaging both the sugar farmers and banana growers was, to use Alter Trade's own words, to 'empower' them, what unfolded was different for the two primary stakeholders. As has been expounded in Section 3.7.2., the sugar farmers manifested dramatic role changes consistent with Alter Trade's intent of empowerment while the banana growers did not, at least by the time of the research. The why's (the roots) and the how's (the routes) of these contrasting phenomena within the same time frame and organizational context are interesting to pursue.

One explanation provided by Alter Trade management (Lopez, 2011; Parreno, 2011), and supported by data presented in Section 3.3., point to the different start-up conditions of the stakeholder groups: the sugar farmers had already been organized as sugar worker union members engaged in a struggle for land reform while the banana growers had no prior experience of being organized. However, the differentiated experience of Philippine rural development agencies working with communities that have been organized may prove such explanation to be inadequate. Isagani Serrano, President of the Philippine Rural Reconstruction Movement (PRRM), explains that in social enterprise and development programs, assisting the empowerment of groups that have in the past been organized for advocacy and political mobilization may sometimes prove more difficult relative to working with unorganized communities: "It cuts both ways – organized groups have to grapple with hard-to-break mindsets and habits and need to do some unlearning which could be more difficult than a fresh start". (Serrano, 2011)

What may also be a possible explanation from an analysis of the data presented in Section 3.3.8. was that Alter Trade faced setbacks in organizing Balangon growers as they encountered problems of disease infestation and a failed experiment, in their pioneering effort to commercialize and export Balangon bananas. Following this line of argument, disease infestation and the failed Balangon experiment would have prevented or discouraged the sustained participation of Balangon growers as supplier-partners of Alter Trade, thus making organizing and capacity development among them more difficult.

However, Alter Trade's own realization of the need to organize the Balangon growers as vehicles for undertaking the more effective community-based approaches

for managing disease infestation provides a counter argument: that the threat of disease infestation could have been an opportunity rather than a dis-incentive for organizing the banana growers at that time. At the same time, the failed Balangon experiment also involved the sugar farmer partners. It was actually an effort to assist their crop and income diversification. In this sense, the failed Balangon experiment should have negatively affected the process of empowerment of the sugar farmers, which it did not. Section 3.3.13. provides perspectives from sugar farmer leaders looking at their participation in the failed Balangon experiment and other diversification efforts as part of their learning and development process (Hilarbo, 2010; Tamaro, 2010).

Without discounting that the aforementioned explanations may be borne out by specific examples, they are inadequate explanations for the pattern of significant and no essential role change among Alter Trade's primary stakeholders. So, what may be an alternative explanation for the significant role changes among the sugar farmers on one hand, and no essential role change among the banana growers on the other? A closer analysis of the data shows that it may have been the differentiated nature of programs and services provided by Alter Trade to its primary stakeholders that made the big difference.

Both stakeholder groups participated in programs and received services to make them better supplier-partners in the fair trade of organic muscovado sugar and the people-to-people trade of Balangon bananas. Among others, the Bio-Organic Conversion Program services aimed at shifting sugar farms from conventional to organic farming and the training and technical assistance involving Balangon Cultural Management that built the capability of banana growers to manage disease infestation were part of these services. These may be considered transactional services that Alter Trade provided its primary stakeholders. They were geared towards meeting the volume, quality and price specifications of their respective markets in Europe and Japan.

However, as was expounded in Sections 3.3.6. and 3.3.12, it was only the sugar farmer partners who participated in the Sustainable Agriculture for Sustainable Community (SASC) Program during the development up to the initial years of the renewal stage. SASC had a Holistic Organizational Empowerment (HOE) component. There was no equivalent program that provided systematic organizing and capacity development services to the Balangon banana growers.

SASC provided not only knowledge and skills on sustainable agriculture and fair trade, but included community visioning and value formation, upgrading capabilities in organizational, project and enterprise management as well as leadership development. SASC also assisted the sugar farmer groups plan and implement crop and income diversification efforts involving their members. It was the services provided under the SASC program framework that systematically developed the producer organizations as vehicles for change, not only for themselves, but



progressively, also for their community and their sector. Distinct from transactional services, these may be considered as transformational services: they transformed the sugar farmer supplier partners of Alter Trade into the self-determining organized producer groups as exemplified by MIARBA. During the development stage, these transformational services also directly assisted the creation of the Fair Trade Sub Group that provided a venue for the sugar farmer partners to share experiences and build a common platform for change. The Fair Trade Sub Group prepared the sugar farmer partners for the setting up of NOFTA at the renewal stage. As explained in Section 3.4.4., NOFTA became the collective expression of their independent and co-equal status vis-à-vis Alter Trade as advocates and practitioners of organic agriculture and fair trade at the local and global levels.

The various transactional and transformational services that Alter Trade provided its partner sugar farmers and Balangon banana growers as they relate to key organizational developments and roles played by these primary stakeholder groups are detailed in Table 3.7.

As shown in Box 3.3 and Sections 3.3.12 to 3.3.13, key to the delivery of these transformational services was Alter Trade Foundation Inc (ATFI) that was set up in 1997 and took on the development and implementation of the SASC Program. Before ATFI, Alter Trade Corporation or ATC (set up in 1988) and Alter Trade Manufacturing Corporation or ATMC (set up in 1992), were providing transactional services, or what was necessary to directly ensure that their partner sugar farmers and Balangon banana growers met the quality, volume and delivery requirements of their solidarity markets. While there were attempts to make ATFI also cover the banana growers, these did not prosper for reasons explained in Section 3.3.10. As ATFI developed and implemented the SASC program among the sugar farmer partners, ATC remained the main delivery system for serving the Balangon banana growers during the development stage.

Gilda Caduya, Alter Trade Corporation's Operations Manager summarized their experience of engagement with the Balangon banana growers:

“We were very much focused on the day to day challenges of meeting the volume, quality and price requirements of our markets. But as we studied solutions to our problems with bunchy top and other diseases, high reject rates and improving the efficiency of our production, packing and delivery system, we realized we can only solve them with strong growers' organizations, which could lead in Balangon Cultural Management and run community-based production, packing and trucking enterprises”. (Caduya, 2008)

This realization re-invigorated efforts towards organizing their Balangon banana grower partners in 2007, towards the end of the development stage, but still within ATC, that on a day to day basis was oriented towards meeting market requirements.

The renewal stage that followed was called such by the researcher as it ushered in a period where Alter Trade resolved and deployed resources to provide sustained transformational services to partner banana growers through ATFI. As indicated in Section 3.5.2, the beginnings of these transformational services were evident during the field research: the Balangon banana growers' associations were already being assisted to develop and implement their community development plans, a hallmark of the SASC program framework.

#### 3.7.4. Impact of Role Changes

It is noteworthy that distinctions between the two stakeholder groups were also apparent in terms of impact on their poverty situation. In terms of the number of poor people, there were over 800 sugar farmers within one province reached, while the outreach among banana growers was greater by more than 4 times this amount, numbering almost 3,500 banana growers spread across many provinces.

Using both income and Sen's (1999; 2009) capability approach to poverty analysis, more significant impact is observable among the sugar farmer partners of Alter Trade.

As discussed in Section 3.5, the banana farmers manifested improved access to technologies and markets bringing about increased income. However, their income increases coming mainly from banana trading remained unstable, supplemental, and dependent on the services of Alter Trade.

In contrast, and as discussed in Section 3.5, the sugar farmer partners of Alter Trade may be characterized as being in various stages of overcoming not only income poverty but more so capability deprivation. Their overcoming capability deprivation, or the individual and collective power they have acquired to create 'actual opportunities' to improve their 'means of living' (Sen, 1999; 2009) is directly related to the transformational roles they are enacting, which in turn is directly attributable to the transformational services provided by Alter Trade from the development to the renewal stages.

The self-determining producer cooperatives and NOFTA are the symbols and embodiment not only of enacting transformational roles but also of their overcoming capability deprivation. They are serving not only as organized supplier-partners and vehicles for participating in the organic muscovado sugar value chain linked to Alter Trade, but they have also become vehicles for poverty reduction and engagement, not only with Alter Trade, but also, with other actors to contribute to community, sector and sustainable development. MIARBA's story featured in Section 3.5.2 and Box 3.5., and NOFTA's story featured in Section 3.4.4 and Box 3.4. demonstrate these.

There was one other important trend that could serve as an indicator of impact on Alter Trade as a social enterprise that may be directly attributable to the enactment of

transformational roles by the sugar farmers: that the more developed cooperatives or associations of sugar farmer partners were generally the better suppliers of organic sugar cane. MIARBA, rated the most empowered using the People's Organization Development Index, had the best track record as supplier of organic sugar cane in terms of volume, quality and timeliness (Alter Trade FGD, 2008).

Given that systematic organizing and capacity development among Balangon banana growers had just begun, it may be too early to see the actual impact of strong growers' organizations on enterprise viability. But the initial analysis to give more focus on organizing banana growers to more effectively manage quality and delivery issues are consistent with the expectation that poverty groups enacting transformational roles would have a positive impact on social enterprise viability.

### 3.7.5. Intended and Realized Stakeholder Engagement Strategies

From Sections 1.3 and 2.11., stakeholder engagement strategies may be broadly defined as patterns of action in the process of involving individuals or groups that either affect or are affected by the activities of the enterprise (Mintzberg, 2007; Greenwood, 2007; Sloan, 2009; Freeman et al., 2010). Because Alter Trade is an enterprise that considers the poor as its primary stakeholders, patterns in Alter Trade's process of involving the poor may be referred to as its primary stakeholder engagement strategy.

The combination and changes in transactional and transformational roles enacted by Alter Trade's primary stakeholders over time may be appreciated as indications of stakeholder engagement strategies and strategy shifts.

Applying Mintzberg's (2007) theory of strategy formation, Alter Trade's stakeholder engagement strategies with its two primary stakeholder groups may be better appreciated and analyzed using the concepts of 'intended' and 'realized' stakeholder engagement strategies.

Their intended stakeholder engagement strategy, using Alter Trade's own words may be called 'empowerment'. Here, the key stakeholder engagement processes may be characterized as enabling them to become, again in Alter Trade's own words, "self-reliant, self-sufficient, and self-determining" (Alter Trade Group, 2010). As shown by the experience of Alter Trade with the sugar farmer partners, the stakeholder engagement strategy of empowerment provides both transactional and transformational services towards the enactment of transactional and transformational roles by the poor. The expected social impact is overcoming income poverty and capability deprivation. With the sugar farmer partners of Alter Trade, the intended stakeholder engagement strategy of empowerment materialized during the development and renewal stages.

However, the intended stakeholder engagement strategy of empowerment did not materialize with the Balangon banana partners of Alter Trade. With the Balangon banana partners, the ‘realized’ stakeholder engagement strategy may be characterized as providing transactional services to effectively enact transactional roles as suppliers of Alter Trade. This realized stakeholder engagement strategy among banana growers may be further characterized as one based on the processes of learning, partnership building and collaboration. The expected social impact, as shown by the engagement of Alter Trade with its Balangon banana growers, is the provision of access to services and markets among the poor.

The key engagement processes characterizing the collaboration model of stakeholder engagement of Sloan (2009) may be similar to the realized strategy of stakeholder engagement among Balangon banana growers. However, Sloan’s models of stakeholder engagement, which she called ‘control’ and ‘collaboration’, could not adequately explain the intended and realized stakeholder engagement strategy of empowerment with the sugar farmer partners, and the other aspects of the realized stakeholder engagement strategy involving the Balangon banana growers.

### 3.8. Discussion

As stated in Chapter 2, Alter Trade is the centerpiece case for this dissertation. It was the first and most complicated among the six case subjects. As discussed in Chapter 2 in the section on research methodology, the case research on Alter Trade took more time and yielded much more data, relative to the other cases. It was through studying Alter Trade that the research focus significantly evolved from one that broadly explored enterprise strategy content and strategy formation processes among social enterprises to one that explored stakeholder engagement strategies among the poor. In the end, Alter Trade presented a rich narrative of two distinct but interrelated cases of stakeholder engagement involving the poor as primary stakeholders: one in relation to their engagement with sugar farmers (also referred to as Alter Trade-sugar) and the other in relation to their engagement with Balangon banana growers (also referred to as Alter Trade-banana). This allowed the researcher to undertake a robust within case analysis that had the characteristics of a cross case analysis from which to start her case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

Table 3.7. Evolution of Roles and Services Among the Poor: Alter Trade Group

	<b>Initiation (1987 – 1996)</b>	<b>Development (1997 – 2007)</b>	<b>Renewal (2008 – onwards)</b>
<b>Key Organizational Developments</b>	<ul style="list-style-type: none"> <li>• Birth of Alter Trade: Venture into people-to-people and Fair Trade</li> <li>• Entry into organic market; Increased engagement with Fair Trade partners in Japan and Europe</li> <li>• Establishment of ATMC</li> <li>• Partnership with Balangon growers outside Negros Island</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of Alter Trade Foundation, Inc.</li> <li>• Inclusion of PO leaders in ATFI Board</li> <li>• Establishment of DOEI</li> <li>• Strategic planning in 2000 – 2002: Articulation of principles of Fair Trade and Sustainable Agriculture/Organic Farming as foundations for the interventions of Alter Trade</li> <li>• Implementation of Sustainable Agriculture for Sustainable Communities (SASC) Program</li> <li>• Implementation and failure of Balangon Renewal Program; subsequent delineation of roles for partner development in sugar (ATFI) and Balangon (ATC) areas</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-Term Evaluation and Planning</li> <li>• Decision to make ATFI the mother organization (instead of ATC, the original mother organization), and make the three enterprises (ATC, ATMC, DOEI) subsidiaries of ATFI</li> <li>• Facilitation of organization of NOFTA</li> </ul>
<b>Sugar Farmers Roles</b>	<ul style="list-style-type: none"> <li>• Organized suppliers of sugar cane for muscovado production and trading</li> <li>• Partners in Bio-Organic Conversion Program</li> <li>• Partners in fair trade with European fair trade organizations</li> </ul>	<ul style="list-style-type: none"> <li>• Organized suppliers of organic sugar cane engaged in regular negotiations with Alter Trade to determine fair price</li> <li>• Partners in SASC Program</li> <li>• Partners in fair trade in the organic muscovado subsector; collectively organized into the Fair Trade Sub Group and represented in ATFI Board</li> <li>• Self-determining producer organizations exhibiting capabilities as self-help groups, entrepreneurial farmers' organizations, and organizations practicing social entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Self-determining producers of organic sugar cane and other products participating in value chains that may or may not be linked to Alter Trade</li> <li>• Partners in fair trade in and beyond the organic muscovado subsector federated into the Negros Organic and Fair Trade Association (NOFTA)</li> <li>• NOFTA as independent and co-equal partner of Alter Trade Group in the local/global organic and fair trade movement</li> </ul>

	<b>Initiation (1987 – 1996)</b>	<b>Development (1997 – 2007)</b>	<b>Renewal (2008 – onwards)</b>
<b>Sugar Farmers Transactional Services from Alter Trade</b>	<ul style="list-style-type: none"> <li>• Traditional muscovado mill, and later the ATM mill, built to provide a market for the cane of the sugar workers turned ARBs</li> <li>• Credit for sugarcane production</li> <li>• Technical assistance to farmers for shift to organic farming (Bio-Organic Conversion Program)</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of plant to provide farmers with organic fertilizer inputs</li> <li>• Expansion of sugar mill to increase volume bought from farmers</li> <li>• Technical assistance to farmers for crop diversification (including on Balangon plantations and commercialization of other organic crops such as herbs and spices, coffee, rice, corn and non-organic crops)</li> <li>• Service programs on credit and savings, bio-organic conversion, sustainable farming technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing, financing and technical assistance sustained</li> </ul>
<b>Transformational Services from Alter Trade</b>		<ul style="list-style-type: none"> <li>• Technical assistance to farmers for crop diversification<sup>34</sup></li> <li>• In addition to service programs above, also provided services on gender mainstreaming, rural enterprise development and sustainable management systems for farmers' organizations</li> <li>• Assistance to POs in formulation of Community Development Plans, which were the POs' own road maps towards empowerment and sustainability'; leadership development</li> <li>• Transfer of ownership and management of delivery truck business to partners<sup>35</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Assistance in overall organizational, leadership and community development sustained</li> <li>• Assistance to POs in organizing NOFTA</li> </ul>

<sup>34</sup> These services can also be considered as “transformational” since they went beyond building the partners’ capacities to participate in the value chain for the main marketable product, and were aimed at building overall food and income security of the partners via multiple sources.

<sup>35</sup> Related also, to the evolution of the engagement strategy with Balangon farmers. However, at the time, only the sugar farmers’ associations were organized and capable enough to handle the delivery truck business.

	<b>Initiation (1987 – 1996)</b>	<b>Development (1997 – 2007)</b>	<b>Renewal (2008 – onwards)</b>
<b>Balangan Growers</b>			
<b>Roles</b>	<ul style="list-style-type: none"> <li>• Suppliers of Balangan bananas</li> <li>• Partners in people-to-people trade with Japanese cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers of Balangan bananas</li> <li>• Partners in people-to-people trade, organized as growers' associations exhibiting capabilities as self help groups</li> </ul>	<ul style="list-style-type: none"> <li>• Organized growers associations undergoing capacity development to participate in value chain management</li> <li>• Partners in people-to-people trade and assisted to plan and implement development strategies</li> </ul>
<b>Transactional Services from Alter Trade</b>	<ul style="list-style-type: none"> <li>• Provision of market for Balangan</li> <li>• Technical assistance on cultivation, harvesting and handling to ensure product quality</li> <li>• Outside Negros Island: assistance in organizing People's Fair Trade Assistance Center in Bohol to serve as marketing intermediation and growers development NGO in the area</li> </ul>	<ul style="list-style-type: none"> <li>• Outside Negros Island: assistance in organizing CORDEV in Northern Luzon and PARTNERS in Panay</li> <li>• Balangan renewal program aimed at developing Balangan production outside of its natural habitat (failed)</li> <li>• Training and technical assistance on Balangan Cultural Management (BCM) for both old sites (called Old Balangan) and new sites (called Improved Balangan)</li> <li>• Growers development program</li> <li>• Credit</li> <li>• Provision of market for Balangan</li> <li>• Organizing of Balangan growers in Negros to improve production</li> </ul>	<ul style="list-style-type: none"> <li>• Growers development; Training and technical assistance</li> <li>• Credit</li> <li>• Provision of market for Balangan</li> <li>• Organizing of Balangan growers in Negros</li> </ul>
<b>Transformational Services from Alter Trade</b>			<ul style="list-style-type: none"> <li>• Assistance in organizational development of Balangan grower POs including PO participation in community development</li> </ul>

Table 3.7.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of Alter Trade Group

	<b>Initiation Stage</b>	<b>Development Stage</b>	<b>Renewal Stage</b>
<b>Sugar Farmers</b>			
<b>Participation in core organization(s)</b>	None	Cooperatives or associations as members of the General Assembly of Alter Trade Foundation Inc. (ATFI) Representatives of primary cooperatives or associations elected as members of the ATFI Board	Leaders of primary cooperatives or associations as individual members of the General Assembly of ATFI; Leaders of primary cooperatives or associations elected as members of the ATFI Board
<b>Participation in allied organization (s)</b>	Members of General Assembly, Board members and managers of primary cooperatives or associations serving as suppliers to the core organization (ATC)	Members of General Assembly; Board members and managers of primary cooperatives or associations serving as suppliers and partners to the core organizations in Alter Trade Group	Members of General Assembly, Board members and managers of primary cooperatives or associations serving as suppliers and partners to the core organizations in ATG Members of General Assembly and Officers of federation of producer cooperatives (NOFTA)
<b>Balangon Growers</b>			
<b>Participation in core organization(s)</b>	None	None	None
<b>Participation in allied organization(s)</b>		Members of General Assembly; Board members and managers of primary cooperatives or associations serving as suppliers to the core organization	Members of General Assembly; Board members and managers of primary cooperatives or associations serving as suppliers to the core organization



As a case on fair trade, it contributes to the literature that critically analyzes the participation of the poor as well as the economic and social benefits derived by the poor in fair trade systems. At face value, the Alter Trade case may be likened to the studies made by Macdonald (2007) on the Starbucks fair trade system; by Blowfield and Dolan (2010) on Kenyan Fair Trade Tea; and by Benzecon (2011) who made a comparative study of mainstream and alternative models of fair trade. However, the Alter Trade case goes beyond these studies in two ways. First, the sugar farmers in the Alter Trade case had reached a level of capacity and participation in value chain governance and socio-economic development that was much further than those covered in the previous studies. Second, the Alter Trade case analyzes and draws relationships between the nature and combination of services provided to the poor, the evolution of transactional and transformational roles that the poor enact in and out of the system, and the corresponding depth and breadth of impact of such services and roles on the poor and poverty. The differentiated impact of Alter Trade among sugar farmers whom they engaged as transformational partners in multiple development arenas, and among banana growers, whom they engaged mainly as transactional partners within an economic value chain provides a powerful narrative about how fair trade organizations as social enterprises with the poor as primary stakeholders or SEPPS may or may not empower producers in the South.

The dimensions of empowerment, highlighted in the Alter Trade case, are consistent with Sen's (1999; 2009) capability approach. Poverty reduction is demonstrated as a process of enabling the sugar farmers to develop their individual and collective capabilities to improve their quality of life, as well as to contribute to improving the life of their respective communities and the sector of small producers that they see themselves to be a part of. The Alter Trade case also resonates with empowerment as a fundamental element of fair trade identified by Moore (2004). The case makes an important contribution to fair trade literature from a Southern perspective by responding to a key issue identified by Moore (2004) of effectively monitoring the impact of fair trade, including the degree of empowerment of producer organizations. The case provides an example (see Appendix 12.4) of an evolving practitioner-oriented tool for measuring the level of empowerment of the partner producers of an alternative trading organization.

In the field of social entrepreneurship, the Alter Trade case complements case-based fair trade studies by scholars such as Hockerts (2003; 2006; 2010) that focus on strategic innovation in developing models, growing markets, managing resources as well managing tensions between social mission, and perceived market requirements. More broadly, as a case on social entrepreneurship, the Alter Trade study contributes to exploring the application of stakeholder theory (Freeman, et al., 2010) among social enterprises with the poor as primary stakeholders (SEPPS). The case builds on the earlier research of the author on social enterprises in Asia. In particular, the Alter

Trade case refines what were conceived as social enterprise strategies in general and the empowerment strategy in particular (Dacanay, 2004; Dacanay, 2009). The case notes the relevance and initiates the exploration of the social economy school of social entrepreneurship (Defourny and Nyssens, 2010; Hulgaard, 2008; Vidal, 2010; Laville, 2010) in a country context characterized by structural poverty, underdevelopment and the failure of state and market institutions to serve the needs of the majority who are poor. Such context is very different from Europe where the social economy school originated.

The researcher noted the inadequacy of existing models of stakeholder engagement based on corporate experience (Sloan, 2009) in explaining Alter Trade's intended and realized stakeholder engagement strategies. Non-profit stakeholder literature provides some starting points with their emphasis on engagement and dialogue with stakeholders towards larger normative goals (Grimble and Wellard, 1997; Mikalsen and Jentoft, 2001; Beutler, 2005; Freeman et al., 2010). However, these are not framed in an enterprise setting. Given such inadequacy, the case has started exploring elements that may define two models of stakeholder engagement among SEPPS: collaboration (where the poor are engaged as transactional partners) and empowerment (where the poor are engaged as transformational partners). This is particularly important given that stakeholder engagement is considered an under-theorized area of research. (Greenwood, 2007; Sloan, 2009; Freeman, et al., 2010). However, the researcher noted that social economy literature as well as the concept and definition of social enterprises as multistakeholder organizations by scholars of the social economy school of social entrepreneurship (Defourny, 2001; Spear et al., 2010; Defourny and Nyssens, 2008 and 2010; Vidal, 2010) may feature elements of the collaboration and empowerment models being explored. Overall, the Alter Trade case study validates the potential for this thesis to make a significant contribution to social entrepreneurship and stakeholder literature.

The Alter Trade-sugar story showed that the producers' cooperatives did not just become a vehicle for transforming assetless, powerless sugar workers who had just acquired small plots of land from government's land reform program into an organized supplier base for organic sugar. Alter Trade enabled these sugar farmers to enact transactional and transformational roles in what Harrison and St. John (1998) and Post, et al., (2002a; 2002b) call the three regions of their stakeholder environment. Alter Trade enabled the sugar farmers to govern themselves in cooperatives that initiated crop and income diversification efforts to achieve food security and overcome income poverty; that served as vehicles for community development planning and implementation; and that co-created an independent federation of small producers to strengthen their participation in issues and concerns in the broad social-political stakeholder environment. This, together with the Alter Trade-banana story of transactional partnership in the Balangon value chain, point to

some critical insights for SEPPS to effectively realize a stakeholder engagement strategy of empowerment. First, the delivery of transactional services to meet the quality and volume requirements of markets needs to be complemented by transformational services to organize and capacitate the poor to enact transformational roles. Second, process-oriented, group-directed transformational services are best provided through a distinct delivery system (exemplified by the Alter Trade Foundation's SASC program) parallel to market-oriented enterprise operations (exemplified by Alter Trade Corporation and its 2 other subsidiaries). Third, a distinct delivery system for transformational services needs to be complemented with the setting up of self-governed structures for the poor to enact transformational roles (exemplified by the producers' cooperatives or associations at the grassroots, and NOFTA, the federation of small producers initiated by the sugar partners).

Alter Trade is now in a renewal phase where it is poised to engage its sugar farmer partners to reach an even higher level of empowerment while closing the gap between its intended strategy of empowerment and its realized strategy of collaboration among its banana growers. In the years to come, it would be interesting to make a follow-up case study to explore what Spear, et al., (2010) have identified as major challenges of governance among social enterprises especially in managing the tension between social and enterprise objectives. In this regard, Alter Trade would be an interesting case study to test what Hockerts (2010) proposed to be the two types of archetypal responses by social entrepreneurship initiatives engaged in sector transformation: a retreat to its philanthropic core or a partial abandoning of its social objectives. The researcher sees an opportunity for Alter Trade and its solidarity partners in Europe and Japan to undertake a creative multi-stakeholder initiative of going beyond these archetypal responses. This was alluded to by Hockerts (2010, p. 18) as "A possible third way.... of continuous innovation whereby social ventures keep innovating their way out of the tension between market and mission". Such would be a fitting response to the daunting challenge of not only pursuing a positioning that Fichtl (2007) described as being both in and against the market, but more appropriately what Walton (2010) characterized as part of the emerging conception of fair trade to establish interim global market justice in a non-ideal world. Beyond transforming global markets, Alter Trade's unfolding story may be explored as contributing to what scholars in the social economy school of social entrepreneurship call a plural economy, governed not only by market principles but by the principles of reciprocity and redistribution (Laville, 2010).

## CHAPTER 4 - UPLAND MARKETING FOUNDATION INC: FROM SUPPLIERS TO TRANSACTIONAL PARTNERS IN VALUE CHAIN MANAGEMENT

*This chapter demonstrates how the Upland Marketing Foundation, Inc. (Upland Marketing or UMFI), as SEPPS pursued an intended stakeholder engagement strategy of collaboration as a mandate from Upland NGOs Assistance Committee (UNAC), a network needing a marketing arm for its comprehensive development agenda. Its intended strategy of collaboration was realized by providing small producers of food a combination of fee-based and non-fee based transactional services to deliver the quantity and quality of products required by local mainstream markets. The case showed that a regular flow of income for a significant number of small producers in multiple sites was achieved by engaging them as transactional partners in value chain management for champion products with growing markets. However, as demonstrated by Upland Marketing's producers of organic rice, one of their two champion products, it was the diversified sources of income from practicing sustainable agriculture, not just the trading of organic rice, that moved them out of income poverty. The farmers' practice of sustainable agriculture was also a product of years of comprehensive partnership with other non-government organizations (NGOs). Such partnerships between these farmers and NGOs had created self-governing farmers' cooperatives that later became the organized supplier-partners of Upland Marketing. In this sense, Upland Marketing's provision of transactional services to small producers was deliberately complemented by the provision of transformational services by these NGOs. Upland Marketing's viability as SEPPS has been undermined by practices of 'unfair trade' by supermarket chains serving as their distribution channels. As a major market intermediation initiative pursuing fair trade and exploring engagements with mainstream markets to serve the goal of poverty reduction, Upland Marketing's crisis may be positively characterized as the precursor to a renewal stage. In this context, fair trade as corporate social responsibility (CSR), may be a way forward as a complementary stakeholder engagement strategy vis-à-vis the supermarket chains. If successfully pursued, it may become a case in the South for the interface of social entrepreneurship and CSR.*

## 4.1. Introduction

Upland Marketing Foundation Inc. (Upland Marketing or UMFI) had its roots in the Upland Marketing Program of the Upland NGOs Assistance Committee (UNAC), composed of eight agencies from civil society, academe and the business sector, all of whom were concerned with the development of poor upland communities in the Philippines.<sup>36</sup>

About three quarters of the poor in the country live in rural areas (Balisacan, et al., 2008). It was generally recognized that illiteracy, unemployment and the incidence of poverty was gravest in upland and indigenous communities (Guarin, 2004; Serrano, 2010).

Upland Marketing was set up to provide financial, technological and market access to marginalized community-based producers. They acted as an intermediary organization between these community-based enterprises and local mainstream markets, using large supermarket chains as distribution channels. They were initially concerned with assisting upland producers but decided to extend their services to lowland and coastal communities to make their operations more sustainable.

While they distributed a range of processed and semi-processed food items from community-based enterprises, what had become dominant as ‘champion products’ by virtue of volume and level of sales were muscovado sugar and organic rice.

The founders of Upland Marketing had been explicit that the social objective of the enterprise was its primary reason for being. Ramon Derige, Chairperson of UNAC and founding President of Upland marketing explained:

“We believe our existence is really based on social objectives. For sustainability, we have to earn profits”. (Derige, 2010)

While they were committed to practice fair trade with partner producers, Upland Marketing was faced with the challenge of dealing with mainstream market practices. Because of their dominant position, supermarkets could exact terms and conditions that generally lowered their procurement prices, prolonged payment terms and put the burden of shouldering potential losses to their suppliers.

The core and partner organizations of the Upland Marketing Foundation Inc. that were covered by this case study are listed in Table 4.1.

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<sup>36</sup> The 8 organizations were the Institute for Philippine Culture, Ateneo de Manila University, Institute of Agroforestry, University of the Philippines in Los Banos, Kalahan Educational Foundation (KEF), Philippine Association for Inter-cultural Development (PAFID), Philippine Business for Social Progress (PBSP), Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHARRA), Social Development Resource Center, La Salle University and Tanggol Kalikasan.

Table 4.1. Core and Partner Organizations of the Upland Marketing Foundation Inc.

Name	Role
Upland NGO Assistance Committee (UNAC)	Network that founded UMFI to provide market access to marginalized community-based producers
Upland Marketing Foundation Inc (UMFI)	Core organization serving as intermediary marketing organization to partner community-based enterprises (CBEs)
Community-Based Enterprises (CBEs)	Cooperatives or associations serving as partner suppliers of UMFI. In the organic rice value chain, these included: Kooperatibang Likas ng Nueva Ecija (KOOL-NE) Pecuaría Development Cooperative Inc. (PDCI) Samahang Likas Kayang Pagsaka Coop Sto. Nino

## 4.2. Pre-Inception (1992-2000): Experimenting as Intermediary of the Poor with Mainstream Markets

### 4.2.1. Upland Marketing Program Initiative<sup>37</sup>

The need for an upland marketing initiative first came from a National Consultative Conference of Non-Government and People’s Organizations in Upland Development in the 1980s. This idea was pursued with development agencies from the North, particularly the United States and Europe, serving as pro-active partners. Derige recalled the setting up of UNAC and the Upland Marketing Program and the critical role of development agencies in the North:

“Ford Foundation pushed and funded the setting up of UNAC as a national network that would work with the Department of Environment and Natural Resources to pursue a social forestry approach. They funded the Upland Marketing Program for upland communities to gain economic benefits. It was the savings of PhP 800,000 from the Ford Foundation – funded program of UNAC that served as a start-up fund to spin off the Upland Marketing Program into the Upland Marketing Foundation Inc.” (Derige, 2010)

<sup>37</sup> This section was based mainly on the documentation and recollection of UMFI’s history and experience by the Founding Executive Director of UMFI (Guarin, 2004; 2009) and validated by interviews made by Marie Lisa Dacanay with UMFI’s former Deputy Executive Director (Tacuyog, 2010) and the Founding Chair of the Board (Derige, 2010).

The Upland Marketing Program (UMP) that ran from 1992-2000 was part of UNAC's concerted efforts towards community-based resource management and upland development. It was part of a three-pronged approach featuring land tenure acquisition; increasing area productivity through agro-forestry and reforestation; and opening access to markets to sell the surplus production of communities.

#### 4.2.2. Experience with 'Heartless Traders'

Community-based enterprises (CBEs) were organized and assisted with market information, training, and then linked to mainstream traders. Neither the CBEs nor the traders were happy with the results. For example, in the trading of vegetables, the CBEs were not able to keep up with the volume, quality and delivery requirements of the buyers. The CBEs also expected the buyers to understand and forgive their difficulties, and give them a price that would enable them to recover their costs and earn a profit. The buyers, on the other hand, could not relate to what the CBEs wanted and refused to give them consideration. The CBEs felt the traders were heartless and were only concerned with profit. Both parties refused to transact with each other for a second time.

#### 4.2.3. Unsustainability of Commodity Trading

This failure surfaced the need for an intermediary entity that would mediate expectations and serve as a buffer between the CBEs and the market. The Upland Marketing Program was then conceived of as being that intermediary. They started trading rattan, but the CBEs faced a dilemma in trying to keep up with the growing demand for rattan and they felt they were being forced to harvest more rattan than the forest could sustainably support. This experience made UMP realize the dangers and inappropriateness of commodity trading. Commodity trading did not only have the tendency to over extract valuable forest resources but also in most cases did not provide fair economic returns for the communities or households engaged in the activity. The low market value of the products, the distance to the markets, and the bad infrastructure made trading costs expensive, thus eroding further whatever margins might be earned. In their effort to increase income, the communities resorted to increasing volumes, resulting in over-extraction. This negated the very essence of UMP's reason for being – to assist upland communities market their products while ensuring sustainable forest use.

#### 4.2.4. Processed Food Products: Better Prospects

UMP's experience in providing marketing assistance to groups dealing with forest-based processed food products proved to be more beneficial to CBEs. Economic returns were better and the pressure on the forest resource was not as great. A smaller volume was needed to engage in viable production. This was demonstrated by the Mountain Fresh jams and jellies of the Kalahan Educational Foundation (KEF), a member of UNAC working with the Kalahan people in the uplands of Nueva Vizcaya. As a rule, KEF only used 10% of harvestable fruits in the forest to ensure that they did not over-extract. By processing the fruits into jams and jellies, they could generate more income even as they kept their harvests at sustainable levels. For example, a kilo of raw guava fruit could be sold for PhP 25/kilo. But when converted to jams and jellies, a kilo of guava fruit made 5 bottles and could be sold at PhP 35 each for a total gross income that is 700% more than selling the fresh fruit.

This and other similar experiences made UMP conclude that processing and marketing edible forest products was a better intervention compared to raw material trading. However, this also had its challenges. As shown by the experience of KEF in trying to market their products, even with relatively low volumes, the local market was either too small to absorb the communities' production or was not the appropriate market for the product. The more stable markets were found in the urban centers and Metro Manila remained the main market. This mode of engaging the market posed new challenges. This was characterized by Rene Guarin, founding Executive Director of UMFI:

“The new situation shifted the problem from poor economic returns to affordability of market access for the communities. Because access to the market required establishing frequent transactions with the retailers and supermarket chains were located in urban centers, marketing became expensive for communities that were located far from these urban centers”. (Guarin, 2004)

Aside from the distance, the communities also had problems specific to the transport and transportation facilities in their areas. The small volume they traded could not cover the cost of marketing even if the margins were high. Aside from the costs, the skills and orientation or attitude needed to effectively manage the retail chains proved very hard to find or instill in the communities' representatives. Selling through the retail stores entailed waiting in line with other sellers before being entertained by the buyer. Deliveries of products, pick-up of returns, or bad stocks needed to follow specific schedules. Products delivered must be displayed properly, and cleaned regularly. Collections of payments were done on specific days and time schedules only. There was also the need to maintain good rapport with the buyers. Finally, there



was what the industry called the battle for shelf space in the supermarket outlets, entailing regular visits to ensure that one's products were occupying shelf spaces that were adequate and visible – not on the lowest shelves or hidden behind other products. While a distributor would normally be tasked to do these functions, commercial distributors were not interested to carry CBE products to the mainstream markets. The small volumes, the distance of the producers from the markets, the uniqueness of the products coupled with the absence of promotional and advertising support, made the products unattractive to regular distributors. They did not see carrying these products as a profitable venture and neither would these distributors be in a position or have the inclination to provide the CBEs market information to enhance their products. UMFI was conceived to be this intermediary between the community-suppliers and the urban mainstream retail markets.

#### 4.3. Inception Stage (2001-2003): Birth of a Market Intermediary Organization<sup>38</sup>

With support from the Ford Foundation, US Agency for International Development (USAID), German Catholic Bishops' Organisation for Development Cooperation (MISERIOR) and Interchurch Organisation for Development Cooperation (ICCO)<sup>39</sup>, the Upland Marketing Foundation Inc. (Upland Marketing or UMFI) was born in 2001 as the marketing arm-distributor of processed products from upland communities (please see Box 4.1 for full list of partners).

##### 4.3.1. Supermarkets as Distribution Channel

To make this a reality, UMFI invested in product development with its CBE partners and evolved a distribution system involving the major supermarkets all over the country. UMFI hired people from the consumer trade industry, made investments in delivery trucks and computerized their financial system. Their market outlets grew from 45 in the year 2000 to over 150 outlets in Metro Manila, Central Luzon and Southern Tagalog areas by 2003.

Upland Marketing's primary thrust for market development was towards the 'modern trade' segment, given the observed shift by consumers to supermarkets versus the traditional wet markets, especially in the urban areas. It thus sought to

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<sup>38</sup>Unless otherwise specified, this section was based on the documentation and recollection of UMFI's experience by its founding Executive Director (Guarin 2004; 2009); interviews made by Marie Lisa Dacanay with the UMFI Chair (Derige, 2010); and interviews made by Rosalinda Roy with the UMFI Executive Director (Evangelista, 2011) and senior management staff (Fonollera, 2011).

<sup>39</sup> ICCO, the Interchurch Organization for Development Cooperation, is a Protestant church agency based in Holland.

develop relationships with the big retail chains in the country. These retail chains included SM, Shopwise, Robinson's, Puregold, Landmark and Cherry Foodarama.<sup>40</sup>

### 4.3.2. Sustainability Strategies

At first, the products of CBEs could not meet the volume that was needed to make the extensive distribution system profitable. Upland marketing then expanded its assistance to include lowland and coastal communities, exploring new products and assisting CBEs to produce the required quality for distribution in the supermarkets.

Ramon Derige, Chairperson of UNAC and founding President of UMFI explained:

“There have been no major changes in our orientation. In the beginning, it was to help poor upland communities develop and market their products. We expanded partner producers from upland to include lowland and coastal to maintain our market hold in supermarkets. We needed more quality products and bigger volumes, which could not be supplied solely by upland communities”. (Derige, 2010)

UMFI felt that it had to further expand the range and volume of products that it could offer to the retail chains and, in the process, realize economies of scale for its distribution system. It thus turned to small and medium enterprises (SMEs) as temporary partners. Products of partner SMEs included canned *laing*<sup>41</sup>, *burong hipon* (fermented shrimp), *pancit canton* (fried noodles) and organic vinegar. From 2001-2003, the proportion of products from SMEs to CBEs was 80:20. Every year, UMFI also looked for a champion product to increase sales. In 2003, canned *laing* from an SME partner comprised 42% of its sales, effectively making it the champion product for the year. By that year, UMFI's products from CBEs included organic rice, jams and jellies, bottled sardines, muscovado sugar, *calamansi* (local lemon) concentrate, and *kaong/nata de coco*<sup>42</sup> from CBEs (Canlas, et al., 2007).

However, Upland Marketing eventually encountered problems in marketing these SME products. Weak sales were observed for some products. There were also cases where the supplier was unable to produce enough to meet sales demand. For canned

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<sup>40</sup> The top three supermarket chains in the country were ShoeMart (SM) Supermarket, Robinsons Supermarket and Rustan Supermarket. These three accounted for 71% of the gross revenues of the leading supermarkets in 2006 as listed in the Philippines' Top 1000 Corporations (Macabasco, 2009). Rustan's also operated Shopwise. Puregold and Cherry Foodarama were relatively smaller chains. As of March 2010, Landmark had only two outlets.

<sup>41</sup> Laing is a special dish made of yam leaves sauted with meat or fish and cooked in coconut milk

<sup>42</sup> Kaong is sugar palm. Nata de coco is a jelly-like food product made from fermented coconut water. Both are commonly used for desserts and fruit salads.

*laing* over-ordering, and substantial sales returns led to misunderstandings and an eventual break down of Upland Marketing's relationship with the supplier.

Around this time, sales staff noticed an emerging trend in the retail outlets. Small sizes, i.e. 2-kilogram packs of commercial rice were selling well in the supermarkets. This gave UMFI the idea of marketing its partners' organic rice in such sizes. Upland Marketing piloted the effort with the Pecuaría Development Cooperative, with assistance from the Philippine Development Assistance Program (PDAP). Upland Marketing sold the product to the chains under the brand name Healthy Rice.

## 4.4. Development Stage (2004-2010): CBE Development and Value Chain Management in Key Economic Subsectors

### 4.4.1. Repositioning UMFI

In 2003-2004, UMFI's Executive Director participated in a masteral course on social entrepreneurship where he enrolled Upland Marketing as his laboratory and developed a 5-year social enterprise plan. He led a change of perspective by introducing a new vision and strategy. The old and the new vision statements are shown below: (Guarin, 2004)

Old Vision:

The leading organization in product and market development, distribution and marketing of processed food products from community-based enterprises.

New Vision:

Community-based enterprises as mechanisms for local economic development in marginalized communities through the generation of income and employment opportunities that are anchored on the processing/value-addition and marketing of local raw materials into high value and marketable products in local and mainstream markets.

To help reach this vision, UMFI defined a three-pronged role (mission statement), as follows:

- Provider of affordable access to appropriate technology, stable financial resources and growing markets to community-based enterprises;

- Provider of high-quality and healthy products to consumers; and
- Advocate of Fair Trade in the mainstream markets.

The shifts in strategies are shown in Table 4.2.

Table 4.2. Shifts in UMFI Strategies, 2004.

	<i>Old (2001-2003)</i>	<i>New (2004-2010)</i>
Strategy-Capability and Competency	Focused on product development, distribution oriented, and use of conventional sales	Community-Based Ventures Sector-Industry focus for local area economic development
Key Competency	Ability to get new products and introduce these to outlets; Ability to manage and grow the enterprise; and Ability to deal with distribution channels.	Ability to develop community ventures that are within a growing industry; and Ability to manage and harness local resources and potentials to effect local economic development.
Strategy-Resources	Focused on developing product quality, recipes, business systems and product specific promotion advertising	Focus on developing specific industry sectors like markets for “healthy” consumer products
	Ability to obtain and manage funds and activities to market products.	Ability to obtain and manage data on industry-wide or sector-focused business opportunities; and Ability to obtain and manage investment funds for CBEs.

Source: Guarin, 2004

The intention was to refocus UMFI efforts towards

- Positioning on “healthy” products given its market study showing growth in demand for products that were fresh, safe to eat, did not contain chemicals or synthetic additives or products that had all natural ingredients and were naturally grown;
- Looking for industries or sectors that had growth potential that would impact on helping CBEs in many communities grow, in the process identifying rice and muscovado sugar as meeting such criteria; and
- Providing services covering the 3 critical components of market, technology and finance to effectively manage the whole value chain in these growth industries.

#### 4.4.2. Organic Rice and Muscovado Sugar as Champion Products

In line with the new set of strategies, UMFI conducted a product review. Kaong and nata de coco (*see footnote 48*) were assessed as having no ‘healthy features and attributes’. All other products were assessed to have varying levels of healthy features and attributes, mainly in terms of being organically grown and non-usage of preservatives in food processing. UMFI decided to focus on the products deemed as ‘healthy’. At the same time, the growing local market for organic produce had boosted the share of organic rice, collectively marketed as “Healthy Rice”, from 22% of total sales in 2003 to 49% in 2004. The share of muscovado sugar, seen as a healthy alternative to white refined sugar, had risen from 3% of sales in 2003 to 9% in 2004 (Guarin, 2004).

These trends led to organic rice and muscovado sugar becoming entrenched as ‘champion products’. UMFI was also able to increase the number of partner CBEs for the two products. By 2006, sales of the two products were accounting for 95% of total sales. In the meantime, sales of other products had declined. Sales of sardines had reached more than Php 1 million in 2005, but growth or maintenance at this level was hampered by inconsistent supply. Canned laing and nata de coco/ kaong (*see footnote 47 and 48*) were completely discontinued. Total sales more than doubled from Php 9.25 million in 2003 to Php 25.6 million in 2006. Within 2007 to 2009, the champion products, Muscovado and Healthy Rice, plus a new addition, High-Fiber Rice (unpolished rice), accounted for almost 100% of UMFI’s sales.<sup>43</sup>

#### 4.4.3. Services to Community-Based Enterprises<sup>44</sup>

UMFI’s primary relationship with CBEs was on technical assistance for enhancing market access through improvement in the product (production process, packaging, and labeling) and the marketing and distribution of products, mainly to Metro Manila. It had defined a set of strategies/services, consisting of the following:

- CBE development: UMFI assisted partner CBEs in systems development product and research development, together with market development;
- Re-packing/packaging of CBE products to make them ready for the market outlets;
- Facilitating access to financing; and

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<sup>43</sup> Data on sales were taken from UMFI evaluation reports in 2007 and 2010.

<sup>44</sup> Unless otherwise specified, this section was based on the documentation and recollection of UMFI’s experience by its former Deputy Executive Director (Tacuyog, 2007; 2010); and interviews by Rosalinda Roy with UMFI Executive Director (Evangelista, 2011) and senior management staff (Fonollera, 2011).

- Value chain management, i.e. providing value-added inputs and activities along the chain.

To systematically define the package of assistance necessary for each CBE, UMFI established a classification scheme for its partner CBEs. Based on various organizational, systems, product, and financial factors, CBEs were classified into three stages: start-up, build-up, and take-off or commercial scale.

Assistance to CBEs on systems development was geared mainly towards improving their operations systems to ensure that products were of the quality required by the market. To assist product development, UMFI also ran a Research and Development (R&D) unit that developed an assortment of new products based on raw materials available in the CBEs' communities. This included such items as various types of coffee mixes, red rice energy drink, and black rice noodles. However, by 2010, the R&D had been largely put on hold because of the poor market performance of the new products as well as UMFI's financial difficulties. One exception was coco sugar, which had generated market inquiries from abroad.

Aside from distribution to the mainstream market, UMFI also started a strategy to supply the local markets, meaning the markets that were within reach of the CBEs themselves. This approach was developed based on observations that it would not be possible for all CBE products to gain access to supermarkets in Metro Manila, and that transport costs of products to Metro Manila were very expensive. The idea was for UMFI to "provide market outlets in key nodal points where there were sufficient CBE products which could be traded locally" (Canlas, et al., 2007). The main vehicle for this was the Enterprise Development Center or EDC. The EDC was intended to provide capacity building, and linkaging assistance to CBEs, and featured a store/display center for products. Two EDCs, one in Mindoro and another in Nueva Vizcaya, were operating in 2010 (External Evaluation Report, 2010). While the EDCs and the local markets were being developed, the emphasis was still on the mainstream market.

Financing was a major concern for UMFI and its partner CBEs, particularly since the supermarkets had payment terms ranging from 45 days (but with goods on consignment) to 90 days. To resolve this problem, UMFI tried to install financing mechanisms. The Social Enterprise Finance Facility (SEFF) was introduced in 2008 as an in-house mechanism for providing financing to CBEs. However, this mechanism – which involved UMFI's contracting loans itself and engaging directly in financing to CBEs – did not prove to be financially viable, at least within the short term. Another scheme involved a partnership with the Federation of Peoples' Sustainable Development Cooperative (FPSDC). Under this agreement, FPSDC released advances to selected CBEs in the form of loans, and UMFI directly paid back FPSDC for the amount owed by the CBEs after the orders had been delivered to

UMFI. Still, timely financing remained a major concern towards meeting the delivery and price requirements of the market.

Value chain development was a major strategy for the champion products – organic rice and muscovado sugar – and was expected to be a concern for coco sugar as well. Aside from interventions illustrated in the Kooperatibang Likas ng Nueva Ecija (KOOL – NE) and Pecuaría Development Cooperative cases (please see Box 4.2. and 4.3. respectively), UMFI was involved in a collective effort to develop the value chains for muscovado sugar and organic rice in the Philippines. This effort was spearheaded by the Interchurch Organisation for Development Cooperation (ICCO), whose Value Chain Development Program Coordinator was Rene Guarin, former Executive Director of UMFI. The organic rice group for Luzon, for instance, was awaiting the results of a research that could possibly provide insights for growing the market for organic rice in the country.

UMFI also provided services to development organizations, both non-governmental and governmental, in product development, distribution and marketing. One major partner was the Department of Agrarian Reform – Bureau of Agrarian Reform Beneficiaries Development (DAR – BARBD), which it assisted in the development of agrarian reform communities.

#### 4.4.4. Upland Marketing’s Role and Development Model

Upland Marketing was conceived to play a specific, rather than a comprehensive role in promoting development in the uplands and other rural poor communities. Upland Marketing worked with intermediary organizations, many of them UNAC members who had established programs that were directly organizing and capacitating target groups within the framework of sustainable area development. The partnership engagement called for Upland Marketing’s input to improve production-marketing linkages mainly through technology/production enhancement and market access. This partnership was formalized through a memorandum of agreement where UMFI’s role to improve market access was defined (Canlas, et al., 2007).

Upland Marketing’s conception of its role was best captured by what it considered to be its development model. This development model aimed at “bridging the market divide” (Upland Marketing Foundation Inc., 2010). The model proceeded from an analysis of what community-based enterprises (CBEs) faced as primary barriers for entry to mainstream markets. These barriers included the following:

- In relation to CBE capacity, difficulties in: determining and meeting quality standards for product marketability, supply capacity, product pricing, and permits/licenses/taxes;
- In terms of distribution infrastructure, logistics support: lack of access to affordable product transport, product warehousing/redistribution/tracking, and trade maintenance; and
- In relation to the market: trade policies, practices and perception: terms and conditions (payments, delivery, pull-outs), market entry costs and fees, and inability to meet quality and supply regularity requirements.

At the initiation stage, Upland Marketing conceived of a development model whereby community-based enterprises (CBEs) were assisted in terms of technology development (product development, business/management systems), financial services (for working capital and equipment/facilities upgrade), and market services (market information, distribution of products).

This model was refined at the start of the development stage, clarifying that the assistance to CBEs was directed at their becoming vehicles for local economic development. During the latter part of the development stage, this was further refined to focus resources not only in assisting individual CBEs but assisting clusters of CBEs in selected economic subsectors with growth potential. This would entail assistance to facilitate the participation of these clusters of CBEs in value chain management. Assistance in value chain management would include relevant aspects of research and development; input sourcing, production, distribution, and sales and marketing inclusive of access to customer service/market feedback.

Community-based enterprises or CBEs took a variety of organizational forms. CBEs at their early stage of development were usually self-help or producers' groups that later evolved to become associations or cooperatives as they matured.

The stories of KOOL-NE and the Pecuaría Development Cooperative contained in Boxes 4.2., and 4.3., respectively, illustrate UMFI's partnership with CBEs in the organic rice subsector. Both of these stories underscore the roles of other development organizations in comprehensively assisting UMFI partner CBEs, specifically in organizational development and the practice of organic farming or sustainable agriculture. The Philippine Rural Reconstruction Movement (PRRM), and the Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA), both non-government development organizations, were responsible for organizing and enabling the development of KOOL-NE and Pecuaría, respectively, while UMFI mainly provided the CBEs access to markets. The various services they delivered to CBEs were geared towards ensuring market access.



**Box 4.1: UMFI Partners During Development Stage**

Sources: Guarin, 2009; Derige, 2010; [www.umfi.org](http://www.umfi.org)

- Interchurch Organisation for Development Cooperation (ICCO): one of the six Dutch co-financing organizations with funds from the Dutch government and the European Union organizations; funding partner of UMFI; also spearheaded value chain development for organic rice and muscovado sugar.
- OIKO Credit: a pioneer in the field of development financing with a network of Regional Offices globally including in Asia; supported organizations that promote fair trade, sustainable agriculture and community development; provided working capital loan for UMFI marketing activities and the SEFF.
- DOEN Foundation: Netherlands-based foundation which provided capital fund for the Social Enterprise Finance Facility or SEFF; the link was made through the Non-Timber Forest Products (NTFP) Exchange Programme.
- Federation of Peoples' Sustainable Development Cooperative: used to be the Central Loan Fund (CLF) under the Philippine Development Assistance Program (PDAP), which grew to a network of PDAP's affiliate organizations providing financial and non-financial services to marginalized sectors; acted as a major source of financing for UMFI's partner CBEs.
- Peace and Equity Foundation: Philippine-based funder of development programs; provided funds for program support.

**Box 4.2. KOOL – NE**

Sources: PRRM, 2011; PHILCOMDEV, 2009; Palomo, 2011; UMFI, 2011

The Kooperatibang Likas ng Nueva Ecija (KOOL-NE) is a cooperative established in 2002 as a joint venture of the Kalipunan ng mga Magsasaka para sa Likas-Kayang Sakahan sa Nueva Ecija (KALIKASAN-NE), and the Philippine Rural Reconstruction Movement (PRRM) to support sustainable rice production and marketing. KOOL-NE, and KALIKASAN-NE had grown within PRRM's community development work with small farmers in Nueva Ecija since the late 1980s. PRRM, a non-government development organization, had implemented the Sustainable Rural District Development Program, which encompassed community organizing, livelihood and enterprise development, community-based natural resource management, basic social services systems development, and local development advocacy.

Work with the farmers had started with organizing and the introduction of low external input sustainable agriculture (LEISA). As the farmers' organizations grew stronger, they decided to organize the KALIKASAN-NE, a provincial federation of sustainable agriculture practitioners and advocates. LEISA eventually progressed to organic farming, and in later years, the adoption of diversified and integrated farming systems. Marlon Palomo, chair of KOOL – NE, estimated that the farmer's gain from the shift from conventional to organic farming alone was around PHP 6,000 to 8,000 per hectare.

KALIKASAN-NE eventually decided that it needed an enterprise arm, which led to the birth of KOOL-NE. It grew to 130 members, and has been recognized as one of the outstanding cooperatives of Nueva Ecija. KOOL-NE offered micro-finance services to both members and non-members alike, and provided support services to its farmer members. These included alternative trading and marketing, specifically the procurement and trading of organically grown rice.

KOOL-NE had been a partner of UMFI since 2003. According to Marlon Palomo, chair of KOOL-NE, UMFI had assisted the former in various aspects, as follows:

- Facilitation of capital both for agricultural loans and for the trading and milling operations (either from UMFI or, in later years, from UMFI's partner, the Federation of Peoples' Sustainable Development Cooperative or FPSDC);
- Assistance in organic certification of farms;
- Oversight in the milling process to ensure product quality;
- Repacking of rice for retail; and
- Marketing to the retail chains, as part of the "Healthy Rice" line under the "Farms and Cottages" brand.

There was a tripartite financing agreement among KOOL-NE, UMFI and FPSDC. FPSDC released advances to KOOL-NE in the form of loans. KOOL-NE then provided organic rice to UMFI valued at agreed-on prices. Payments to FPSDC for the amount owed by KOOL-NE were made by UMFI. There were times when UMFI's payments to FPSDC would be delayed, creating complications down the line. (Palomo, 2011)

UMFI, KOOL-NE and other social enterprises and social enterprise resource institutions were involved in an effort to develop the organic rice value chain in Luzon, led by the Interchurch Organisation for Development Cooperation (ICCO), whose Value Chain Development Program Coordinator was Rene Guarin, former Executive Director of UMFI.

**Box 4.3: Pecuaría Development Cooperative, Inc.**

Sources: PDAP, 2010; UMFI, 2010, 2011; Canlas et. al., 2007

The Pecuaría Development Cooperative, Inc. (PDCI), UMFI's largest single supplier for organic rice, was based in the province of Camarines Sur. The farmer members of PDCI were agrarian reform beneficiaries who had been awarded 817 hectares of what used to be an estate in 1991. As vividly described in an article on the website of the Philippine Development Assistance Programme (or PDAP – a consortium of NGOs promoting rural enterprise development for poverty reduction), PDCI's development from its inception to the stable organization that it eventually became, was “touch and go” and “trial and error”. Along the way, PDCI was able to obtain assistance from several development organizations.

The farmers were organized by an NGO, PhilDHRR (Philippine Partnership for the Development of Human Resources in Rural Areas) under its TriPARRD (Tripartite Partnership for Agrarian Reform and Rural Development) Program. This opened the doors for government agricultural support, so much so that “the farmers found themselves at the receiving end of projects that they did not have a clue about then; a loan for a rice enterprise and warehouse in 1993; a loan for cattle raising in 1995 that got restructured into a reforestation scheme and is now due for write-off; a bamboo project; and a nursery site” (PDAP, 2010). Most of the projects did not prosper. As assessed by the farmers, they lacked experience and careful study on these projects, plus some projects were not appropriate (e.g. the cattle raising project where it turned out that the cows from Australia could not adapt to the environment at the site).

In 1994, the farmers ventured into organic rice farming with the assistance of MASIPAG, an NGO promoting organic rice technology, and KOSOG, another NGO that provided training to an initial group of seven farmer-leaders. These groups were instrumental in facilitating PDAP's support through Magsaka-Ka, a farmers' federation. To upscale MASIPAG, 86 farmers who were on various levels of shifting to organic farming were provided with credit assistance worth PhP 10,000 per hectare. From 1998 to 1999, PDAP provided financial support for the procurement of facilities and equipment, coursed technical assistance for the production of bio-organic fertilizer, and extended a PhP 2 million grant to help PDCI establish its Agri-Credit scheme which provided a revolving loan fund for farmers' organic rice production. These boosted the PDCI farmers' capacity to increase the coverage of organic rice. The demonstration of benefits from organic farming in turn encouraged other farmers to adopt the technology.

PDAP also provided assistance to facilitate research, training and technical assistance to the farmers. Agriculturists were hired as staff members and soon, PDCI developed its own white and ‘sampaguita red’ organic rice varieties called ‘Pecuaría selections’. PDAP then linked PDCI to UMFI, which facilitated PDCI's identification and development of the primary products, and its positioning as a player in the industry. Exposure to trade fairs helped improve the products' packaging, and allowed the farmers to know the buying and eating preferences of the clientele, which they put into what they later dubbed as ‘value-added marketing’. By the late 2000s, PDCI was delivering 80% of its rice stock to UMFI, with the balance of 20% sold in the local area. In 2009, UMFI purchased PhP 8.5 million worth of rice from PDCI. From 2003 to 2009, purchases from PDCI had totaled PhP 46.75 million.

By 2010, PDCI had a total membership of 766 farmers. By the end of December 2009, it had an asset base of PhP 34.2 million.

## 4.5. Financial and Social Outcomes

### 4.5.1. Financial Outcomes

Starting with annual sales of PhP 1.8 million in 2001, UMFI had experienced sustained growth, reaching PhP 37 million in 2009. However, gross income from sales had only been at 17 to 20% of sales from 2004<sup>45</sup> until 2008. In 2008, the cost of sales was brought down to 75% (hence gross income was 25%) when UMFI was able to institute higher selling prices at the height of the rice crisis. The year 2008 was also the first year that a positive income (amounting to PhP 189,000) was registered for business operations (UMFI, 2008; 2010).

The gross margin percentage was sustained for 2009, and UMFI had managed to keep expenses at around 25% of sales since 2006. However, interest, general and administrative expenses rose significantly, leading to a net loss in business operations of PhP 1.8 million for the year (based on UMFI data, 2008, 2010). An evaluation report in 2010 noted that other factors for the loss were damages to stocks due to a strong typhoon, as well as the “docking system of some supermarkets impacted negatively on UMFI operations<sup>46</sup>” (External Evaluation Report, 2010).

Figure 4.1. shows UMFI’s sales and gross income for 2004-2009. Figure 4.2. shows UMFI’s total revenues and net income for the same period. Total revenues were mainly from sales with some interest income and income from miscellaneous sources such as consultancy services.

UMFI, up to the time of the research, was financially unstable, and except for 2008, had a negative net income from 2001-2009. While it had generally sustained growth in sales, it had not grown optimally because of not having enough capital to finance purchases of products from partners. This was to a large extent a function of the payment terms dictated by the supermarkets. Despite their setting up an Enterprise Financing Facility in 2007, and having contracted a substantial volume of loans, they had not generated enough social investments to fully finance their purchases from partner CBEs to ensure no stock-outs and to meet the growing demand especially of muscovado and organic rice. For the past few years, UMFI had in fact paid penalties, as they could not make deliveries to supermarkets due to financial difficulties.

While UMFI could have done more in terms of achieving more efficient operations, the negative impact of what was considered as normal industry practice of

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<sup>45</sup> Details of financial statements for the business operations are only available for 2004 to 2009. Complete audited financial statements are only available for 2006 to 2009.

<sup>46</sup> The ‘docking system’ referred to the delivery and internal distribution system of the supermarket. This problem referred specifically to SM. UMFI had previously been able to deliver goods directly to the SM branches. SM changed its system such that deliveries had to be made to a central site, i.e. a ‘dock’, with SM itself taking care of the delivery to the branches. UMFI observed that returns increased during this period. To address this problem, UMFI had deployed merchandisers in the branches who would ensure that the branches were receiving adequate supplies (Fonollera, 2011)

supermarkets - paying their suppliers late while penalizing them for lack of deliveries, were major issues from a stakeholder management perspective. As stakeholders, supermarkets recognized UMFI as a reliable supplier of organic and healthy products. However, supermarkets, as distribution channels in the mainstream market, treated UMFI no differently from the way they treated their other suppliers.

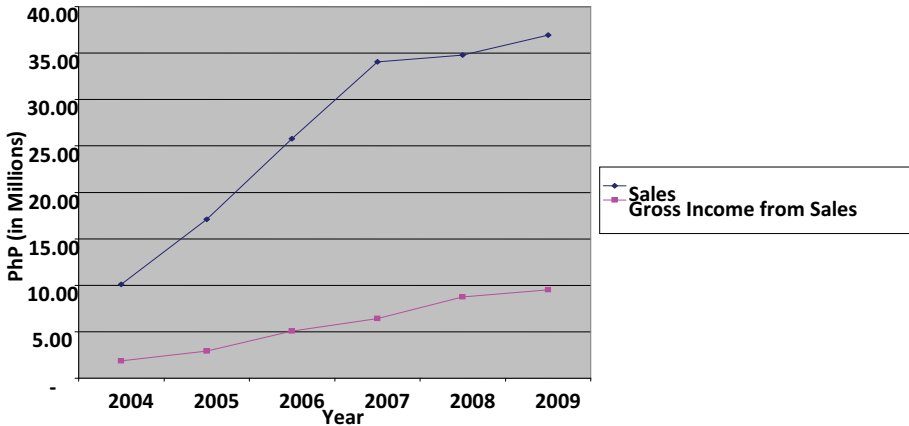


Figure 4.1. UMFI, Sales and Gross Income, 2004 – 2009.

Sources: UMFI Audited Financial Statements, 2007, 2009; UMFI unpublished documents: financial statement worksheets, 2004 – 2006; 2007 Evaluation Report; 2010 Evaluation Report.

As a development institution, UMFI also generated funds from grants and other support funds, and used such funds for various program support activities including product development, market development, CBE, and value chain development. Grant funds also supported institutional management and some administrative costs of the business operations, especially during the inception and early development stages. From 2006 to 2009, UMFI had access to grant funds averaging approximately PhP 5.4 million per year (consisting of both restricted and unrestricted funds) (UMFI, 2008, 2010).

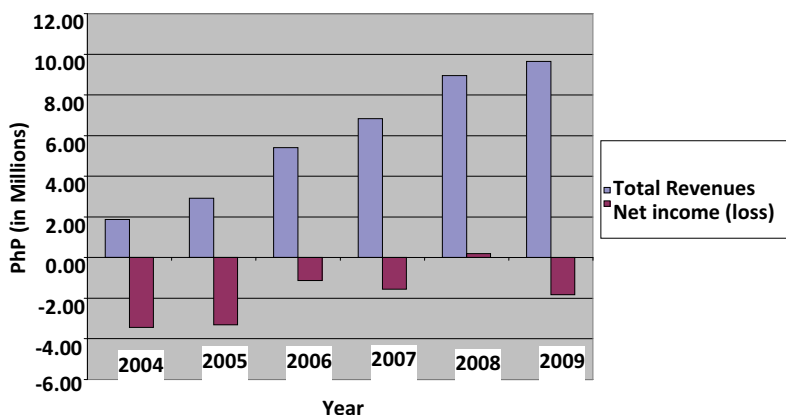


Figure 4.2. UMFI, Total Revenues and Net Income, 2004 – 2009. Sources: UMFI Audited Financial Statements, 2009, 2007; UMFI unpublished documents: financial statement worksheets, 2004 – 2006; 2007 Evaluation Report; 2010 Evaluation Report.

In terms of the market, UMFI’s Healthy Rice had been recognized as a leading brand in supermarkets, although it had experienced intense competition from other social and commercial enterprises in recent years. However, it still had to optimize its extensive distribution system (involving 300 outlets at the time of the research) in major supermarkets nationwide to ensure that it reached financial sustainability.

#### 4.5.2. Social Outcomes

An External Review commissioned by ICCO in May-June 2007 confirmed that UMFI’s target groups for its development interventions consisted of various segments of the poor such as small farmers (mostly agrarian reform beneficiaries), indigenous peoples and fishers. These target groups were organized into community-based enterprises usually taking the form of cooperatives (Canlas, et al., 2007).

As of June 2010, there were 23 community-based enterprises (CBEs) that regularly supplied organic rice, muscovado sugar and other products to UMFI for distribution to the mainstream supermarket outlets. In addition, there were 21 CBEs that supplied products to local markets through UMFI’s Enterprise Development Centers in Oriental Mindoro and Nueva Vizcaya. The combined total of 44 CBEs involved 2020 individual members, with an additional 890 households working in partnership with UMFI, and using local markets for their products (UMFI External Evaluation Report, 2010).

UMFI did not monitor their impact at the household level mainly because of the assumption that the primary development organizations, i.e. the community-based enterprises, working at the target group level were already doing that (Canlas, et al., 2007).

The former Deputy Executive Director in 2010, who was in charge of the financing facility and capacity development programs for CBEs at the time, estimated their impact on household incomes:

“Among our partner producers and suppliers, about 1/3 have experienced substantive increases in incomes through their participation in their respective CBEs. The incomes derived by the other 2/3 from their respective CBEs have not been regularized”. (Tacuyog, 2010)

The sectors who had experienced substantive increases in incomes were mainly partners in the organic rice and muscovado value chains. Interviews with UMFI partners in the organic rice subsector provide an indication of the extent and sources of such income increases:

- Angel Albo of the Samahang Likas Kayang Pagsaka, in Calapan Oriental Mindoro, used to make PhP 10,000/season before partnership with UMFI but now made PhP 25,000/season. This was in addition to what he set aside for food from his harvest and the additional income he got from their sari-sari store, poultry raising, vegetable production and fish pond culture. (Albo, 2010)
- Jethel Kapunan of the Coop Sto Nino in South Cotabato used to make PhP 10,000 - PhP 12,000/hectare from conventional farming but now made PhP 60,000/hectare from organic farming (Capunan, 2010)
- Miller Bicaldo of Pecuaría Development Cooperative used to make PhP 30,000/cropping from organic farming but with UMFI support, now made PhP 50,000/cropping in addition to the 15 bags he regularly set aside for the family. He also made PhP 65,000/harvest 3X a year from his poultry in addition to making PhP 97,500 from chicken dung (Bicaldo, 2010).

Much of the impact attributed to UMFI related to increased access to technology and markets leading to increased incomes. This was because UMFI's role, in the overall strategy of development among UNAC members, was in the area of market access. Within UNAC, different members were supposed to play different roles. UMFI was envisioned to focus on the marketing intermediation aspect of intervention in the context of advancing a holistic development strategy for partner communities.

## 4.6. Upland Marketing and Social Entrepreneurship

### 4.6.1. Upland Marketing as SEPPS

Upland Marketing manifests the characteristics of a SEPPS as defined in Section 2.5, using a Donaldson and Preston's (1995) normative approach. Firstly, Upland Marketing's primary stakeholders are poor producers from upland, lowland and coastal communities. Its main mandate is to assist these marginalized producers develop their products and provide them access to markets. Secondly, Upland Marketing generates wealth from the sale of the products of its partner community-based enterprise (CBE) suppliers. Much of the wealth generated is from the sale of what it calls its champion products - organic rice and muscovado sugar. The wealth it generates from selling organic rice and muscovado sugar seeks to make its product development and marketing service to its marginalized producer partners financially viable. As the President of Upland Marketing articulated, "We believe our existence is really based on social objectives. For sustainability, we have to earn profits" (Derige, 2010). Thirdly, a significant part of the wealth Upland Marketing generates is distributed to its producer partners through the payment of a fair price transparently negotiated between them. As a non-stock, non-profit organization, it is bound by law to use all its income from operations for the fulfillment of its social mission. It also generates other resources in the form of grants and loans to provide its supplier partners' technical and financial services.

Supermarkets as mainstream market channels impose many unfavorable industry practices that have had a grave impact on Upland Marketing's financial viability. So at most, Upland Marketing has just managed to partially cover its costs, while relying on grants to finance its value chain services to its partner CBEs. Upland Marketing's problem dramatizes a major issue faced by SEPPS serving mainstream markets in the Philippines.

### 4.6.2. SEPPS in a Developing Country Context

How does the developing country context of the Philippines affect or shape Upland Marketing as SEPPS? The theme of SEPPS as a response to the failure of market and state institutions to serve the needs of the poor in the Philippines is echoed by the story of Upland Marketing.

Tracing the history of Upland Marketing as discussed in Sections 4.2 to 4.4, it has been the failure of the mainstream market and state institutions to provide market access and sustainable livelihoods to poor producers that have been the driving force for Upland Marketing's existence. The failure of state institutions could be seen in the policy-action gap in social forestry and agrarian reform related to building sustainable



livelihoods of upland communities. The latter provided the context for UMFI's interventions.

Over time, government agencies played a legitimizing though minimal role in pursuing social enterprise development. Government's social forestry and agrarian reform programs provided arenas for cooperation between UNAC, UMFI, the Department of Environment and Natural Resources as well as the Department of Agrarian Reform.

The failure of market institutions to serve the needs of the poor was dramatized by Upland Marketing's story in different ways:

- Mainstream traders and upland communities refused to engage directly with each other in trading agricultural produce. Farmers considered traders 'heartless' with their unwillingness to give farmers consideration in meeting volume, quality and delivery requirements; and
- Upland communities were unable to reconcile meeting volume requirements of commodity trading (e.g. rattan) and sustainable forest use.

As an organization engaged in social entrepreneurship, a number of stakeholders played enabling roles through its initiation and development stages. Enabling stakeholders of UMFI included:

- Development organizations comprising the Upland NGO Assistance Committee, the initiators who were represented in the governing board, and actively worked with UMFI as their marketing service NGO;
- Partner organizations such as NGOs, cooperative federations and some government agencies like the Department of Agrarian Reform, who worked directly with the target group organizations, providing support in terms of production, organizational development, and advocacy; and
- Enabling development agencies mainly from Europe, such as ICCO, Oikocredit, DOEN, which provided grants, loans and technical expertise; in the Philippines, these included the Peace and Equity Foundation and the FPSDC.

Unlike the case of Alter Trade, where the market institutions in its stakeholder environment enacted enabling roles, the key market institutions in UMFI's stakeholder environment had on balance served disabling roles. The prices and other terms offered by the supermarkets, combined with their inordinate power in the marketplace, have had a negative impact on UMFI. As shown by UMFI's financial data in Section 4.5.1, these were already having an adverse effect on the liquidity, profitability, and overall sustainability of UMFI and its partner CBES.

### 4.6.3. SEPPS and Social Entrepreneurship

The Upland Marketing story seems to demonstrate the limitations and dilemmas of the social enterprise or earned income school of social entrepreneurship (Dees and Anderson, 2006; Defourny and Nyssens, 2010) when pursued by a SEPPS in a developing country context. As explained in Section 1.2., this school of thought espouses market-based solutions to social problems (Dees and Anderson, 2006) and promotes the idea that business methods are an effective way to improve non-profit organizations (Hoogendoorn, 2009). SEPPS would find it particularly difficult to pursue market-based solutions in developing country contexts when confronted with mainstream market practices that are imposed by dominant players or taken for granted as acceptable even if they are unethical or unfavorable to the poor. Unlike governments that are formally accountable and therefore subject to public pressure, private enterprise players or market channels may be more difficult to make accountable.

The creation of Upland Marketing did help a number of CBEs to gain access to the modern trade segment of the mainstream market, i.e. supermarkets. However, Upland Marketing's role as intermediary has become unsustainable and may continue to be so without a clear agenda for change. While UMFI sought to practice the fair trade principle of partial pre-financing of production and prompt payment on deliveries among partner suppliers, it has had to contend with the normal, accepted practice of supermarkets paying UMFI only after 60-120 days and/or accepting its products only on consignment.

The continuing problems with the supermarket chains raise the issue of advocating for fair trade as an expression of corporate social responsibility. The Philippine Business for Social Progress (PBSP), as a founding institution of UNAC, was a recognized institution promoting corporate citizenship among businesses in the Philippines. PBSP, had in the past, facilitated dialogue between marginalized communities and corporations and in some cases, achieved success in improving the terms of trade in favor of small producers (Derige, 2010). Such a type of intervention, applied to UMFI, could evolve a model for the interface between a social enterprise and a business practicing corporate social responsibility in pursuit of poverty reduction. Unless such a model becomes reality or substantive increases in social investments are generated, UMFI's financial health would remain a major problem. If such is not given a solution, its financial health would continue to get in the way of effectively performing its role as marketing intermediary and service provider to CBEs, to the detriment of its intended social agenda among the poor.

## 4.7. Upland Marketing from a Stakeholder Perspective

### 4.7.1. The Poor as UMFI's Primary Stakeholders

As discussed in Section 4.2, Upland Marketing was principally set up to assist “poor upland communities develop and market their products” (Derige, 2010). When the UMFI was formally established in 2001, their poor stakeholders expanded to small producers in lowland and coastal communities. This was initially due to the need for a bigger pool of producers to “maintain our market hold in supermarkets. We needed more quality products and bigger volumes, which could not be supplied solely by upland communities” (Derige, 2010). This expansion was consistent with the UMFI's aim to help marginalized communities.

Upland Marketing's direct partners were actually the community-based enterprises, the organizations of the poor and marginalized producers. Grace Tacuyog, former Deputy Executive Director of UMFI articulated:

“Our main stakeholders are the cooperatives and people's organizations from marginalized communities, who serve as our producers and suppliers”. (Tacuyog, 2010)

As discussed in Section 4.6.1, the poor may be considered UMFI's primary stakeholders from a normative perspective (Donaldson and Preston, 1995). However, UMFI worked with these small producers through community-based enterprises (CBEs) that it did not directly organize, unlike Alter Trade in its base province of Negros Occidental. These CBEs, like KOOL-NE and Pecuaría Development Cooperative featured in Boxes 4.2. and 4.3. were usually organized and assisted by other non-government organizations (NGOs) implementing sustainable area development programs (Canlas, et al., 2010). From UMFI's perspective, these CBEs were the embodiment of the poor as its primary stakeholders.

### 4.7.2. No Essential Role Change: The Poor as Transactional Partners

Using Mintzberg's (2007) framework of organizational stages in strategy formation, UMFI may be characterized as being in the development stage after a pre-initiation and initiation stage from 1992-2000 and 2001-2003, respectively. Table 4.3. outlines the key organizational developments, the evolving roles of the CBEs as embodiment of the poor, and the nature of the services that UMFI delivered to the CBEs.

From the initiation to the development stage, the main role of partner CBEs had been as suppliers providing products to the market. From the initiation stage, partner CBEs had been assisted in terms of technology, financing and market access. These were geared towards improving their capacities to meet the quality, quantity and delivery requirements of the supermarkets and the customers in these supermarkets. The services provided by UMFI could be described as transactional services. Aside from product distribution, these services were mainly in terms of product development, organizational systems development related to generating the product (e.g. improvement of production systems), and financing mainly for working capital.

During the development stage, the partners were engaged in transparent negotiations for fair prices, with the most advanced playing roles in value chain management. Examples of these advanced partners were the KOOL-NE and Pecuaría Development Cooperative featured in Box 4.2 and 4.3. These two cooperatives were directly involved in the organic rice cluster (spearheaded by Interchurch Organization for International Development Cooperation or ICCO), where UMFI was also a member. The cluster was organized to scale up the development of the organic rice subsector in the country. However, except for undertaking studies, no other cluster initiatives were evident by the time of the research.

On the whole, one would note that there was no substantive role change among the poor, at least within the UMFI system. Still, even as the poor remained as transactional partners, there was an increase in their level of participation in planning and decision-making as supplier-partners over time.

Table 4.3. Evolution of Roles and Services Among the Poor: Upland Marketing Foundation, Inc.

	<b>Pre-Inception (1992-2000) to Inception Stage (2001-2003): Experimenting as Intermediary of the Poor with Mainstream Markets</b>	<b>Development Stage (2004-2010): CBE Development and Value Chain Management in Key Economic Subsectors</b>
<b>Key Organizational Developments</b>	<p>Initiation of Upland Marketing Program by UNAC</p> <ul style="list-style-type: none"> <li>• Attempts to link producers to buyers, and later to act as active ‘go-between’ or intermediary, ensuring that CBEs met market requirements and got fair returns from buyers; and</li> <li>• Commodity trading at the start of the program, shifting to product marketing with retail chains as primary distribution channels</li> </ul> <p>Establishment of UMFI</p> <ul style="list-style-type: none"> <li>• Installation of distribution system geared towards serving retail chains;</li> <li>• Expansion to include partners and products from lowland and coastal areas; and</li> <li>• Expansion to include products of privately-owned SMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Repositioning of UMFI <ul style="list-style-type: none"> <li>○ Re-affirmation of CBEs as primary stakeholders and suppliers; and</li> <li>○ Focus on ‘healthy products’</li> </ul> </li> <li>• Emergence of Organic Rice and Muscovado Sugar as champion products</li> <li>• Provision of services to community-based enterprises <ul style="list-style-type: none"> <li>○ From enterprise development (support to individual enterprises) to value chain development/management focused on champion products</li> <li>○ Initiation of complementary strategy of local enterprise development</li> </ul> </li> </ul> <p>Plans for 2011 – onwards:</p> <ul style="list-style-type: none"> <li>• Development of coco sugar as potential additional champion product</li> <li>• Exploration of institutional markets (e.g. hotel and restaurant industry)</li> </ul>
<b>Roles of the poor - marginalized producers from upland, lowland and coastal areas organized into CBEs</b>	<ul style="list-style-type: none"> <li>• Suppliers of products</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers of products, engaged in transparent negotiations for fair terms of trade; and</li> <li>• Partners in value chain development and management, focused on champion products.</li> </ul>
<b>Services to CBEs</b>	<ul style="list-style-type: none"> <li>• Marketing access;</li> <li>• Technology development; and</li> <li>• Financing</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing, technology and financing access; and</li> <li>• Value chain development for champion products (see Box 4.2. and 4.3. on KOOL-NE and Pecuaría Development Cooperative for examples)</li> </ul>

Table 4.3.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of Upland Marketing Foundation Inc.

	<b>Initiation Stage</b>	<b>Development Stage</b>
<b>Participation in core organization(s)</b>	None	None
<b>Participation in allied organization(s)</b>	Members of General Assembly and Board of supplier cooperatives or associations	Members of General Assembly and Board of supplier cooperatives or associations

#### 4.7.3. Roots of the Poor Remaining as Transactional Partners

Increasing the level of participation of the supplier partners in the enterprise and the value chain may be directly attributable to UMFI's program for capacitating supplier-partners in community-based enterprise and value chain management. This program had funding support from ICCO.

The absence of a distinct role change for the poor from the initiation to development stages may be seen mainly as a function of the organizational mandate of UMFI as an intermediary marketing organization in the context of the broader network strategy of UNAC. Upland Marketing was consciously part of a more comprehensive strategy of a network of agencies pursuing sustainable development. The transactional services related to marketing intermediation were thus meant to be provided, not necessarily in isolation, but side by side with what may be called transformational services delivered by other partner agencies. This may be likened to Alter Trade's assumption in its early years vis-à-vis the Negros Council for People's Development – that other development organizations would assist, organize, and capacitate the poor, and that Alter Trade Corporation would concentrate on creating market access. In the case of UMFI, the other non-government development organizations in and beyond UNAC continue to assist partner CBEs in various aspects of organizational and sustainable development. This may be seen in the roles of PRRM for KOOL-NE; and PhilDHARRA, Masipag and PDAP for Pecuaría Development Corporation narrated in Boxes 4.2. and 4.3., respectively. In this sense, the increased capacities of KOOL-NE and Pecuaría Development Corporation, to be in a position to serve as engines for local economic development and co-managers in value chain management, may not be fully attributable to UMFI.

#### 4.7.4. Impact of No Role Change on the Poor

In terms of outreach and qualitative impact on the poor, it can be observed that, similar to the Alter Trade Balangon system, UMFI had a substantial outreach of almost 3,000 households through their partner CBEs. However, the depth of impact was still unclear, and the number who had actually experienced sustainable income increases was only estimated at one-third of the total. In general, social impact among the poor may be assessed to have remained largely at the level of access to financial and market services.

It is noteworthy that interviews with organic rice farmers from UMFI's partner CBEs showed that it was the multiple sources of income from their pursuit of sustainable agriculture-related initiatives that moved them out of poverty, not just the trading of organic rice with Upland Marketing. These initiatives in sustainable agriculture resulted from the organic rice farmers' partnership with other non-government organizations or NGOs as exemplified by the other partnerships evident in the featured experiences of KOOL-NE and the Pecuaría Development Cooperative in Boxes 4.2. and 4.3, respectively. These other NGOs had integrated programs to organize farmers into cooperatives practicing sustainable agriculture. UMFI was actually asked by these NGOs and farmers cooperatives to assist specifically with marketing. The outcomes manifested by these organic rice partners therefore may be considered a special case resulting from a combination of the services provided by UMFI and the more comprehensive set of development services, including what may be considered transformational services, provided by the other NGOs.

#### 4.7.5. Collaborative Stakeholder Engagement Strategy

Using Mintzberg's (2007) theory of strategy formation, UMFI's intended and realized strategy of engagement with the producer groups as primary stakeholders can be likened to Alter Trade's realized strategy of engagement with the Balangon farmers during the initiation to development stages. In both cases, the roles enacted by the poor as supplier partners were mainly transactional in nature. In both cases, the nature of services provided by Alter Trade and UMFI were essentially transactional in nature as they were geared mainly towards helping the supplier partners meet the quality and volume requirements of their prospective markets. In both cases, the key engagement processes were partnership building and collaboration. As in the case of Alter Trade with the Balangon banana growers, this type of stakeholder engagement strategy may be partially likened to the collaboration model of stakeholder engagement of Sloan (2009) but only in relation to key stakeholder engagement processes. The features of this collaborative stakeholder engagement strategy also

have similar features to the concept of managing stakeholders through bridging (Daft, 1992; Harrison and St. John, 1994).

Based on the common features of stakeholder engagement with Balangon banana growers on the part of Alter Trade and with the small producers on the part of UMFI, one could outline the following common features:

- Managerial orientation towards the poor: poor as transactional partner;
- Key engagement processes: collaborating, partnering, learning;
- Nature of roles among the poor: Pro-active supplier-partners, partners in enterprise and value chain management;
- Nature of programs and services: Provision of financial, market and technological services to make poor more effective supplier-partners; and
- Impact on the poor: Access to markets; increases in income but may not be enough to overcome poverty.

During the development stage, as discussed in Section 4.4, the marginalized groups as represented by the CBEs were affirmed as UMFI's reason for being. This put an increased emphasis on helping the CBEs develop organizationally, though still mainly towards helping them satisfy market requirements. The inclusion of advanced CBEs in value chain management and development, as well as the assistance to smaller CBEs in local market development, did signify a deeper commitment to helping CBEs develop beyond being mere suppliers of products that could be sold to mainstream markets.

UMFI's financial difficulties, however, were limiting its ability to effectively assist CBEs beyond market access. In this respect, it expected to rely more on other partners in and beyond the UNAC, to help in the more holistic development of CBEs. Despite the financial difficulties though, UMFI management expressed a commitment to fair trade principles to guide their dealings with partner CBEs.

## 4.8. Discussion

The Upland Marketing case presents another example of a social enterprise providing market access for the poor along fair trade principles. Upland Marketing's experience is similar to the Alter Trade experience with the Balangon growers, although UMFI worked with organized CBEs, most of which were also being assisted by other development organizations.

As in the case of Alter Trade with the Balangon growers, Upland Marketing's realized stakeholder engagement strategy vis-à-vis its partner producers may be characterized as one based on partnership and collaboration. The common features of this collaborative stakeholder engagement strategy, as detailed in Section 4.7.5



include a managerial orientation of the poor as transactional partner; provision of transactional services to effectively perform transactional roles as supplier partners; and access to markets and increased incomes as impact on the poor.

Upland Marketing's perspective for community-based enterprises as engines of local economic development and as co-managers in value chain management provides a strategic framework for delivering transactional services among social enterprises. Using Harrison and St. John's (1994; 1998) regions of the stakeholder environment as an analytical tool, such a strategic framework could direct transactional services towards progressively increasing the participation of the poor in the internal and operating regions of the social enterprise stakeholder environment.

Again, similar to the Alter Trade experience with Balangon growers, Upland Marketing had been able to reach a relatively large number of the poor, almost 3,000, through CBEs as transactional partners. However, impact on either regularity or level of incomes did not yet appear to be significant among 2/3 of its partner producers. A common thread linked to a stakeholder engagement strategy of transactional partnership may be a relatively greater reach but not significant depth in terms of overcoming income poverty and capability deprivation.

With the other 1/3, significant income increases above the poverty line as indicated by its organic rice producers could not be attributed solely to UMFI's transactional services. Such significant income increases were noted to be the results of sustainable agriculture-linked diversification strategies and other interventions that may even include transformational services such as leadership and organizational development provided by other non-government development partners of its partner CBEs. In this sense, even the increased participation of the CBE partners in enterprise and value chain management, an indication of overcoming what Sen (1999; 2009) calls capability deprivation may not be solely attributable to Upland Marketing's interventions.

Upland Marketing's serious financial problems directly resulting from its engagement with supermarket chains as distribution channels presents an interesting case in stakeholder engagement and social entrepreneurship. The contradiction of Upland marketing's fair trade practice among its primary stakeholder groups and the mainstream industry practices of the supermarket chains in dealing with Upland Marketing would continue to take a toll on its viability as a social enterprise. If Upland Marketing continues to uncritically engage these supermarket chains, it may reach a point of no return where its unsustainability becomes a mirror of the market failures it was intending to overcome.

In this context, fair trade as an advocacy position vis-à-vis the supermarket chains, as a complementary strategy in managing its stakeholder environment may be a relevant theme for discussion and debate. Upland Marketing would benefit from reviewing the studies that have been undertaken in evaluating fair trade as CSR

especially involving big companies as distribution channels. Of particular interest is the study by Bezencon and Blili (2009) that looked at companies' motivations to distribute fair trade products, how companies organize the distribution of fair trade products, and an evaluation of the engagement of the distributors using Low and Davenport's (2005) scale of retailer engagement with fair trade principles. Tucker's (2006) emphasis on the need for an agenda for change to be developed in partnership with producers when working with big companies like transnationals and supermarkets to advance fair trade and Mukherjee and Reed's (2009) study on the effect and development implications of corporate participation in fair trade are also informative.

An in depth assessment of Upland Marketing's current marketing strategy, and the probability and potentials that fair trade as CSR may be seriously considered by the supermarket chains that Upland Marketing is engaged with is a study that could move the process forward. Such a study could provide useful perspectives on whether promoting fair trade as CSR for mainstream market channels in the Philippines is a feasible and optimal mode for a marketing intermediation social enterprise with the poor as primary stakeholders (SEPPS). If Upland Marketing sees this as a feasible option, the resulting intervention could provide a case in the South for testing the reframed BOP proposition that private sector efforts to address the needs of the poor can create mutual benefit for both the poor and the businesses involved (London, 2007). Alternatively, a successful pursuit of fair trade as CSR as a complementary strategy for Upland Marketing vis-à-vis the supermarket chains, may create a local case for testing what Jeppesen and Lund-Thomsen (2010) have called a bottom-up approach to democratize CSR in developing countries.

Unlike Alter Trade, the pursuit of Upland Marketing of a stakeholder engagement strategy of collaboration was shown to be deliberate. Its specific mandate of providing access to markets, focused on the provision of transactional services to CBEs, as part of a more comprehensive network strategy to address poverty, seems to be an important role for Upland Marketing in the Philippine context. As a major market intermediation initiative exploring engagements with mainstream markets to serve the goal of poverty reduction, Upland Marketing's crisis may be positively characterized as the precursor to a renewal stage. In this context, Upland Marketing may consider market channels other than supermarkets or serve other market segments. As SEPPS, it may opt to take on the challenge of building a model for the interface of social entrepreneurship and corporate social responsibility in pursuit of the normative goal of poverty reduction in the South.

## CHAPTER 5 – NATIONAL FEDERATION OF COOPERATIVES OF PERSONS WITH DISABILITY: ENABLING WORKER-OWNERS AS TRANSFORMATIONAL PARTNERS

*This chapter presents a SEPPS that intended and realized a stakeholder engagement strategy of empowerment throughout the stages of initiation, development and renewal. With the support of enabling stakeholders from civil society in the Philippines and countries in the North, the National Federation of Cooperatives of Persons with Disability (NFPCPD or PWD Fed) became an organizer and enabler of primary cooperatives of PWDs. Over time, PWD Fed provided a combination of transactional and transformational services to enable these primary cooperatives to serve as venues for employment and empowerment of PWDs. Engaging government as a market for its school chair venture proved to be a continuing challenge, necessitating PWD Fed's sustained efforts to represent PWD interest in the broad social-political stakeholder environment. As a single stakeholder cooperative of PWD worker-owners, PWD Fed's governing structures were composed purely of PWDs elected by the primary cooperative members and their representatives. At its renewal stage, PWD Fed was faced with governance issues of a mutual social enterprise such as sustaining an active membership, ensuring a competent board, and managing the tension between market requirements and its social mission in a harsh external environment of failed state and market institutions. This entailed simultaneously and creatively enacting both transactional and transformational roles in its internal, operating and broad social-political stakeholder environment. With the establishment of the Foundation for TheseAble Persons Inc. (FTI) as a platform for empowered PWDs to work with able-bodied advocates and supporters, PWD Fed had co-created an institutional partner to resolve these governance issues more effectively. In this multi-organizational set up, PWD Fed continued to serve as a necessary venue for self-governance and empowerment among the PWD worker-owners while being represented in FTI to more effectively engage government and other stakeholders in a strategic effort for inclusive development that is equitable for PWDs.*

## 5.1. Introduction

Disability had been identified as one of seven factors directly causing poverty in the Philippines by a study commissioned by the Asian Development Bank (Schelzig, 2005). The National Council of Disability Affairs (NCDA) reported: “The population of PWDs in the Philippines is about 940,000 people (1.23% of the population at large) according to the census executed in 2000. However, if the estimate ratio 10% of World Health Organization (WHO) is applied, about 9.2 million people are PWDs in the Philippines as of 2010<sup>47</sup>”. A study by the Japan International Cooperation Agency (JICA) found that in the Philippines, most persons with disabilities lived in poverty (JICA, 2002). The context of a huge gap in policy and action by the state and very few businesses willing to do affirmative action, that characterized the situation faced by PWDs then and at the time of the research is contained in Box 5.1.

PWD Fed was established in the 1990s to initiate a process of helping the many persons with disability (PWD) to help themselves. PWD Fed, its member cooperatives and the partner foundation it co-founded that were covered by this case study are detailed in Table 5.1.

Table 5.1. NFCPWD (PWD Fed) Core and Allied Organizations

Name	Role/Description
NFCPWD (PWD Fed)	Core organization that ventured into the production of school chairs while serving as organizer and enabler of PWD cooperatives.
Member cooperatives of PWD Fed	15 primary cooperatives composed of PWDs organized by PWD Fed. These included: ADPI-MPC NEAPWD-MPC SIKAP-MPC Mapalad MPC SAFRA-ADAP MPC
Foundation for TheseAble (FTI)	Partner foundation co-founded by PWD Fed

PWD Fed started as a venture for school chair production to give employment to PWDs. As such, it negotiated and managed contracts mainly with the Department of Education (DepEd). After it was set up in 1998, it became an organizer and enabler of PWD primary cooperatives that participated in the school chair project. These cooperatives developed at various paces, initially serving as venues for providing employment opportunities but in succeeding stages, serving as vehicles for PWD empowerment in their localities. Throughout the years, PWD Fed and its members have represented the sector in lobby efforts to incorporate a special provision in the

<sup>47</sup> [www.ncda.gov.ph/non-handicapping-environment/](http://www.ncda.gov.ph/non-handicapping-environment/), accessed May 2, 2011).

General Appropriations Act (GAA) allocating 10% of government procurement for school chairs to PWD cooperatives.

### **Box 5.1. Policy-Action Gap in Promoting PWD Development**

Legislation promoting the rights of PWD was embodied in Republic Act 7277, the Magna Carta for Disabled Persons, enacted in 1992. The Magna Carta supported the rehabilitation, development and provision of opportunities for PWD and their integration into the mainstream of social and economic life in the country. However, implementation and enforcement remained weak. For example, of the 100,000 employable PWDs registered with the Department of Labor and Employment, less than 10% were in wage employment. This, despite the Magna Carta's provision that 5% of the contractual personnel of the national government engaged in social development should be reserved for qualified PWD, and the encouragement of the private sector and LGUs to hire PWD. Reasons for their low employment rate included (Schelzig, 2005):

- Poorly qualified PWDs as more than 90% were unable to complete basic schooling;
- Costly and prohibitive transportation provisions in public utility vehicles, especially for wheel chair users; and
- Inaccessible workplaces, which tended to be without ramps and appropriately designed toilets.

In 1998, lobby efforts to incorporate a special provision in the General Appropriations Act for government to procure 10% of its school chair requirements from PWD cooperatives (or the GAA PWD procurement policy) finally bore fruit. Further lobby efforts to regularize and to broaden the application of this special provision to cover other government departments were mounted in 2002. Government's response was Executive Order 417, which up to the time of the research suffered from having no Implementing Rules and Regulations.

The Medium Term Philippine Development Plan (2004-2010) called for expanded capacity building programs for PWDs, and set an ambitious target that by 2010, 10% of the national government workforce should be PWD. The government also declared 2003-2012 as the Philippine Decade of Persons with Disabilities. However, despite these commitments, progress remained slow. Education and job generation remained key areas for intervention (Schelzig, 2005).

The PWD Fed and their supporters had been key stakeholders in the lobby and implementation of the aforementioned policies. PWD Fed had been particularly active in serving as the representative body of PWDs in the enactment, implementation and expansion of coverage of the GAA PWD procurement policy.

PWD Fed had described government as an unreliable market. Among others, it had fallen victim to efforts of the DepEd officials to depress the procurement price of school chairs. As it entered a stage of renewal to play a bigger role in PWD empowerment in the Philippines, it was looking to the diversification of products and markets as well as job placement and self-employment through microenterprise development. Internally, PWD Fed was faced with governance and management

challenges, foremost of which was resolving the tension between the demands of the market for enterprise efficiency and the pursuit of PWD empowerment.

## 5.2. Pre-Initiation (1993-1997) to Initiation Stages (1998-1999): Birth of PWD Owned and Managed Venture

The National Federation of Cooperatives of Persons with Disability (PWD Fed) grew out of an initial venture for school chair production supported by the Christoffel Blinden Mission (CBM) from 1993-1997. CBM was a German development agency supporting the rehabilitation of PWDs in countries in the South. The venture involved nongovernment organizations running sheltered workshops of PWDs, PWD associations, and what was then the only existing PWD cooperative in the country.

The groups involved were the following:

- Northern Luzon Association for the Disabled (NLAD)
- Samahang Ikauunlad ng mga may Kapansanan Ating Palawakin<sup>48</sup> (SIKAP)
- Philippine Foundation for the Rehabilitation of the Disabled (PFRD)
- Atlas Mining Community Handicapped Association<sup>49</sup> (AMCHA)
- Bigay Buhay Multi-purpose Cooperative (BBMC)<sup>50</sup>
- Father Rafael Desmed Multi Purpose Cooperative<sup>51</sup> (FARAD MPC)
- Lingkod Banahaw in Candelaria<sup>52</sup>, Quezon

Mr. Peter Hammerle, a German technical consultant sent by CBM to assist PWD initiatives in the country, was a carpenter by profession. Starting with NLAD, he proposed the venture into furniture production using steel and wood materials.

From an initial order of 25 armchairs in August 1993 by one of the NLAD's Board of Directors, Fr. John Pardon, contracts became bigger as other private schools

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<sup>48</sup> 'Organization for Encouraging the Progress of Persons with Disability', a group of PWDs in Pasig City within the National Capital Region

<sup>49</sup> This was composed of workers in the mining company, Atlas, who acquired their disability in the performance of their work as miners.

<sup>50</sup> Bigay Buhay means Giver of Life. BBMC was the first PWD cooperative in the country and became the formal holder and manager of the school chair project immediately before PWD Fed was set up. It was the only member of PWD Fed that was composed of college graduates. After the founding of PWD Fed, BBMC became inactive after a plan for it to continue to serve as secretariat of the school chair project did not push through. It formally left PWD Fed in 2009.

<sup>51</sup> This cooperative was named after a Congregation of the Immaculate Conception of Mary (CICM) priest, Father Desmed, who served as an inspiration for the group to become a cooperative. FARAD MPC founding members came from the ranks of the sheltered workshops of NLAD. NLAD stopped operations a few years later.

<sup>52</sup> This was an informal group of PWDs living in Quezon province where Mt. Banahaw, believed to be sacred by local folk, is located. Lingkod means service.

and the Department of Education (DepEd) came into the picture. In July 1994, the DepEd national office placed a trial order after Hammerle and Mr. Johnny Lantion (then a PWD worker in NLAD's sheltered workshop) met with the Secretary of Education. DepEd promised to buy more if production could be duplicated in other parts of the country.

As the DepEd contracts came in management of the school chair venture, that was increasingly involving PWDs in multiple sites, changed from NLAD (1993-1994) to PFRD (1995) then to BBMC (1996-1997). The DepEd orders reached 11,000 armchairs worth PhP 5 million in 1996, followed by two successive orders worth PhP 5 million and PhP 500,000 by 1997.

From the start, Hammerle believed that the best set-up for the venture was through cooperatives of PWDs. At that time, the only existing PWD cooperative in the country, set up in 1991, was BBMC.

Serving as Project Coordinator until 1998 with the support of CBM, Hammerle encouraged informal PWD groups and PWD associations to become cooperatives as they were trained and got involved in the school chair project through a community-based rehabilitation approach. SIKAP became SIKAP MPC in 1995; FARAD MPC was set up by the PWDs involved in the sheltered workshop of NLAD in 1996, AMCHA became AMCHA MPC in 1998, and Lingkod Banahaw Multi-purpose Cooperative (LBMC) was set up in 1998.

By 1996, the groups involved in the DepEd contract of 11,000 chairs, namely FARAD, AMCHA, SIKAP, and BBMC decided and started planning, to set up and register a cooperative federation. The National Federation of Cooperatives of Persons with Disability (PWD Fed) was officially registered with the Cooperative Development Authority (CDA) on July 10, 1998 with these four cooperatives, together with LBMC, as founders.<sup>53</sup> The PWD Fed assumed responsibility for the school chair project, its funds and collectibles. Mr. Johnny Lantion<sup>54</sup> became its founding General Manager, a position he occupied until mid-2009. Hammerle, whose role shifted from Project Coordinator to Consultant observed:

“During the period 1998-1999, the federation had full ownership and responsibility over the growing school chair project and the member primary cooperatives were in the hands of PWD members and officers. I would say that almost all of the PWDs who became involved in the setting up of the PWD Fed were poor. About 70% were unemployed and started getting employed only through the cooperative venture. The other 30% were only a little better off - they had regular income but were still below the poverty line”. (Hammerle, 2011)

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<sup>53</sup> The Association of Differently Abled Persons Multi Purpose Cooperative (ADAP MPC) was also a founding member but was not involved in the school chair project at that time.

<sup>54</sup> Mr Johnny Lantion unexpectedly passed away due to an illness in December 2009 before the researcher was able to interview him for this case.

The Pre-Membership Education Seminars, a pre-requisite to cooperative establishment, served as venues to orient members about their rights and responsibilities as owner-workers. The capital contributions also formalized the members as owners of the cooperatives and of the projects undertaken by the cooperatives, and by extension, by the PWD Fed. However, Peter Hammerle noted:

“Given that the PWDs didn’t have access to funds, what usually happened was that capital build-up was made possible through deductions from earnings members made in the school chair project”. (Hammerle, 2011)

Even as the federation was still being set up in 1997, the cooperatives and PWD advocates realized the importance of lobbying to institutionalize a special provision in the General Appropriations Act (GAA) of the Philippines to allocate 10 percent of DepEd’s school chair budget to cooperatives of PWDs. The provision was included for the first time in the 1998 budget of the DepEd. With the PWD Fed set up by 1998, lobbying to ensure the continuous insertion of the provision became part of its regular agenda. In 1999, PWD Fed received their first contract from DepEd implementing the GAA 10% special provision. The contract was worth over PhP 7 million pesos.

Given the DepEd market, the PWD Fed was poised to expand the federation’s school chair venture to give employment to more PWDs.

### 5.3. Development Stage (2000-mid 2009): Venture Expansion and Strengthening of Primary Cooperative Members

From 2000-2003, the DepEd awarded a number of contracts to the PWD Fed, with some implemented regionally. Some primary cooperatives also successfully got contracts from private institutions.

From the 2003 DepEd budget, PWD Fed was not awarded a contract. All DepEd contracts for PWDs were given at the regional level. All participating cooperatives at the regional level reported substantial losses for 2003, almost causing their bankruptcy. This experience showed the vulnerability of PWD cooperatives in dealing with the DepEd as market. This vulnerability was most apparent when DepEd officials with vested interests would push contract prices too low and PWD cooperative leaders would wittingly or unwittingly accept the very low prices just to give PWDs employment. The experience also showed the importance of PWD Fed in representing the interest of PWD cooperatives in transparent negotiations with the DepEd at the national level.



In 2004, the PWD Fed successfully negotiated a contract of PhP 48 million for 71,532 chairs, coming from the Dep Ed's budget, enacted in 2004-2005. In 2007, the PWD Fed won another contract worth PhP 90 million; in 2008, PhP 90 million; and in 2009, PhP 78 million.

The scaling up of DepEd contracts, reaching PhP 90 million and PhP 78 million during the period 2006-2009 required a more sophisticated production and delivery system. The contracts entailed a nationwide delivery system to schools including those located in remote areas. PWD Fed management rose to the occasion and introduced a change in system from producing complete chairs (complete chair production) to the production of components (component production) for assembly at the schools. The first contract was at PhP 780 per armchair. The second contract was at PhP1000 per armchair. Given the high price of steel materials, 4 types of chairs from all-wood to a combination of steel and wood designs for elementary and secondary schools were developed. Component production involving four types of design made logistics complex.

With the increasing market for school chairs at the national level, PWD Fed expanded its membership base of primary cooperatives. This was initially made possible with the support of CBM with an average of PhP 1.5 million per year organizational subsidy to the PWD Fed. Part of CBM's support came in the form of supporting two additional staff in 2000-2003 to focus on lobby work to strengthen the legal framework for government's affirmative action for PWDs. The effort was towards a Magna Carta for PWDs, a law enacted in 2002. Later, the Canadian Cooperative Association (CCA) gave PWD Fed a grant of PhP 18 million for 2007-2009 to finance capacity building of member cooperatives. This covered the hiring of external consultants to develop and undertake training needs analysis, module and manual development. It also covered the conduct of trainings in cooperative and financial management as well as leadership development and organizational strengthening.

Hammerle credited the PWD Fed's school chair project for paving the way to the organization of new PWD cooperatives.

“There were no ready-made organizations of PWDs when we set up satellite production sites in various parts of the country for the school chair project. So we focused on setting up PWD cooperatives in strategic places where there were groups of PWDs who were willing to join the project and become members of cooperatives, and where local government units showed willingness to support the initiative. Almost all, 10 to be exact, of the new PWD cooperatives who became members were federation-initiated”. (Hammerle, 2011)

Hammerle recalled the initial process of organizing and capacity development especially during the initial years when the federation budget for such was limited:

“In the beginning, there was not much money for organizing new cooperatives. During 2000-2003, maybe the whole budget for organizing and capacity development was only about PhP 2 million for the whole period. What usually happened was Johnny<sup>55</sup> and I would go to a new area to give technical training for the school chair production project for about three weeks. We would get the assistance of the Cooperatives Development Authority to provide the Pre-Membership Education Seminar. This was followed by an exposure visit of a promising leader of the new group to an existing cooperative for a week or two. Sometimes, members or leaders of existing PWD cooperatives would volunteer to be temporarily based in a new area for two to three months. Sometimes, they volunteered to transfer permanently like what happened with those who moved from Baguio City to Davao”.<sup>56</sup> (Hammerle, 2011)

PWD Fed’s 2003-2008 strategic plan gave attention to expanding the school chair venture to provide more employment to PWDs. It also gave more importance to support the development of strong primary cooperatives of PWDs. This helped not only to strengthen newly formed cooperatives but also the older ones that started to expand their membership.

PWD Fed management staff Mayta Banday and Loi Maguigad, who were PWDs themselves, explained the impact of their program to develop strong primary cooperatives of PWDs that was put in place by 2004:

“Most PWDs who become members of our primary cooperatives are poor and unemployed, with no college education. In fact, most would just have elementary schooling with only a few reaching high school. At the first instance, they become members and just want employment. It is over time, after going through pre-membership education seminars and organizational development courses on the leadership and governance of cooperatives, that leaders and active members emerge. You can see marked changes in our member cooperatives after we started to provide these kinds of capacity building efforts at the primary cooperative level. Before 2004, when only one or two leaders per cooperative had the opportunity to undergo trainings we initiated in Manila and were exposed to other cooperatives, there was a strong tendency for new cooperatives to become one-man shows. When we started to give more attention to trainings conducted at the level of the primary cooperatives, a significant percentage of the members started to speak up and act to change their situation – and a big improvement in their leadership and governance system became evident. A case in point is the Mapalad

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<sup>55</sup> Johnny Lantion, the General Manager of PWD Fed

<sup>56</sup> Baguio City is located in the northern part of the country while Davao is in the southern part of the country.

MPC<sup>57</sup>. When we visited the cooperative in 2000, members were very passive and it was a one-man show. Now, after the series of trainings we conducted at the primary level, you can really tell the difference”. (Maguigad and Banday, 2010)

With more dynamic leaders and pro-active members, the primary cooperatives also started to address the rights and welfare of PWDs in their communities. The more advanced cooperatives started to diversify their enterprise projects. They started to gain the recognition of their communities as role models. With their improved self-image and self-esteem, some PWDs even started to run for public office.

The program to strengthen primary cooperatives and develop leaders among their ranks created the conditions for the shift to a new governance and management system in mid-2009. This signaled what may be considered a renewal stage for PWD Fed.

#### 5.4. Renewal Stage (mid 2009 – onwards)

Since initiation, the governance and management system of PWD Fed may be characterized as one where elected representatives of primary cooperative members made policies and agreed on general directions of PWD Fed during the Board of Directors meetings. A strong management team led by a full time PWD General Manager complemented this. Management staff described the PWD General Manager then as exerting a strong influence in the Board. They recounted that the General Manager usually initiated plans, proposals and recommendations for discussion and decision at the level of the Board and the Assembly.

A more pro-active Board that was directly involved in executive management characterized the shift in governance and management system by mid-2009. The Board did not only make policies and agree on general directions when they were convened in periodic meetings, but members also actively participated in developing plans, proposals and recommendations for consideration by the Board as a collective body. At first, the Board appointed one of its own members, the Vice Chair of PWD Fed and Manager of One Primary Cooperative, as part time Board Officer in Charge with no full time General Manager. This move to appoint a Board Officer in Charge was initially in response to the departure of the founding General Manager to take on a consultant position under CBM to assist PWDs in Paraguay. But even as they had already appointed a full time General Manager, the pro-activity of the Board in executive management and in preparatory activities to policy and decision making sessions remained.

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<sup>57</sup> The Mapalad MPC is featured in Box 5.2. of this Chapter

Under this system, 2009 ushered many changes for PWD Fed. After completion of the DepEd contract of PhP 78 million, a debate between the merits and demerits of ‘complete chair’ and ‘component production’ brewed among the officers and members. In September 2009, the PWD Fed’s production facility and office was also severely affected by the unprecedented flooding that devastated Metro Manila. A decision to close the production facility of the PWD Fed was made. The PWD Fed office was moved to a smaller place in a residential area.

In early 2010, the PWD Fed focused its attention on capacity and systems development for its Management Committee. As they underwent internal consolidation in early 2010, the PWD Fed made a decision not to accept a national contract for school chairs from the DepEd. The Dep Ed wanted to lower the procurement price from PhP 1000 per school chair to PhP 800 per school chair. In addition to increased costs of raw materials, there was also the factor of increased delivery costs as the contract was for 60 chairs per school compared to 170 chairs per school in the PWD Fed proposal. The price offered per school chair could no longer adequately cover operating and other costs of production. Hence, the terms being proposed by DepEd would no longer make the national contract feasible. Negotiations resulted to a PhP 13 million contract covering two regions only: Region 6 and Region 7.

In November 2010, an additional contract was favorably negotiated in the amount of PhP 72 million. After a spirited debate and discussion, the Board and membership of the PWD Fed decided to shift systems back to producing complete chairs at the primary cooperative level only. Component production was eliminated. This resulted in a drastic decrease in productivity, relative to 2006-2009 when the PWD Fed experimented with component production. The PWD Fed Board and members seemed to accept the trade off in terms of a level of decrease in productivity in favor of giving member cooperatives full responsibility and power over the production of complete chairs.

It was also in 2009 that a process of developing a 5-year strategic plan covering 2010-2014 was initiated. Management staff noted the change in strategic planning practice

“Although the 1998-2001 as well as the 2003-2008 plans were crafted with the participation of the management staff and the approval of the Board of Directors, our General Manager then played the most critical role of drafting it with the assistance of external consultants. With the strengthening of the primary cooperatives, the level of participation of a much bigger number of PWDs was evident in the process of developing the 2010-2014 PWD Fed strategic plan in 2009. This time, the 2010-2014 plan was a product of a 1-year process involving the membership of the cooperatives at the primary level,

aided by the management staff, the Board of Directors, and consultants”. (Maguigad and Banday, 2010)

The strategic plan considered the market/enterprise conditions on one hand and organizational realities on the other. For one, it was recognized that the quality and efficiency of school chair production to meet nationwide orders could happen only with strong leadership and organization of their primary cooperative members. At the same time, it was also recognized that the Dep Ed was an unreliable market for PWD products, and the school chair production and other nationally initiated enterprise projects were not enough to provide for the employment needs of PWDs. Hence, there was a strong need to build self-propelling primary cooperatives, with the PWD Fed continuing to act as a promoter of economic empowerment and inclusion of PWDs nationwide.

The overall objective of the resulting strategic plan was to “expand the coverage and further promote economic empowerment and inclusion of people with disabilities in Philippine society, including women”. It featured the following (NFCPWD 5 Year Plan, 2010-2014):

- Expansion of its strategies from purely building cooperative-owned enterprise ventures to providing employment to PWDs through training and networking/job placement;
- Starting a savings and credit program to encourage and support PWDs interested to set up their own livelihood/enterprise ventures; and
- Diversifying its enterprise ventures in terms of products and markets, with a focus on venturing into those that would encourage membership of women PWDs (e.g. organic lettuce production, prosthesis, accessible tourism), and going beyond DepEd contracts (e.g. securing contracts from local governments and expanding to private institutions).

Towards assisting the process of making the 2010-2014 strategic plan a reality, Peter Hammerle, other abled persons supporting PWDs, and a sub-group within the Federation that they referred to as empowered PWDs organized a new foundation – the Foundation for TheseAble Persons Inc. The PWD Fed was represented in the Board of the new foundation. Peter Hammerle, who was the foundation’s executive director, explained:

“There is value to able-bodied persons helping PWDs – and that has happened through consultants like myself who have supported the PWD Fed through the years. This new foundation is an effort to systematize the assistance that able-

bodied persons and empowered PWDs can do to help the PWD Fed". (Hammerle, 2010)

## 5.5. Financial and Social Outcomes

### 5.5.1. Financial Outcomes

The school chair project of the PWD Fed generated economic impact at several levels: for the PWDs, the cooperatives, and the federation itself.

In 2004<sup>58</sup> and 2007, when the federation received contracts from DepEd, the cooperatives earned about PhP 5 million and PhP 8.4 million, respectively. For the aforementioned contract in 2004, PhP 7 million was earned by the PWDs as direct labor. For the 2007 to 2009 period, the school chair contracts provided PhP 12-16 million in terms of salaries of PWDs and officers, with 650 PWDs directly employed and another 500 employed by programs and activities of member cooperatives.

The federation's share from the project came via three sources: a share per school chair produced to cover contract management expenses (amounting to PhP 35 per chair in 2007), a 2% share of the cooperatives' income, and interest earned on loans to cooperatives for production capital.

In 2004, management fees for the school chair project totaled PhP 2.5 million, covering the 10% GAA allocation for DepEd's 2002 budget. For 2007, the estimated revenue from management expenses was PhP 4.2 million or about 5 percent of the PhP 90 million contract. The share from the cooperatives' income was estimated at PhP 2.016 million, while the interest earnings were estimated at PhP 649,002 (Pelejo, 2009).<sup>59</sup>

For the DepEd's budget for 2003, the bidding of contracts for school furniture was done regionally. In effect, the 10 percent budget allocation to cooperatives of PWDs for the production of school furniture was not awarded to the PWD Fed but to PWD cooperatives in some regions. All participating cooperatives at the regional level however reported substantial losses for 2003, almost causing their bankruptcy. The 10% GAA allocation for 2004 on the other hand was not implemented. Hence, neither the cooperatives nor the federation earned during these years.

The PWD Fed suffered from low liquidity every year despite the revenues earned from the management fees and interest on loans from the school chair project. The shortfalls in the federation's advocacy activities to promote the welfare of PWDs through institutional and capacity building activities were funded by CBM grants. From 2002 to 2006, these totaled PhP 13,548,471, for an average of PhP 2.71 million

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<sup>58</sup> DepEd's 2002 budget for school furniture was enacted towards the end of 2004 up to early 2005.

<sup>59</sup> Financial statements were not available.

per year. The trend in funding from CBM over the five-year period is shown in Figure 5.1.

Starting 2006, CBM went beyond giving the federation a subsidy to making a loan available to the federation to finance the manufacturing of its school chair business. In 2006, CBM's loan to the PWD Fed was PhP 60 million, followed by PhP 40 million, then PhP 20 million. All these loans had been repaid.

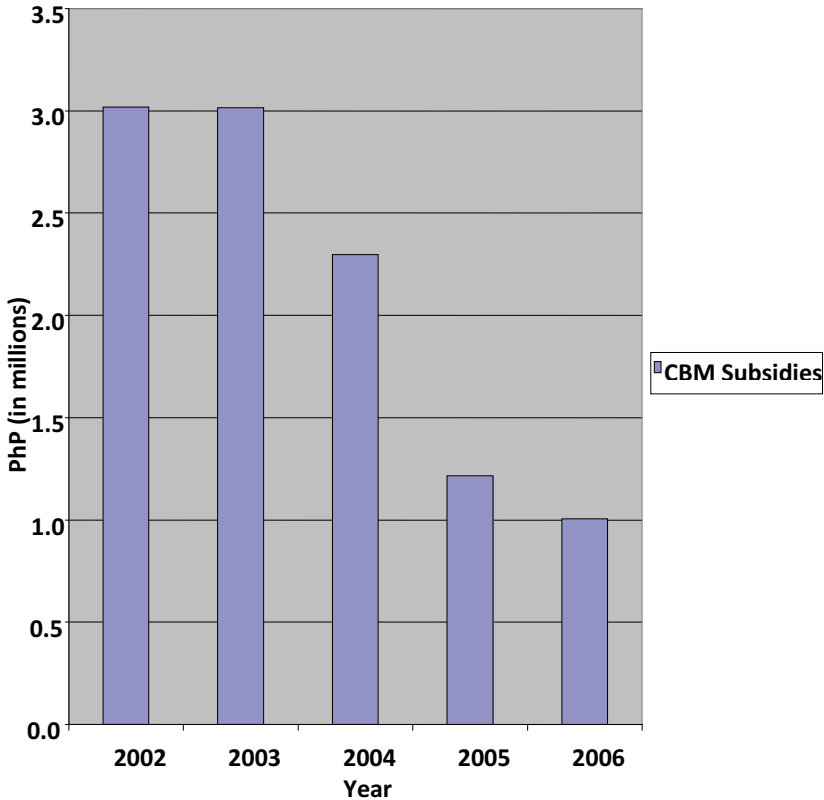


Figure 5.1. CBM Subsidy to NFCPWD from 2002 to 2006.  
Source: Pelejo, M. Unpublished working paper for SROI case. 2009.

The Canadian Cooperative Association (CCA) also provided a PhP 18 million grant for 2007-2009 to finance capacity building of member cooperatives. Rabo Bank

provided a PhP 30 million loan as working capital and to improve the financial accounting system.

### 5.5.2. Social Outcomes

The membership of the PWD Fed, through 15 primary cooperatives, was estimated at 1,250 PWDs nationwide.

A 2009 study commissioned by Oikocredit International to determine the social impact of the PWD Fed's school chair project identified three common issues that member primary cooperatives of the PWD Fed were confronted with (Pelejo, 2009):

- The poverty of its members;
- The problem of finding gainful employment due to the member's disability; and
- The lack of self-esteem as a result of their physical and economic dependence.

The level of poverty among many PWDs involved prior to the school chair project was characterized by Hammerle:

“A usual story I would hear from participating PWDs is that before they joined, they worried whether they would have a meal. With the school chair project, they were assured three meals a day”. (Hammerle, 2011)

This is also exemplified in Box 5.2., that describes the Mapalad MPC experience. Direct testimonies during focus group discussions and key informant interviews with the officers and members of three primary cooperative members of the PWD Fed namely the Association of Disabled Persons Inc Multi Purpose Cooperative (ADPI-MPC), Nueva Ecija Association of Persons with Disability Multipurpose Cooperative (NEAPWD-MPC) and SIKAP-MPC, revealed:

“...Perceived as lacking the capacity for productive activity.... PWDs often endured ridicule, deprivation and discrimination.... and suffered from low self worth. Often viewed by their family, their neighbors, and their community as a whole as ‘useless’ or ‘burdens’, these PWDs tended to wallow in self-pity, leading them to isolate themselves from friends and neighbors.... when they were not yet employed, family members looked down on them. Their financial dependence prohibited them from participating in decision-making in the family”. (Pelejo, 2009)



### **Box 5.2. Mapalad MPC: A PWD Fed Member's Story**

Cristopher Dulay, manager of the Mapalad MPC recounted that they were first organized into an association with the help of the Department of Social Work and Development (DSWD) and then transformed into a cooperative in 2002. Projects ventured into included making of cassava pie and banana chips but they failed. Dulay recalled, "We got involved in the PWD Fed's school chair project in 2002 but it wasn't until 2004 that we received trainings, were reorganized and became a member of the PWD Fed. I became a member in 2004 and eventually became manager. I am a college graduate and took commerce but before I joined the cooperative, I was driving a passenger jeepney to make a living. My mother is a vegetable vendor and my father a retired policeman. We have more than 50 members and 31 are active – I would say that of the 31, 70% are poor with many just reaching elementary or at most high school. In fact, apart from myself, there is only 1 other college graduate. The school chair project has provided a good source of livelihood for PWDs here. Without the school chair project, our members would make about PhP 200-300/week from planting vegetables, wall decoration and furniture making. With the school chair project, our members get PhP 800-PhP 2,900/week over a period of 6-8 months of the year. Considering that an agricultural worker here gets a salary of PhP 150/day during harvest season, the employment from the school chair project really makes a big difference. Of the 31 members of Mapalad MPC who are active, about 14 belonging to the age range of 20-47, or half, feel and act as full fledged cooperative members while the rest belonging to the age range of 21-67 just have a worker mentality. I believe a large part of it has to do with their level of education". (Dulay, 2010)

A survey involving 66 PWD member respondents, that was part of the same impact study, revealed the following (Pelejo, 2009):

- 91% of the PWDs said their self-esteem increased and they socialized more after joining the cooperative's school chair project;
- 64% of the PWDs said they earned more; and
- 23% of the PWDs were able to send their children to school or to provide for their children's school allowance

The social return on investment (SROI) calculations based on the same study showed that for every peso invested during the period 2003-2007, PhP 22 was realized. Of the total number of PWD members, 398 PWDs from 12 cooperatives and satellite groups were involved in the school chair project. The same SROI study showed that on average, the annual income of PWDs participating in the project increased from PhP 30,323/year to PhP 54,467/year. Among some of the PWDs, involvement in the school chair projects was their only source of income. (Pelejo, 2009)

Ironically, given the terms being offered by the DepEd for the school chair project in 2010, this same study showed that the government (i.e. DepEd) was disproportionately benefitting from buying relatively cheaper and more durable chairs from PWD Fed. It was estimated that the DepEd was generating savings at PhP 450 per chair (vis-à-vis the budget allocation), or PhP 54 million on the 2007 contract alone.

The overall results of the Oikocredit-commissioned impact study based on the focus group discussions, key informant interviews, and the survey, were synthesized by Pelejo (2009) this way:

“PWDs had already become catalysts of transformation. Work not only empowered PWDs economically, allowing them to earn a decent income and support their family, but also transformed them from within. Their self-worth increased. As a result, they opened up and learned to integrate into the social network of their families, their neighborhood, and the larger community. They became self-reliant. In addition, they became sources of inspiration for both PWDs, and non-PWDs in their communities. Gradually, the communities where the cooperatives of PWDs were present also changed their perception of PWDs”.

An important insight from the PWD Fed story of empowerment, consistent with Peter Hammerle’s observation, is that the individual PWDs went through different paces of development, depending on their own starting points and motivations. However, the cooperative framework allowed a critical mass of the best and most advanced in terms of personal development to assume leadership and conscious owner-worker and owner-decision maker roles.

Rodolfo Mendoza, manager of the member cooperative (NEAPWD-MPC) in Nueva Ecija, affirmed such differentiation in terms of perception and roles among their cooperative members. “Of the 45 PWDs involved in the school chair project, 40% are there just to work but the bigger percentage, about 60%, have already developed the awareness of being members and owners”. (Mendoza, 2010)

Acquilles Bayano, Vice Chair of the Board of Directors of the PWD Fed member in Agusan del Sur, Mindanao called the San Francisco Association of Differently Able Persons Multi Purpose Cooperative (SAFRA-ADAP MPC), gave a brighter picture: “Of the 45 members who are active, 10% are at that stage where they still just feel they are workers. This 10% are those who are new, and haven’t really been given orientation given the limited time that they have been members. When they attend meetings, they just listen and still don’t take the initiative. The majority or the other 90% are aware and act like worker-owners”. (Bayano, 2010)

In the same way that individual PWD members of primary cooperatives had gone through a process of empowerment at different paces, PWD member cooperatives, as vehicles for PWD empowerment may also be characterized as having gone through such process at different paces. After twelve years (1998-2010) of organizing and assisting PWD cooperatives development, Hammerle noted that the PWD Fed members might be categorized according to at least four levels of development (Hammerle, 2011):

- Level 1: The cooperative would be relatively new and simply driven by the need to earn income. They had little technical and organizational skills. They were faced with issues of quality, organization, management and decision-making. They had little access to funds.
- Level 2: The cooperative would already be capable of managing their participation in the school chair project. They had reached a level of efficiency. They had developed ways of solving problems and decision making in a manner where no one member was dominating.
- Level 3: The cooperative would already be looking for other programs to complement the school chair project. Individual members had reached a level of self-confidence, personality development and acquired management, technical, and other skills. Their main challenge was how to integrate and develop new members into what had become a cohesive organization comprising of the older members.
- Level 4: The cooperative would be implementing multiple programs, with the school chair project as just one. They would have a strong leadership and would have developed links with a broad range of government, non-government and even business organizations who could provide support to their many initiatives for PWDs

Hammerle expressed that among the active members of PWD Fed, he would classify two of the cooperatives in Level 4; four of the cooperatives in Level 3; five of the cooperatives in Level 2; and three of the cooperatives in Level 1. He considered SAFRA-ADAP MPC to be in Level 4; NEAPWD-MPC to be in Level 3 and Mapalad MPC to be in Level 2. Explaining why SAFRA-ADAP MPC was already in Level 4, he explained that they were very active not only in the school chair project but were implementing multiple programs including assisting their members to get involved in developing other sources of livelihood with the assistance of TESDA, DOST<sup>60</sup> and local businesses in their area. They were also involved in community programs such as reforestation to ensure their participation in assuring sustainable sources of raw materials. Above all, they had already gained the recognition and support of the municipal government (Hammerle, 2011).

Levels 1 and 2 may be characterized as development phases where the cooperatives were serving mainly as vehicles for employment. Levels 3 and 4 already manifested development phases where the cooperatives were serving as vehicles not only for employment but more so for PWD holistic empowerment. Using Hammerle's assessment by 2011, 43% of the members of PWD Fed may be characterized as

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<sup>60</sup> TESDA stands for the Technical Education and Skills Authority, a government agency mandated to provide vocational training while DOST stands for Department of Science and Technology mandated to develop technologies for commercialization.

having reached the stage of being ‘cooperatives for empowerment’ while 57% may be characterized as being at the stage of ‘cooperatives for employment’.

## 5.6. The PWD Fed and Social Entrepreneurship

### 5.6.1. PWD Fed as SEPPS

PWD Fed manifests the characteristics of a SEPPS as defined in Section 2.5.

Firstly, its main reason for being is the social inclusion and economic empowerment of PWDs, its primary stakeholders among the poor. A majority of these PWDs were unemployed before their engagement with PWD Fed. The positive social outcomes that the PWD Fed has had on its PWD members were shown in Section 5.5.2.

Secondly, it creates wealth through enterprise projects like the manufacture and sale of school chairs where it engages PWD cooperatives and its members as work teams. The wealth it creates partly supports the Federation’s services in organizing cooperatives as vehicles for PWD employment and empowerment.

Thirdly, it serves as a mechanism for distributing the economic and social benefits generated by its enterprise and other projects to PWDs as worker-owners and as members in a cooperative federation set up.

### 5.6.2. SEPPS in a Developing Country Context

The PWD Fed story provides another narrative, like the Alter Trade and Upland Marketing cases, of a social enterprise with the poor as primary stakeholders (SEPPS) in a societal context that is quite different from the U.S. and Europe: a social context of massive poverty and under-development where state and market institutions have been unable to respond to the needs of the poor majority. The case of Alter Trade showed how the state only enacted a minor but critical legitimizing role in agrarian reform, with civil society actors in the Philippines and countries in the North serving as enabling stakeholders for the sugar farmers and banana growers to participate in a system of ‘fair trade’ or ‘people-to-people trade’. In the Upland Marketing case, the disabling role of corporations as market channels was demonstrated, even as civil society stakeholders in the Philippines and in the North worked together to assist small producers gain access to the urban consumer market through these corporate channels.

The PWD Fed case, while again showing the role of enabling stakeholders from civil society in the Philippines and countries in the North provides an interesting case of government as a major stakeholder, but showed its dual character of being both an

enabler and a disabler. PWD Fed provided a combination of transactional and transformational services to enable members to serve as cooperatives for PWD employment and empowerment. The PWD Fed has played a key role as representative of the sector in lobbying for enabling legislation and pushing affirmative action in favor of PWDs. Despite a level of success in changing the policy environment in favor of PWDs, a huge policy-action gap continues to exist. As explained in Sections 5.3 and 5.4, PWD Fed's own assessment is that government was an unreliable market. Implementing rules and practices to what should be enabling legislation had created hurdles if they did not work directly against PWD cooperatives. Section 5.5.2 also showed how government (or individual government officials) may have disproportionately benefited from lowering the buying price of school chairs bought from PWD Fed. Without abandoning efforts to close the huge gap between state policy and action, the PWD Fed had put in place for 2010-2014, a three-pronged strategy of training and job placement, micro-enterprise development, and product/market diversification towards broadening PWD coverage for employment and livelihood.

### 5.6.3. SEPPS and Social Entrepreneurship

The PWD Fed narrative resonates with the social economy school of social entrepreneurship. At first glance, it may be likened to a work integration social enterprise or WISE, a dominant type of social enterprise studied by scholars of the social economy school in Europe (Nyssens, 2006). As a response to structural unemployment, "the main objective of WISEs is to help low-qualified unemployed people, who are at risk of permanent exclusion from the labour market. WISEs integrate these people into work and society through a productive activity". (Defourny and Nyssens, 2008, pp. 207-208; 2010, p. 37).

The PWD Fed case enriches the discussion on WISE in Asia as it tackles poverty, social inclusion, and empowerment of PWDs applying a multidimensional perspective and Sen's (1999, 2009) capability approach. It goes beyond the features of what Chan and Sit (2009) called the social cooperative model observed among WISE in Hong Kong that provides self-employment to target groups. The case overcomes what Bidet (2009) considers a limited WISE framework that tends to tackle poverty with only a monetary dimension, a perspective he noted as widely utilized in South Korea.

The PWD Fed case resonates with the:

"... few categories of WISE (that) encourage and concretely implement the participation of workers and/or users in the decision-making process of the enterprise.... (such as) the various types of Finnish WISE, work integration

enterprises in Belgium subscribing to the SOLID'R Charter, social cooperatives in Sweden and community businesses and worker cooperatives in the UK.... In most other types of WISE, the degree of participation of workers varies, but is generally very limited". (Davister et al., 2004, p. 21)

The PWD Fed story provides a case that shows how a social enterprise providing alternative medium to long-term employment for persons with disability could develop the practice of democratic principles espoused in the social economy. The PWD Fed case shows that with a combination of transactional and transformational services, persons with disability could be enabled to govern and manage their own enterprise ventures and cooperatives. However, the PWD Fed faces real challenges in terms of governance and management (refer to Table 5.2.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of PWD Fed). In a sense, these are similar to what Spear et al., (2010) found to be the challenges faced by social enterprises in the United Kingdom in general and 'mutual social enterprises' like cooperatives in particular as discussed in Chapter 1. Of particular relevance is their conclusion about the governance challenges of "finding and developing board members with the necessary business, financial and entrepreneurial skills and experience,... managing diverse stakeholder interests,... (and) balancing business decisions with the social mission". (Spear et al., 2010, p.198-199). Facing these challenges in an unfavorable socio-economic and political environment that is different from the United Kingdom and Europe merit due consideration.

It may be inadequate to characterize the PWD Fed as a WISE that integrates PWDs to work and society through productive activity. As SEPPS in a Southern country context, it may be better characterized as a self-help response, aided by civil society in the Philippines and countries in the North, to enable PWDs to engage state and market institutions for the social inclusion and empowerment of their sector.

As SEPPS, PWD Fed and Alter Trade share a common experience of actively engaging government and other stakeholders in working to change the context of failures of state and market institutions. This is manifested in terms of lobby and advocacy to enact or change state policy or to close the policy-action gap on agrarian reform (in the case of Alter Trade) and affirmative action for PWDs in government procurement (in the case of PWD Fed). This indicates a political dimension that may characterize SEPPS, noted by social entrepreneurship scholars (Nyssens, 2006; Martin and Osberg, 2007) as present in some social enterprises when there is an intent to change the unfavorable context in which they operate. This dimension is recognized by Nyssens (2006) as a distinct feature of social enterprises that sets them apart from traditional businesses.

## 5.7. The PWD Fed from a Stakeholder Perspective

### 5.7.1. Primary Stakeholders of PWD Fed

From a normative perspective (Donaldson and Preston, 1995), the primary stakeholders of the PWD Fed were the member cooperatives and their individual PWD members. As a self-help initiative using a cooperative as organizational framework, the PWDs, as individuals and as a group owned, governed, managed and served as workers of the PWD Fed. PWD Fed as a SEPPS had the primary objective of social inclusion and empowerment of PWDs and served as a mechanism for distributing social and economic benefits to PWDs.

### 5.7.2. Roles and Role Changes: Transactional and Transformational Roles

Utilizing Mintzberg's (2007) organizational stages, there were notable changes in the combination of roles that the PWDs and their primary cooperatives enacted over time.

At the initiation stage, PWDs were engaged as owner-workers of their respective primary cooperatives and the PWD Fed. Elected PWD leaders from among the ranks of the primary cooperatives became representatives to and comprised the PWD Fed Board. As representatives of the primary cooperatives, they were engaged as policy and decision makers of the PWD Fed through their participation in periodic Board meetings and annual General Assemblies. A strong PWD-led management team was put in place and enacted a proactive role in policy and decision-making as well as day-to-day management. At the initiation stage, the PWD Fed also served as representative of the PWD sector in continuing the lobby for the Department of Education to implement a 10% special allocation under the General Appropriations Act for PWD cooperatives to serve as suppliers of school chairs. The PWD Fed hired two part time consultants to assist them lobby not only for the implementation of this special provision but also to pursue other measures consistent with the Magna Carta for PWDs. The Magna Carta was passed in 1992 and has served as comprehensive basis for the PWD Fed to assert the rights and welfare of PWDs in the country, and engage government at the national and local level for affirmative action.

During the development stage, PWD Fed expanded nationwide by assisting the organization of ten more PWD primary cooperatives, whose individual members became owner-workers. By the end of the development stage, the active primary cooperative members numbered fourteen. These cooperatives manifested various stages of development: about half were observed to have reached a level of being

vehicles not only for PWD employment but also as vehicles for PWD empowerment in their respective communities. The latter became organizations actively working for the rights and welfare of PWDs, in the process expanding their respective stakeholder bases, and gaining the recognition of local governments. Leaders and members of these more developed cooperatives also became role models in their respective communities, with some elected to local government positions. The PWD Board and General Assembly continued to serve as venues where elected representatives of the primary cooperatives were engaged as policy and decision makers supported by a strong PWD-led management team.

During the renewal stage, officers and members of the primary cooperatives took a more pro-active role in the governance and management of the federation itself. Already evident during the first two years of the renewal stage (mid 2009-early 2011) was a higher degree of participation during strategic planning and preparatory stages to formal policy and decision-making processes at the level of the General Assembly and the Board. As Hammerle observed:

“With the representatives of the primary cooperatives and the Board taking a more pro-active role, plans, decisions, and actions of the PWD Fed have become more reflective of the collective sentiment and capacity of the PWD Fed members”. (Hammerle, 2011)

From the initiation to the renewal stages, the case provided a rich description of a combination of both transactional and transformational roles that the PWDs enacted. These roles included being:

- Owner-workers of the school chair venture (transactional role);
- Owner-decision makers of the school chair venture (transactional and transformational role);
- Empowered PWDs leading and managing cooperatives and the PWD Fed who were:
  - enabling other PWDs to become owner-workers and owner decision makers of their respective cooperatives (transformational role);
  - engaging various external groups to provide support and undertake affirmative action to uphold PWD rights and welfare (transformational role);
  - engaging government to enact enabling legislation and implement its commitment for affirmative action for PWDs (transformational role); and
- Empowered PWDs serving as role models and leaders in the broader community and beyond the PWD sector.



From the initiation to the renewal stages, the case also provided a rich description of the combination of transactional and transformational roles that the primary cooperatives enacted as ‘cooperatives for PWD employment’ and as ‘cooperatives for PWD empowerment’.

The combination of transactional and transformational roles enacted by the PWDs, as individuals and as a collective, may be characterized as efforts of the primary stakeholders, to simultaneously enact roles in what Harrison and St. John’s (1994; 1998) calls the three regions of PWD Fed’s stakeholder environment (internal, operational and broad regions) or to engage what Post et al., (2002a, 2002b) describe as the three broad categories of stakeholder groups (resource base, industry structure and socio-political). However, unlike the corporate context, such enactment of roles or stakeholder engagement processes are consciously geared towards increasing PWD Fed’s influence in these three regions or among these stakeholder categories to make the normative goal of poverty reduction among PWD’s possible. In this sense, the PWD Fed did not simply manage the groups in different regions of the stakeholder environment but engaged these groups to create an enabling stakeholder environment for poverty reduction among PWDs.

Table 5.2. traces the evolution of the roles of the PWDs across Mintzberg’s (2007) organizational stages of initiation, development and renewal of the PWD Fed.

Interestingly, role changes happened among individual PWDs and PWD primary cooperatives, as they became part of the PWD Fed over time. However, from initiation to renewal, there was an increasing segment of empowered PWDs from among the ranks of the primary cooperative members who engaged external stakeholders to make these role changes possible.

The roles and role changes experienced by the PWDs and PWD primary cooperatives may be likened to the experience of Alter Trade’s sugar farmer partners: as individuals and as groups, they started enacting transactional roles, then over time also enacted transformational roles. However, the enactment of transformational roles by a segment of PWDs and PWD primary cooperatives, as well as the PWD Fed itself, happened from initiation. In contrast, the enactment of transformational roles by a segment of the sugar farmer partners started to happen later, at the development stage, after going through an initiation stage where the sugar farmer partners, as individuals and as groups enacted only transactional roles.

### 5.7.3. Roots and Routes of Role Changes

Enabling institutions and individuals, a conscious strategy of empowering PWDs through the cooperative approach and sustained efforts in delivering a combination of transactional and transformational services to PWDs may be seen as contributing factors in the role changes enacted by PWDs in the social enterprise.

PWD Fed management staff Mayta Banday and Loi Maguigad explained:

“At the first instance, PWDs become members at the primary level to find work and thus come in with a worker mentality. But, as the PWD Fed and its cooperative members have shown, PWDs could be trained to own and manage their social enterprise, with a little help in terms of capacity building from support institutions in and out of government. The cooperative has been an expression of self-help in a situation where there were not many NGOs like Tahanang Walang Hagdanan and not many corporations like Hapee Toothpaste who were committed to employing PWDs.<sup>61</sup> Also, we have not come across any entrepreneurs or NGOs that have set up an enterprise to employ PWDs and later turned over ownership to PWDs. PWD cooperatives and the federation are a response to the reality that PWDs who number about 10% of the population need to be assisted and empowered”. (Banday and Maguigad, 2010)

Peter Hammerle expressed his belief that the “self owned and managed cooperative approach” is superior to other strategies such as sheltered workshops and NGO-managed enterprises employing PWDs:

“The cooperative set-up where PWDs are owner-members of the enterprise from the start allows a framework where value formation, leadership development and empowerment of PWDs can happen – a process of self and group selection takes place where the best among them form the core of leaders and managers of the cooperative. In a sheltered workshop and even in an NGO, at best the PWDs are employees – of course like in Tahanan, a number of them already occupy management positions, but they are still answerable not to themselves but to a Board that is composed of abled persons.” (Hammerle, 2010)

The German development agency, CBM had been the most consistent enabling institutional stakeholder in the PWD Fed story. What catalyzed the setting up of the PWD Fed was CBM’s belief and pursuit of a community-based rehabilitation initiative in the country. CBM sent Peter Hammerle who proposed and initially led the implementation of the school chair venture through PWD cooperatives. With only one PWD cooperative existing then, CBM supported the organization of PWD cooperatives during a pre-initiation stage together with a successful lobby effort to persuade government to procure 10% of their school chair needs through PWD cooperatives. This pre-initiation stage was what made possible the performance of

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<sup>61</sup> A case on Tahanang Walang Hagdanan is contained in Chapter 6. It is a foundation that among others, runs sheltered workshops for PWDs. Hapee Toothpaste is one of the few local companies that is known for assisting and hiring a significant percentage of its workers from among PWDs. The owner of the company has a child who is a PWD and is a known supporter of PWD causes.

both transactional and transformational roles by the founding PWD cooperatives as owner-workers and as owner-decision makers, and it also created the conditions for the emergence of an initial group of empowered PWDs, who served as PWD Board members, as leaders and managers of the founding cooperatives and as PWD Fed General Manager. Hammerle expressed:

“As the founding General Manager, a post he occupied until 2009, Johnny was the personification of an empowered PWD who rose from poverty and social exclusion, given the opportunities that the school chair venture and PWD Fed provided. When he left the PWD Fed in 2009, it was to take on a CBM consultancy assignment to in essence replicate the PWD Fed experience in another country, Paraguay”. (Hammerle, 2011)

PWD Fed General Manager Johnny Lantion, in tandem with CBM Consultant Peter Hammerle, became a strong pillar for the federation during its initiation and development stages.

In addition to loans for production, CBM and CCA jointly provided support for a more systematic leadership and organizational capacity development program among the member cooperatives and for the federation, and made the support of other institutions such as Rabo Bank (e.g. for financial management systems development and additional production loans) feasible.

Like in the Alter Trade story, a dedicated program and staffing were put in place to ensure the delivery of transformational services. These were beyond the transactional services that both organizations provided to their primary stakeholders to ensure that the latter were able to deliver the quality and volume requirements for their respective markets. Notably, the transformational services provided by both included leadership formation among the poor being served, capacity-building for the development of the organizations of the poor, enabling programs for income diversification that were not directly linked to the value chain for the enterprise's main product(s), and advocacy with the government for an enabling environment for their respective sectors. In a sense, the direct impact of the advocacy-related services in the case of PWD Fed had been more pronounced, relative to Alter Trade, as government itself undertook affirmative action to provide a market for PWD school chairs. In the case of Alter Trade, there were other actors who played a bigger role in agrarian reform advocacy, and Alter Trade's services filled the gap of government's inability to provide services to the sugar farmer-agrarian reform beneficiaries. However, services for income diversification had been more significant in the Alter Trade case. Most of the income diversification initiatives undertaken by the PWD primary cooperatives had so far been mainly products of their own initiatives, as they reached a higher level of development, and were still at the level of planning at the

level of PWD Fed. As embodiments of the empowerment of the poverty sectors concerned, PWD Fed and NOFTA, the newly organized federation of sugar producer-partners in the Alter Trade case, are comparable. In this sense, the two cases may be seen as representing two different routes to the empowerment of previously excluded poverty sectors.

Notwithstanding the issues and difficulties that had arisen, the Department of Education, and the Philippine government as a whole, comprised a major and critical enabling stakeholder, with the enactment and implementation, of the special provision in the GAA, allocating 10 percent of the DepEd school chair budget to cooperatives of PWDs. It must be noted however that the lobby efforts of the PWD Fed and its supporters to enact and implement the GAA special provision was a critical factor in the government taking affirmative action. This has been the same story for the Magna Carta for PWDs.

#### 5.7.4. Impact of Roles and Role Changes

At the time of this research, the PWD Fed had an aggregate membership of 1,250 PWDs in 15 primary cooperatives nationwide. Of this total, 650 PWDs were directly employed in the school chair enterprise, while programs and activities of the member cooperatives employed another 500.

The SROI study done in 2009 (Pelejo, 2009) noted that 64% of the PWDs surveyed said that they earned more with their participation in the enterprise, with average annual incomes increasing from PhP 30,323 to PhP 54,467 per year. What could be considered as the much bigger impact though, was the pronouncement by 91% of the PWDs surveyed that their self-esteem had increased, and they socialized more, after they joined the cooperative's school chair project.

Over time, the primary cooperatives showed greatly enhanced collective and individual (as exhibited by the leaders) capabilities to create 'actual opportunities' to improve their 'means of living' (Sen, 1999; 2009). From being owner-workers in the value chain for the school chairs, the primary cooperatives and their members (both within the primary cooperatives and indirectly in the PWD Fed) became more conscious of their role as owner-decision makers of the social enterprise(s) and grew to participate more pro-actively in the governance and management of the enterprise and the federation.

The primary cooperatives and the PWD Fed itself, as expressions of PWD empowerment, became strong organizational mechanisms for the PWD sector to engage the government to give more attention to the plight and solutions to problems of the PWD sector in the Philippines.

It could be said that the roles and role changes manifested by the PWDs created a high level of social impact on the PWDs, comparable to the level of social impact that

the roles and role changes of the sugar farmers had in the case of Alter Trade. Both Alter Trade and PWD Fed also showed the positive impact of empowered sugar producers and empowered PWD workers on the viability of their respective enterprises. However, the PWD Fed case demonstrates a more nuanced picture, showing how the role of empowered PWDs as owner–decision makers of the enterprise may negatively affect PWD productivity and enterprise efficiency. This presents a question of real trade-offs between the empowerment of primary stakeholders and social enterprise efficiency.

Leading scholars of stakeholder theory, in characterizing the state of the art posit that:

“A stakeholder approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs”. (Freeman, et al., 2010, p. 28)

The PWD Fed story could not be adequately understood using this conception of a stakeholder approach to business, suggesting the need for a framework that could better explain what is happening in a SEPPS exemplified by PWD Fed. Recognizing the trade-off between social and enterprise goals, and accepting that when trade-offs are made, they are made in favor of upholding the interests of the poor as primary stakeholders, seems to be a more appropriate way of characterizing a stakeholder approach for SEPPS. The PWD Fed case brings this issue to life. Who decides what is in favor of the primary stakeholders’ interests is an important concern, especially when the empowerment of the poor as owner-decision makers is a desired social enterprise outcome, as in the PWD Fed story.

In the case of Alter Trade, the synergy between enterprise viability and empowerment of the producer groups emerged as an important theme, with Alter Trade noting that their best producer groups were those who were most empowered. This theme also emerged during the development stage of the PWD Fed.

The renewal stage of the PWD Fed was characterized by the dominant role exercised by a greater number of empowered PWDs in governance and management within the PWD Fed itself. At this stage, the General Assembly and the Board of PWD Fed decided in favor of shifting from component production to the complete chair production system. In this sense, the empowered PWDs made a choice in favor of what they may perceive as a more empowering process of production at the level of primary cooperatives with an accepted trade-off in terms of productivity and efficiency of the PWD Fed’s school chair venture. In real terms, this has meant prolonging the completion of the contract for delivering the chairs to schools. As of June 2011, the PWD Fed had still to complete the PhP 77 million contract awarded to them in November 2010. Whether this is a positive or a negative development may be a matter of perspective and social acceptability among the stakeholders concerned. In

this sense, what may be useful is a stakeholder engagement framework that is similar to how such is conceived by scholars in public/environmental policy and natural resource management discussed in Chapter 1. Scholars of the stakeholder approach in these fields (Poindexter, 1995; De Lopez, 2001; Jamal and Eyre, 2003; Beutler, 2005) emphasize the need for larger normative goals, like poverty reduction among PWDs, to guide the process of stakeholder dialogue in resolving perceived trade-offs or conflicts of interest.

### 5.7.5. Stakeholder Engagement Strategy over Time

Using Mintzberg's (2007) theory on strategy formation, the intended and realized stakeholder engagement strategy of PWD Fed from the initiation to renewal stages has been one of empowerment. A realized empowerment strategy at the initiation stage was made possible by a 4-year pre-initiation stage. During this pre-initiation stage, CBM provided the transactional and transformational services to start the school chair venture while also organizing and developing most of the founding PWD cooperatives of the federation. During the initiation up to the renewal stages, the PWD Fed itself already provided the transactional and transformational services for the PWD primary cooperatives and their members. Empowered PWDs at the primary cooperative and federation level, with the support of enabling institutions and individuals, made this possible.

The PWD Fed case further demonstrates the inadequacy of Sloan's (2009) stakeholder engagement models of control and collaboration in explaining how the poor are engaged by social enterprises. It strengthens the need for evolving stakeholder engagement models that are more appropriate for social enterprises with the poor as primary stakeholders.

The stakeholder engagement strategy of empowerment, as jointly demonstrated by the way Alter Trade engaged its sugar farmer partners and the way PWD Fed engaged its PWD members may be characterized as having the following common features:

- *Managerial orientation towards the poor:* poor as transactional and transformational stakeholders
- *Key engagement processes:* enabling, empowering
- *Nature of roles among the poor:* Empowered supplier-partners or empowered worker-owners; Organized participants in enterprise and value chain governance and management (transactional roles); Organized stakeholders in poverty reduction and community, sector and/or societal transformation (transformational roles)
- *Nature of programs and services:* Provision of financial, market and/or technological services to make the poor effective suppliers or workers (transactional services); Organization building, leadership formation, capacity-building for organizational development, enabling programs for income diversification not directly linked to the value chain for the enterprise's main product(s), and advocacy with the government for an enabling environment for their respective sectors (transformational services)
- *Impact:* Social inclusion and improved self esteem; Food sufficiency and reduction of income poverty; High levels of collective capability to seek and take advantage of opportunities to improve means of living of their families, community and/or sector

While Alter Trade also manifested an intended and realized stakeholder engagement strategy of empowerment during the development and renewal stages, the level of empowerment manifested by PWD Fed may be characterized as having reached a higher level. Empowered PWDs were directly facilitating the delivery of transactional and transformational services to themselves and their fellow PWDs through a venture and a federation they were governing and managing by themselves from the beginning. This was just starting to happen in 2009 with the setting up of NOFTA, the federation of sugar producers, in the case of Alter Trade. NOFTA was an outcome of Alter Trade's transactional and transformational services while PWD Fed as the case subject, was the provider of the transactional and transformational services. On one hand, this may indicate two different routes in the pursuit of empowerment as a stakeholder engagement strategy among social enterprises. On the other hand, NOFTA and PWD Fed may be seen in a continuum, that PWD Fed provides insights on how NOFTA may evolve and develop further. In this respect, the PWD Fed story provides insights about the workings of a social enterprise that is governed and managed by the poor themselves.

During the initiation stage, a start-up number of PWD cooperatives and leaders from among their ranks were already governing and managing the school chair venture and the PWD Fed as a representative body for self-help and advocacy. During the development stage, we saw an increase in the number of PWD primary cooperatives organized, and the level of participation among PWDs in the governance and management of both the school chair venture and their organization progress at different paces at the level of primary cooperatives. During the renewal stage, the dynamism developed at the level of the primary cooperatives resulted to a bigger number of pro-active PWD representatives in the governance and management structures of the PWD Fed itself. It was at this stage, when the PWDs reached what Alter Trade Foundation's Executive Director Edwin Lopez characterized as 'independent decision making' (Lopez, 2010) that issues related to trade-offs between the empowerment of PWDs (or of the poor in general) and efficiency in serving the PWD Fed's school chair market (or social enterprise markets in general) surfaced. Before 'independent decision making' was possible, the empowerment of the PWDs seemed to have a positive and synergistic relationship with serving their markets. This synergistic relationship was also shown in the case of Alter Trade vis- à-vis their sugar producer partners.

This 'empowerment-efficiency trade-off' is an interesting area of future research as it shows that the 'no trade-off mindset' of the stakeholder approach for business may not be appropriate for social enterprises with the poor as primary stakeholders.



Table 5.2. Evolution of Roles and Services among Primary Stakeholder Groups

	<b>Pre-Initiation to Initiation Stage (1993-1999)</b>	<b>Development Stage (2000-mid-2009)</b>	<b>Renewal Stage (mid 2009 – early 2011)</b>
<b>Key Organizational Developments</b>	<ul style="list-style-type: none"> <li>• Venture into school chair production serving Dep Ed market by CBM-assisted PWD organizations;</li> <li>• Assistance by CBM to set up cooperatives as mechanisms for self-managed enterprise project;</li> <li>• Establishment of PWD Fed by 4 cooperatives engaged in the school chair project (1998); and</li> <li>• First contract (Php 7 million) with Dep Ed implementing the special provision of the GAA allocating 10% of government's budget for school chairs to PWD cooperatives (1998-1999).</li> </ul>	<ul style="list-style-type: none"> <li>• Building and expanding school chair venture: PWD Fed awarded progressively bigger contracts by DepEd peaking at Php 90 million each in 2007 and in 2008;</li> <li>• Despite sustained lobby efforts, Dep Ed perceived as inconsistent, unreliable in implementation of GAA special provision;</li> <li>• Shift in production system of school chairs: from complete chair to component production (2008-2009);</li> <li>• Setting up more PWD cooperatives: expansion to 15 primary cooperatives;</li> <li>• Capacity development of primary cooperatives as vehicles of PWD employment and empowerment;</li> <li>• CBM, Canadian Cooperative Association (CCA) and Rabo Bank provided loans for production/working capital and grants for capacity building and advocacy.</li> </ul>	<ul style="list-style-type: none"> <li>• Founding General Manager leaves as CBM consultant to replicate PWD Fed experience in Paraguay (mid-2009);</li> <li>• Board of Directors become more pro-active in governance and management; appointment of Board Officer in Charge;</li> <li>• 1-year bottom-up strategic planning (2010-2014) involving membership at primary level: build self-propelling primary cooperatives, with PWD Fed as promoter of PWD economic empowerment and inclusion; 3- pronged strategy of training and job placement for PWDs, microfinance for self-employment; diversification of products/markets;</li> <li>• Establishment of the Foundation for TheseAble Persons Inc. with PWD Fed represented in Board; and</li> <li>• Decision to take on Dep Ed contracts only if reasonable price; Closure of PWD Fed production workshop; shift back to purely complete chair production.</li> </ul>

	<b>Pre-Initiation to Initiation Stage (1993-1999)</b>	<b>Development Stage (2000-mid-2009)</b>	<b>Renewal Stage (mid 2009 – early 2011)</b>
<p><b>Roles of the poor - Unemployed persons with disability (PWDs) as individuals and as groups</b></p>	<ul style="list-style-type: none"> <li>Workers of school chair enterprise project organized members in primary cooperatives;</li> <li>Primary cooperatives as founding members of PWD Fed;</li> <li>Leaders from primary cooperatives as decision makers: representatives in General Assembly and elected as members of Board of Directors; Managers of primary cooperatives and PWD Fed; and PWD Fed as enabler and representative of PWD sector.</li> </ul>	<ul style="list-style-type: none"> <li>Members of primary cooperatives engaged as workers in production of school chairs and other economic activities;</li> <li>Primary cooperatives as vehicles for PWD employment and empowerment;</li> <li>Empowered PWDs as advocates, role models, elected government officials in their communities;</li> <li>Leaders of primary cooperatives and PWD Fed as decision makers and managers; and PWD Fed as enabler and representative of PWD sector.</li> </ul>	<ul style="list-style-type: none"> <li>Members as workers of enterprise ventures and programs of PWD Fed and primary cooperatives;</li> <li>Primary cooperatives as vehicles for PWD employment and empowerment;</li> <li>Empowered PWDs as advocates, role models, elected government officials in their communities;</li> <li>Leaders of primary cooperatives and PWD Fed as decision makers and managers;</li> <li>PWD Fed as enabler and representative of PWD sector; and</li> <li>‘Empowered PWDs’ as co-founders of Foundation of TheseAble Persons.</li> </ul>
<p><b>Transactional Services to PWDs</b></p>	<ul style="list-style-type: none"> <li>Training and experiential learning opportunities for cooperatives and their members on school chair construction; and</li> <li>Negotiation, management of capital for school chair production.</li> </ul>	<ul style="list-style-type: none"> <li>Training for cooperatives and their members on school chair construction;</li> <li>Negotiation, management of capital contracts and provision of capital for school chair production;</li> <li>Production systems development: component production in primary cooperatives and assembly of chairs in schools; and</li> <li>Product development: variations in design</li> </ul>	<ul style="list-style-type: none"> <li>Training for cooperatives and their members on school chair construction;</li> <li>Negotiation, management of capital contracts, and provision of capital for school chair production.</li> </ul>

	<b>Pre-Initiation to Initiation Stage (1993-1999)</b>	<b>Development Stage (2000-mid-2009)</b>	<b>Renewal Stage (mid 2009 – early 2011)</b>
<b>Transformational Services to PWDs</b>	<ul style="list-style-type: none"> <li>• Experiential learning opportunities for potential leaders on cooperative governance and management;</li> <li>• Pre-Membership Education Seminars (PMES) for cooperatives: venues to orient members about their rights and responsibilities as owner-workers;</li> <li>• Capital build-up facilitated through deductions from earnings in school chair project; and</li> <li>• Advocacy to enact and implement PWD legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• PMES for new members;</li> <li>• Capital build-up facilitated through deductions from earnings in school chair project;</li> <li>• Organizing, leadership formation, capacity development/strengthening of primary cooperatives; and</li> <li>• Advocacy to enact and implement PWD legislation.</li> </ul>	<ul style="list-style-type: none"> <li>• PMES for new members;</li> <li>• Capital build-up facilitated through deductions from earnings in school chair project;</li> <li>• Participatory strategic planning process;</li> <li>• Organizing, leadership formation, capacity development/strengthening of primary cooperatives, and</li> <li>• Advocacy to close policy-action gap.</li> </ul>

Table 5.2.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of PWD Fed

	<b>Initiation Stage</b>	<b>Development Stage</b>	<b>Renewal Stage</b>
<b>Participation in Core Organization</b>	Members of General Assembly, Board and Management	Members of General Assembly, Board and Management	Members of General Assembly, Board and Management
<b>Participation in Allied Organizations</b>	Members of General Assembly, Board and Management of Primary Cooperatives	Members of General Assembly, Board and Management of Primary Cooperatives	Members of General Assembly, Board and Management of Primary Cooperatives
			Members of General Assembly and Board of Foundation for TheseAble Persons

## 5.8. Discussion

The PWD Fed case contributes to the body of literature on social entrepreneurship and stakeholder theory in many ways.

The case presents SEPPS as a counterpart of WISE (Nyssens, 2006) in terms of prominence and importance, in a country context in the South where there is systemic poverty, massive unemployment and underdevelopment, where a huge policy-action gap exists in relation to the state's affirmative action for PWDs and there is a severe lack of opportunities for employment in the mainstream job market even for non-PWDs. As a SEPPS, the PWD Fed demonstrates the dynamic process of empowering PWDs to practice democratic principles in a cooperative organizational framework in this difficult external environment.

The case demonstrates an empowerment strategy of stakeholder engagement implemented by PWDs themselves assisted by enabling stakeholders mainly from civil society in the Philippines and countries in the North. Rather than just being managed in a specific region as workers-owners, PWDs were empowered to play transactional and transformational roles in all three regions of PWD's stakeholder environment (Harrison and St. John, 1994; 1998) to overcome income poverty and capability deprivation (Sen, 1999; 2009). This resonates with social enterprises developing a political dimension because of the need to change the broader context within which they operate. (Nyssens, 2006; Martin and Osberg, 2007)

The PWD Fed and Alter Trade (involving sugar farmers) cases may be seen as SEPPS demonstrating two different routes of pursuing the stakeholder engagement strategy of empowerment. The PWD Fed may be characterized as utilizing a 'direct empowerment strategy' of stakeholder engagement while the Alter Trade case involving the sugar farmers may be characterized as utilizing a 'devolutionary empowerment strategy' of stakeholder engagement. With the direct empowerment strategy, the primary stakeholders are enabled to enact both transactional and transformational roles as owner-decision makers of their social enterprise from initiation. With the devolutionary empowerment strategy, the primary stakeholders are first engaged as transactional partners then enabled to enact both transactional and transformational roles, as owner-decision makers of their social enterprise(s) over time. This is a refinement of the findings of the author from an earlier action research on social enterprises in Asia that did not delineate transactional from transformational roles (Dacanay, 2004).

These two routes to empowerment as stakeholder engagement strategies are clearly beyond the models of stakeholder engagement developed by Sloan (2009) linked to a study among European corporations. As detailed in Section 5.7.5, the PWD Fed and Alter Trade cases taken together present a strong case for developing a distinct framework for understanding stakeholder engagement strategies among

SEPPS. Such a framework would benefit from the rich literature emanating from the social economy school of social entrepreneurship that characterizes social enterprises as multi-stakeholder organizations having a democratic management style and furthering democracy at the local level (Defourny, 2001; Vidal, 2010).

This framework for understanding stakeholder engagement among SEPPS also needs to address the applicability of the corporate approach of “creating as much value as possible for stakeholders, without resorting to trade-offs” (Freeman, et al., 2010, p. 28). As demonstrated by the empowerment-efficiency dilemma faced by the PWD Fed as they exercised independent decision making during the renewal stage, conflicts and trade-offs between the interests of primary stakeholders and the interests of markets they serve are real and need to be creatively resolved. Spear, et al., (2010) characterize this as part of the challenges of social enterprise governance. Whether PWD Fed is able to balance enterprise decisions with their social mission and manage diverse stakeholder interests may largely depend on what Spear et al., (2010) found to be critical among mutual social enterprises like cooperatives: “the need to fully address the challenges of maintaining an active membership and developing a competent board” (Spear, et al., 2010, p. 199). This will entail PWD Fed’s simultaneous and creative enactment of transactional and transformational roles in its internal, operating and broad social-political stakeholder environment. With the establishment of the Foundation for TheseAble Persons Inc, PWD Fed has co-created an institutional partner that could assist this process in a harsh external environment of failed state and market institutions.

## CHAPTER 6 – TAHANANG WALANG HAGDANAN: FROM WORKERS TO TRANSACTIONAL PARTNERS IN SOCIAL ENTERPRISE MANAGEMENT

*This chapter highlights Tahanang Walang Hagdanan (Tahanang) as a SEPPS engaging the excluded poor as partners in social enterprise management. The best evidence for this was a situation where a majority of Tahanang's supervisors and managers/directors rose from the ranks of the PWDs they were serving. The study shows the dynamic process of shifting stakeholder engagement strategies during the initiation, development and renewal stages of a SEPPS. The case shows how a stakeholder engagement strategy of collaboration that involved the poor as worker-partners could unintentionally shift to a control strategy that involved the poor as passive beneficiaries. In an effort to expand its outreach among PWDs during its development stage, a team of business-oriented professionals was brought in to manage big contracts with traders in the mainstream export market. What resulted was a classic case of mission drift that plunged Tahanang into crisis. This resulted to PWDs hanging on, for a time, to what became an exploitative work environment of long hours for little pay followed by a period where they were back to their status of being unemployed and excluded. What the Tahanang experience suggests is that a control strategy of stakeholder engagement seems to result to limited short term impacts with the risk of fostering subservience and dependency leading to a hardening of social exclusion. From a crisis situation, the case of Tahanang also demonstrates how individually-directed transformational services in combination with transactional services, as well as putting in place participatory management systems involving the rank and file workers, could assist the process of restoring a management orientation and practice of engaging the poor as worker-partners, characteristic of the collaboration strategy of stakeholder engagement.*

## 6.1. Introduction

Tahanang Walang Hagdanan Inc., (Tahanan) is a non-stock, non-profit corporation dedicated to providing rehabilitation to the physically handicapped towards their achieving gainful and productive lives. The founders saw this as part of an enabling process: “This will enable them to restore their sense of dignity and self-respect so that their God-given talents and potentials blossom to the fullest”. (Tahanang Walang Hagdanan, 2007).

Tahanang Walang Hagdanan, literally translated means ‘House With No Steps’. Steps or stairways represented physical and other symbolic barriers for persons with disability (PWD), which may be economic, psychological and social in nature. The name suggested the elimination of these barriers and the rejection of severely disabled persons. The aspiration for an enlightened community where these barriers would have been eliminated was likened to a ‘House With No Steps’ where the handicapped live with independence and dignity (Tahanang Walang Hagdanan, 1977).

Tahanan’s objectives as articulated in their organizational documents had essentially remained unchanged from 1987 up to the time of the research in 2009-early 2011. Their first objective was ‘to equip the disabled with skills and knowledge for their integration into the mainstream of society’ by:

- Exposing them to ‘on-the-job’ skills training in metal craft, woodcraft, needlecraft, information technology, paper-making, and packaging workshops of the center<sup>62</sup>;
- Educating the disabled young adults through regular classes and special education from elementary to college; and
- Developing enterprises which can be managed by the disabled themselves and can compete in commercial situations, so that eventually, they may become self-employed individuals” (Tahanang Walang Hagdanan, 1987; 2000; 2007).

Tahanan also provided shelter and other welfare assistance to those who were severely disabled and could not cope with workshop routines. They adopted a regionalization approach, building homes for the disabled in various parts of the country. By 1987, 21 affiliated homes for the disabled had been set up: 12 in the National Capital Region; 3 in other parts of Luzon; 3 in the Visayas; and 3 in Mindanao. By 2007, there were 24 affiliated homes (Tahanang Walang Hagdanan, 1987; 2000; 2007).

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<sup>62</sup> Information technology and paper making activities were added in the 2000 and 2007 organizational documents.

## 6.2. Initiation Stage: The Religious Sector takes the Lead (1973-early 1980s)

Tahanan was organized on February 21, 1973<sup>63</sup> by Sr. Valeriana Baerts, ICM<sup>64</sup>, a Belgian missionary assigned as a volunteer nurse in the National Orthopedic Hospital in the Philippines. She noted that after the medical rehabilitation of patients, they had nowhere to go. At the World Rehabilitation Congress in Sydney, Australia, Sr. Valeriana was inspired by the work of Mr. Lionel Watts, founder of the House with No Steps, Australia. Together, they conceived of a live-in rehabilitation and training center for paraplegics and other orthopedically handicapped persons, which would provide a transition between their discharge from the hospital and re-entry into the world of work. Sr. Valeriana believed that everyone involved in the founding of Tahanan were instruments of the Divine Providence in pursuing a mission so that 'No one is left out'. (Baerts, 2011)

In 1973, Tahanan started with metal craft for wheel chair production in a small place in New Manila, Quezon City. The wheelchair manufacturing project served as a sheltered workshop that initially employed about 20 paraplegics and orthopedically handicapped persons, while also producing a product that was directly useful to PWDs needing mobility aids. Tahanan had a program called Sponsor a Wheelchair, which assisted persons with disability (PWDs) to own this mobility aid by shouldering 25-75% of its cost.

To develop a full-blown center, the founders first approached the Belgian government, which agreed to shoulder seventy five percent (75%) of the construction cost. Sr. Valeriana then turned to the Philippine President to provide the other twenty five percent (25%) but it was not approved. A 4.5 hectare lot owned by the Catholic Church, located in the Municipality of Cainta within the National Capital Region, was leased to Tahanan for free through the Archdiocese of Manila, under a Memorandum of Agreement renewable every 25 years.<sup>65</sup> It was here where the center was constructed and substantively completed in 1977-78.

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<sup>63</sup> Tahanang Walang Hagdanan was incorporated on July 19, 1973.

<sup>64</sup> ICM stands for Immaculate Conception of Mary, a religious congregation.

<sup>65</sup> The lease of the lot was renewed through the Diocese of Antipolo in 2008.



### 6.3. Development Stage: Expansion through Diversification (mid 1980s-1990s)

While sustaining its wheelchair production operations, Tahanan exerted efforts to expand its outreach among PWDs through diversification. Tahanan diversified its employment activities for PWDs by serving packaging requirements of businesses and as a subcontractor for entrepreneurs serving the export market.

Joy Garcia, Executive Vice President and Chief Operations Officer (COO), provided an overview of what Tahanan had been through in terms of evolving their sheltered workshops during the 1980s and 1990s:

“From metal craft for wheel chair production, Tahanan diversified into packaging, woodcraft and fish hooks. In the 1980s, Tahanan had packaging contracts from pharmaceutical companies such as United Laboratories and the chocolate company Serg’s. In the 1980s and 1990s, Tahanan also went into woodcraft, producing collapsible tables, wood jewelry and letter openers for export. Also in the 1990s, Tahanan went into making fish hooks under contract with a company exporting the product”. (Garcia, 2009)

Management staff recalled the problems they faced in dealing with the mainstream export market in the 1980s and 1990s. They provided stories about how Tahanan paid a high price for getting involved in the export market for wood products without the necessary preparation. The collapsible coffee tables produced for export warped and Tahanan lost machineries and cash amounting to about PhP 1.5 million in a law suit filed against them. At first the volume required by the export market in the 1980s seemed large so Tahanan was able to employ more PWDs. However, the piece rate price paid to Tahanan for these subcontracted products did not cover operational expenses. Therefore, in the 1990s, Tahanan tried to become more selective, by having a policy of refusing to accept contracts priced below breakeven levels. This happened as exporters, because of globalization, were also pulling out orders from the Philippines and were transferring their manufacturing to China. This resulted in periods where the PWDs had no work.

### 6.4. Crisis Management and Renewal (1990’s-2010): Engaging Schools, the Private Sector and Government

The legal battle Tahanan experienced in the early 1990’s and the lack of work contracts to sustain the employment of the many PWDs who were recruited to fulfill the requirements of the export market pushed Tahanan to a crisis situation. The policy

to be selective with work contracts and the desire to continue to give work to many PWDs became a continuing source of tension. For a time, the mentality that prevailed was to continue to serve the export market ‘just to give work for people’. 1998-2000 became another trying period for Tahanan as continuing to serve the export market despite very low contract prices took a toll on both Tahanan’s financial health and the income of PWDs as well.

#### 6.4.1. Local Market Development

Given the continuing difficulties associated with serving the mainstream export market, Tahanan started to look towards institutional markets, direct selling, and the use of media to develop alternative markets at the local level. Tahanan continued to do sewing, woodworks, metal works, encoding jobs, and subcontracted works. Tahanan started direct selling to consumers through garage sales in exclusive subdivisions. It sustained links with pharmaceutical and other companies for packaging jobs and corporate give-aways. It focused on companies that subcontracted work and ordered products from Tahanan as an expression of their corporate social responsibility. It did school-to-school and school foundation day selling for Montessori educational materials (Garcia, 2010).

While these opportunities in the local market had been there before, Tahanan did not give much attention to fully exploring them in the past. For example, Tahanan’s first experience in serving the Department of Education (DepEd) with educational toys happened in 1998, but it was much later that the DepEd became a focus for Tahanan’s market development efforts.

Executive Order (EO) 417 issued by the Office of the President of the Philippines that mandated the procurement of 10% of supplies of government agencies from PWDs boosted Tahanan’s efforts to develop the local market for educational toys. Educational toys became both an important source of PWD employment and revenue for Tahanan, as the DepEd became a major market (Garcia, 2009).

Since 2003, Tahanan’s market development efforts focused on serving government and corporate clients with quality products. Tahanan’s Executive Vice President and Chief Operating Officer Joy Garcia explained that they needed to continue building a reputation for quality products and not just depend on the social responsibility of their institutional markets (Garcia, 2011).

#### 6.4.2. Business Center Development

In 2006, Tahanan set up a Business Center using the award money it won through the World Bank-led Philippine Development Marketplace competition with the theme, Development with Equity. The Business Center was meant to assist the

development and marketing of PWD-made products and hence develop PWD micro-entrepreneurs. The Philippine-Australia Community Assistance Program (PACAP), one of the funding partners for the competition, with a PhP 1 million grant, directly funded the Center. The PACAP-assisted program started in November 2006 (Lloren, 2009; Philippine-Australia Community Assistance Program, 2009).

The Business Center was a welcome development in giving a boost to Tahanan’s Community-based Rehabilitation Program. Virgie Montilla explained:

“In 1994, we set up a Community-based Rehabilitation Program. Its objective was to organize groups of PWD in target communities, develop them by extending trainings, and engaging these PWDs in awareness and advocacy efforts, in the process linking them with the local government. Our first area was Rizal province where we assisted the orthopedically impaired, and persons with intellectual disability. We engaged them in basket making, making rattan-based products, making bags from recycled materials soap making, poultry and hog raising. We have reached Marikina, Antipolo and 12 other towns. We cooperated with local government units and their Municipal Social Welfare and Development office. What we have noted is the PWD groups become weak after they are turned over to LGUs. With Tahanan’s Business Center that is helping develop and market their products, they are doing better”. (Montilla, 2009)

During her field research in December 2009, the researcher noted that the Business Center was marketing the following products (Tahanang Walang Hagdanan, 2009a):

- Wheelchairs and other mobility aid devices (e.g. walkers, crutches, prosthetics);
- Educational toys;
- Corporate give-aways;
- Kitchen items;
- Handmade paper products;
- Needlecraft items;
- Tetra board products; and
- Chairs and household items from mixed materials.

Some of these were products of the recycling projects of Tahanan, like the tetra board products from the tetra pack and doy pack of juice drinks; some parts of mobility aids from aluminum cans of soft drinks and the handmade paper products from newspapers and magazines. For these efforts, Tahanan received an Award of Merit for Environmental Protection in 2000 from the Public Relations Society of the Philippines (Tahanang Walang Hagdanan, 2000; 2009b).

During the same field research, the researcher was able to observe ongoing workshops for repacking medicines (under contract with the pharmaceutical company, United Laboratories), school chair making using wood and steel (under contract with the Gintong Pangarap Cooperative), sewing of souvenir and give-away bags from cloth and recycled tarpaulin (mostly ordered by the Circle of Friends Foundation, Inc., and Gifts and Graces), woodworks for making educational toys (under contract with the DepEd), and silk screening.

### 6.4.3. Government as Main Market

From 2006 up to the time of the research in 2009-early 2011, educational toys had become the biggest source of contracts for Tahanan. In 2007, Tahanan noted that a big part of their sales for educational toys were being made by bidders with the Department of Education (DepEd). They saw an opportunity to expand the employment of PWDs in their workshops by bidding directly with this government agency. This meant Tahanan would no longer just depend on the government policy that allocated 10% of their budget for educational toys and other supplies to PWD groups. This entailed going through the regular bidding process for supply contracts, competing with business enterprises based on cost, quality and delivery. In March 24, 2009, Tahanan won their first regular bid for PhP 16 million. In 2010, Tahanan continued to get engaged in the regular bidding process to supply DepEd with educational toys (Garcia, 2009; 2010).

Tahanan's Social Director Virgie Montilla saw the local market as becoming significant side by side with government contracts and support:

“Our support from government now is more although it's not full, and some government projects consider us a supplier. When DepEd, the Department of Social Work and Development (DSWD) and the Philippine Charity Sweepstakes Office (PCSO) became clients, the local market for Tahanan's products became more sustainable. Support from international organizations, such as the Philippine-Australia Community Assistance Program, has also been important”. (Montilla, 2009)

However, Tahanan's COO expressed some difficulties faced with government contracts:

“For government contracts, you need a performance bond of 5% and ideally, capitalization of 70%. For the PhP 16 million contract, we needed PhP 850,000 as performance bond, which we didn't have but was loaned to us by our board member and past President, Engr. Felix M. Gonzalez. We also had to borrow

for capitalization, and managed to get a PhP 3.5 million loan from the Foundation for a Sustainable Society Inc. With all these requirements, we managed to finish production by June 24, 2009, but till now, the account remains a collectible<sup>66</sup>. (Garcia, 2009)

Loreta Sta Ana, the secretary of Sr. Valeriana in Tahanan since 1976, expressed a similar concern:

“While our earned income is significant, it is uncertain given that government is our main consumer or client, as shown by the delays in contracts and payments from DepEd for school chairs and educational materials”. (Sta Ana, 2009)

#### 6.4.4. Services for the PWDs

Tahanan’s main objective as a social enterprise was ‘to equip the disabled with skills and knowledge for their integration into the mainstream of society’. Tahanan provided an array of services and ran several programs towards this end, as outlined below. (Tahanang Walang Hagdanan, 2003, 2004, 2005, 2006, 2008, 2009). These services were made available to both the Tahanan workers and the larger PWD community.

- *Mobility Aid Assistance Program.* Tahanan provided mobility aids (e.g. wheelchair, walker, leg brace, artificial leg, cane, corrective shoes) to indigent persons, with counterpart from the family or referring NGOs. In 2008, it was able to serve 716 beneficiaries, up from around 100 – 150 per year in the 2003-2006 period. It also had a Prosthesis and Brace Center which trained amputees on the use of the devices;
- *Education Program.* Through tie-ups with other NGOs like the ERDA Foundation and the Assisi Foundation, Tahanan supported the schooling of PWDs and/or the children of PWDs who were either directly involved with Tahanan or those living in their community and referred through the Community-Based Rehabilitation (CBR) Program. Tahanan was supporting 104 such scholars, from the elementary to college level, in 2008;
- *Community-Based Rehabilitation (CBR) Program.* Tahanan had a CBR program in the province of Rizal, run in cooperation with some local government units in the province. This program covered mobility aid

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<sup>66</sup> This meant that the account remained a collectible after more than 5 months since contract completion.

assistance, medical services, education assistance, and trainings and seminars on livelihood development and other topics;

- *Trainings and Seminars.* Employees and workers (both at the staff and managerial level), as well as participants in the CBR and rehabilitation programs, were given trainings on such aspects as Personality Development, Esteem Development, Leadership, and other capability building and skills development trainings. For instance, the last quarter of 2008 saw the conduct of the following trainings and seminars (Tahanang Walang Hagdanan, 2009): Filipino Sign Language Module II, Basic Skills Rehabilitation, Intermediate Skills Rehabilitation, Poultry, Hog and Goat Raising, Water lily Stem Weaving, Study Tour for CBR Workers, Leadership Training for PWD Leaders, Product Costing, Packaging, Labeling and Marketing, Participation Learning and Action, a seminar on the Magna Carta for the Disabled, and a Training for Trainers seminar in line with the CBR program. Tahanan also sent staff to external trainings on topics ranging from effective communications, to project cycle management, to personality development, to specific skills like computer hardware and servicing, and consumer electronics servicing;
- *Rehabilitation and Vocational Training.* Tahanan assisted people who had recently acquired disability via physical rehabilitation services and on-the-job training to enable them to be independent and regain productivity;
- *Medical Services.* These included medical missions, referrals of PWDs to hospitals, and a Botika ng Barangay (community drugstore);
- *Day Care Services.* Tahanan ran a day care center for children of employees (both PWD and non-PWD) who need to bring their children with them; and
- *Sports and Recreation.* Tahanan supported the participation of PWD athletes in sporting events. In December 2008, it launched the 1<sup>st</sup> Philippine Wheelchair Ballroom Dancing/Dance Sports Competition. Internally, Tahanan regularly held recreational events for the employees and workers.

#### 6.4.5. Tahanan's Board and Management Team

At the time of the research, Tahanan's 11-member Board of Directors was composed of 5 ICM sisters including Sr. Valeriana as Founder and Chairperson; 3 priests from the Diocese of Antipolo; and 3 lay persons or individuals from the business community and the private sector (including the President Mr. Manuel Agcaoili and a former President, Engr. Felix M. Gonzalez). The COO, Ms. Joy Garcia sat as an ex-officio member of the board given her appointment as Executive Vice

President. Also appointed, as Corporate Secretary, was the Head of Special Projects, Ms. Tess Lloren.<sup>67</sup>

The Board had always been mainly composed of non-PWDs. However, in the past, there had been more individuals from the business community and some prominent people with connections to politicians. What had changed was that there were more members from the religious sector in the new board. This was due to the change of bylaws required by the Diocese of Antipolo as the Catholic Church renewed their contact of land lease with Tahanan. At the time of the research, Mr. Agcaoili, the President, was the only PWD among its eleven members. However, Mr. Agcaoili did not rise from the ranks within Tahanan. He became part of the Tahanan board as a prominent figure in the business community and a recognized leader-advocate of PWD rights and welfare (Sta Ana, 2009; Garcia, 2011).

Tahanan’s management team, at the time of the research was composed of 13 members. These included the following positions and persons:

Chief Operating Officer and EVP	Ms. Joy Garcia
Workshop Operations Director	Ms. Lita Evangelista
Production Manager	Mr. Lito Derigay
Materials Management and Control Manager	Mr. Ben Lagunero
Sales and Marketing Director	Ms. Lolit Tuazon (non-PWD)
Sales and Marketing Manager	Ms. Rowena Mondejar (non-PWD)
Admin and Social Services Director	Ms. Virgie Montilla
Finance Director	Ms. Mia Garcia (non-PWD)
Accounting Manager	Ms. Riza Lagunero
PR & Resource Mobilization Director	Ms. Angel Villafuerte
PR & Resource Mobilization Manager	Ms. Maricel Candole
Head of Special Projects/ Executive Asst to the COO	Ms. Tess Lloren
HR Manager	Ms. Claire Llenares

Ten out of the thirteen management positions were occupied by PWDs. They all had college degrees, some with the help of Tahanan, others on their own. Among the people in management positions, Tahanan, directly assisted Social Services Director Virgie Montilla; Workshop Operations Director Lita Evangelista; Special Projects Head Tess Lloren; and Materials Management and Control Manager Ben Lagunero, for the school/college education together with leadership development opportunities.

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<sup>67</sup> [www.tahanangwalanghagdanan.org/boardofdirectors\\_twh.htm](http://www.tahanangwalanghagdanan.org/boardofdirectors_twh.htm) (downloaded January 11, 2011; Garcia, 2011).

The PWDs in the management team generally came from poor to middle class backgrounds<sup>68</sup>. (Sta Ana, 2009; Lloren, 2009; Evangelista, 2009; Garcia, 2011)

The EVP and COO, Joy Garcia, credited Tahanan for providing her trainings and learning opportunities to become what she had. She rose from the ranks in Tahanan, from being an accounting clerk in 1986 to a bookkeeper and a supervisor. In the late 1990s, she became a marketing officer before she was promoted to her current position of EVP and COO (Garcia, 2009).

#### 6.4.6. Perceptions and Perspectives of PWDs

Ms. Joy Garcia expressed that even as she could find work in mainstream institutions, she had chosen to come back and work for Tahanan as she felt more fulfilled relating to and helping fellow PWDs. (Garcia, 2009).

While the management team members who were also PWDs saw themselves as having a choice beyond Tahanan in terms of work, all of the workshop workers interviewed, except for one, saw Tahanan as their only source of opportunity. The management team members who were also PWDs saw themselves as playing a proactive role in terms of planning and decision-making. The workers interviewed manifested varied perceptions and levels of participation.

A worker in his 30s who joined Tahanan in 2001 expressed:

“.... My role is to do my work well, to ensure that my work outputs are not rejected. I also need to follow rules and do as my supervisor asks. For example, I need to come to work with my ID, in uniform complete with shoes, apron and a mask to shield me from dust.... In General Meetings, I attend, listen, agree and speak if I have something to say”.

Another worker who was also in his 30s related that before joining Tahanan, he was a high school graduate living in a rural fishing community. In Tahanan, he had tried different types of work for over 10 years – from fish hook production to craft design, to packaging and woodcraft. He expressed:

“As a worker in Tahanan, I just do what I can. My section head approves my work especially if I’m going beyond my regular responsibility. I am not intelligent but I’m good with machines. In meetings I just listen”.

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<sup>68</sup> [www.tahanangwalanghagdanan.org](http://www.tahanangwalanghagdanan.org), downloaded January 10, 2011)



One of the workers saw himself as playing a role in making suggestions for improving their work. Rolando Narciza, 38 years old and a metal craft workshop worker since 1995, was promoted as supervisor or head of wheelchair production with 28 people directly under him, four months before the researcher's field visit. He described how his change in position had changed his behavior, and the role he played in Tahanan:

“As a worker, it is important to follow rules and regulations – for example, no smoking at work, smoke only in designated areas during breaks and observe the curfew at 9pm. Especially now that I am a supervisor, it's not only following the rules for myself, but I need to also see to it that my fellow workers also follow the rules. I would like to help make our department be a model department.... Also, it is my duty to make suggestions to improve our work or even take suggestions from other workers to suggest to management. For example, we have a suggestion about a safer and more efficient lay-out for our work area which is pending approval with management”. (Narciza, 2009)

While all of them were workers or employees working for an institution that considered them as partners in their respective rehabilitation processes, one could discern three segments:

- A majority who saw themselves as workers needing to follow rules and doing their work as required. Using their self-assessment in terms of level of participation in meetings as gauge, this segment included passive to self-assured workers;
- A small segment achieving a level of pro-activity who had been promoted to supervisory positions. They got engaged in work improvement processes and felt responsible for the performance of their teams; and
- A small number of empowered employees who were manager-decision makers, some of whom chose to work in Tahanan even if they had other options. This segment had risen above their disability and poverty to help other PWDs.

## 6.5. Financial and Social Outcomes

### 6.5.1. Financial Outcomes

Tahanan's operations had a social development and a social enterprise side. They received donations and received grants to support PWD programs while also generating surplus from the sale of their various workshop and enterprise products.

Figure 6.1. below shows the magnitude of total resources generated (collectively called 'Revenues' by Tahanan) at selected points over the period from 1985 to 2008, while Figure 6.2. shows the annual figures for the decade from 1999 to 2008. As shown by these figures, revenues peaked from the late 1990s to 2003, averaging PhP 20.49 million per year. In comparison, total revenue was only PhP 14.14 million in 2008.

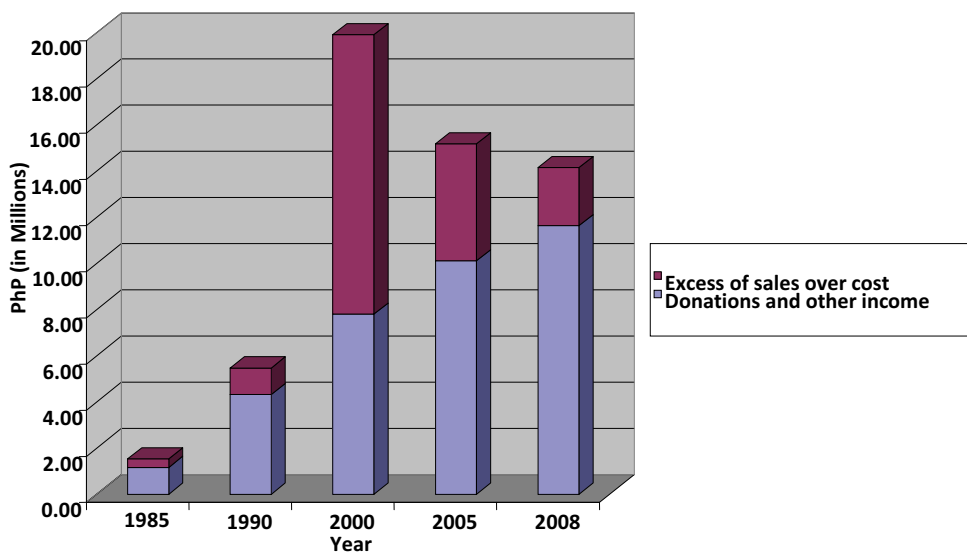


Figure 6.1. Tahanan Walang Hagdanan: Composition of Revenues 1985, 1990, 2000, 2005, 2008<sup>69</sup>. Sources: Tahanan Walang Hagdanan, Audited Financial Statement for 2008, Unaudited Financial Statements for 1985 (1986), 1990 (1991), 2000 (2001), 2005 (2006).

<sup>69</sup> Fiscal year for 2008 is January to December. Fiscal year for all other years is October of prior year to September of current year.

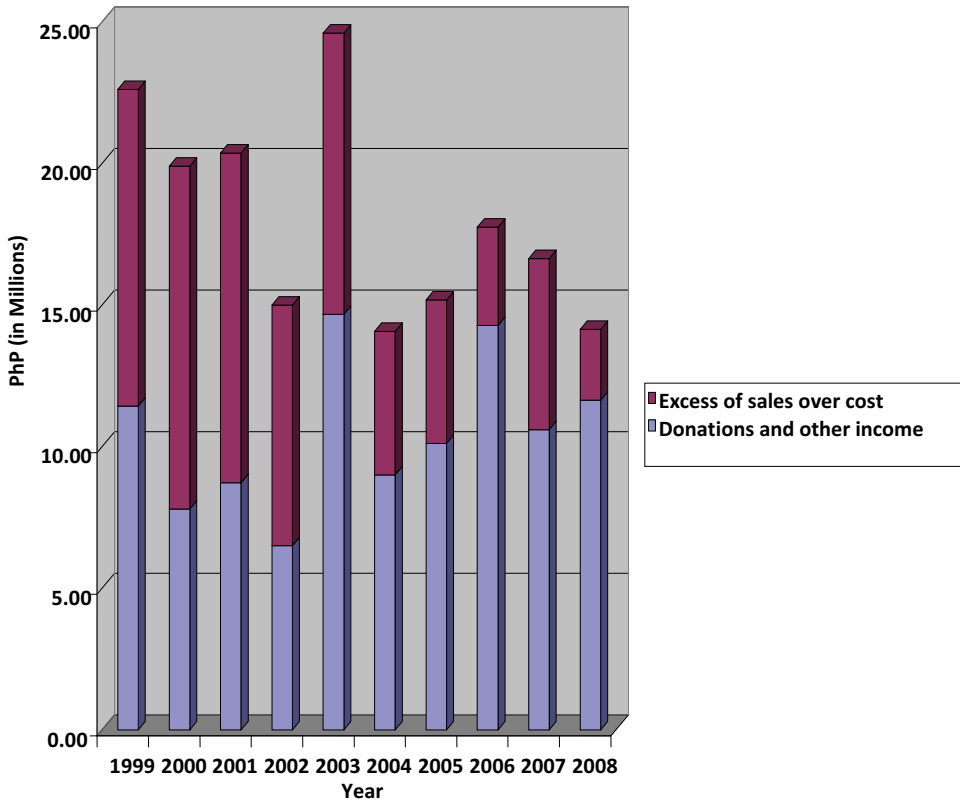


Figure 6.2. Tahanang Walang Hagdanan: Composition of Revenues 1999 – 2008.

Sources: Tahanang Walang Hagdanan, Audited Financial Statement for 2007 and 2008, Unaudited Financial Statements for 1999 to 2006.<sup>70</sup>

Donations and other income peaked in 2003 and 2006 at more than PhP 14 million. The levels for both 1999 and 2008 were roughly the same, hovering at PhP 11.5 million. Enterprise income (excess of sales over cost), however, declined greatly from a range of PhP 11 to 12 million from 1999 to 2001, to PhP 8.5 to 10 million in the next two years, to PhP 5 to 6 million up to 2007 (with a low of PhP 3.49 million in

<sup>70</sup> Fiscal year for 2008 is January to December. Fiscal year for all other years is October of prior year to September of current year.

2006) to only PhP 2.52 million in 2008.<sup>71</sup> Thus, from providing a high of around 60% of revenues (57 – 61%) in the 2000 – 2002 period, enterprise income slid to shares in the 20 – 30+ percent range in the mid to late 2000s, and accounted for just 18% of revenue in 2008.<sup>72</sup>

Ms. Lita Evangelista, Director for Operations described their financial situation:

“Before 2005, our workshop projects were doing okay financially. Sales were small, about PhP 10 million or less but we were making a profit. However, with the onslaught of globalization, we can’t seem to cope with China selling products at a very low price (e.g. wheelchairs). Except for the Unilab<sup>73</sup> contract that provides for costs other than labor, all our other workshops are on the red. The only reason why we have been able to stay afloat is because of increased donations since 2005. Maybe we need to look at our pricing and management of raw materials”. (Evangelista, 2009)

In terms of sources of revenue, Lagunero continued:

“Sources of donations and grants since 2000 has also shifted from individuals in the 1980s and 1990s (giving PhP 500 - PhP 200,000 each) to a variety of institutions such as GMA7, ABS-CBN, PACAP, Watsons<sup>74</sup> (giving PhP 100,000 - PhP 1 million each). In terms of earned income, our big earners are mobility aids, educational toys and bags, and woodcraft. What are not making money are IT<sup>75</sup>, detergent/shampoo packaging, electronic items packaging, and manufacture of baby dresses”. (Lagunero, 2009)

The instability of the revenue stream for the past decade is shown in Figure 6.3.

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<sup>71</sup> The fiscal year for 2008 is January to December. Prior to this, the fiscal year was for October in the prior year to September in the current year.

<sup>72</sup> Sales from 1999 to 2006 (latest year for which sales data are available) ranged from a low of around PhP 19 - 20 million (PhP 19.45 million in 2004; PhP 20.08 million in 1999) to a high of PhP 28.04 million in 2005.

<sup>73</sup> Unilab is a local pharmaceutical company

<sup>74</sup> GMA7 and ABS-CBN are two of the largest television networks in the Philippines. PACAP is the Philippine-Australia Community Assistance Program, which is part of Australia’s official development assistance program directed at poverty groups in the Philippines. Watsons is an international company engaged in the retailing of medicines and toiletries.

<sup>75</sup> What was being referred to here was Tahanan’s contracts for computer encoding services.

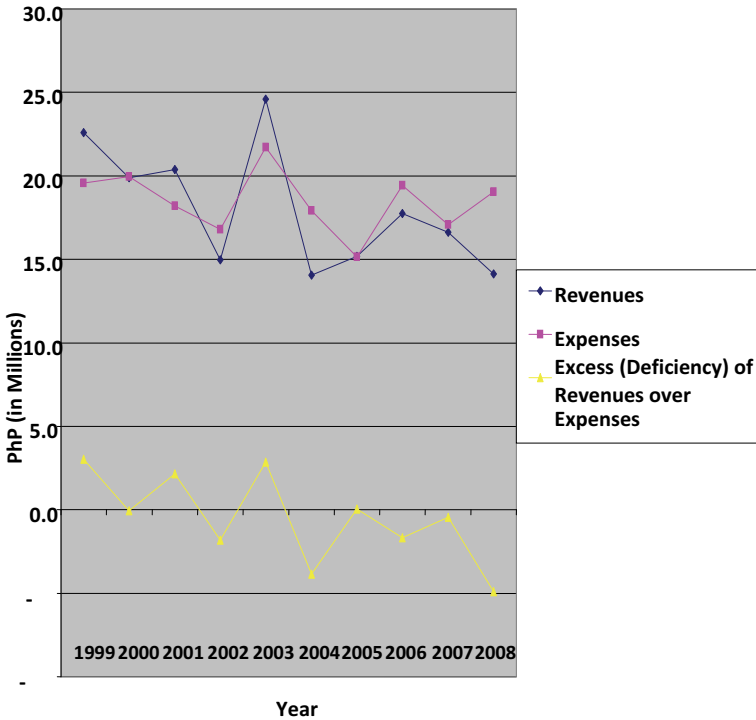


Figure 6.3. Tahanang Walang Hagdanan: Revenues, Expenses and Excess (Deficiency) of Revenues over Expenses, 1999 – 2008.

Sources: Tahanang Walang Hagdanan, Audited Financial Statement for 2008 and 2007, Unaudited Financial Statements for 1999 to 2006.<sup>76</sup>

Riza Lagunero, Accounting Manager for 21 years, mused:

“In 2008, we experienced a net loss in terms of income. I think we are overstuffed but we cannot easily let PWDs go. There is also a problem with inefficiency in the use of raw materials. In 2009<sup>77</sup>, we did well because of the Dep Ed educational toys contract of PhP 16 million but with the flooding of typhoon Ondoy

<sup>76</sup> Fiscal year for 2008 is January to December. Fiscal year for all other years is October of prior year to September of current year.

<sup>77</sup> Financial details not available.

(International name Ketsana), we are still just recovering with the help of donations that have come in for our rehabilitation”. (Lagunero, 2009)

Total assets went down from PhP 24.47 million in 2003 to around PhP 18 – 19 million in the next three years. After a recovery in 2007 to PhP 23 million, assets declined to a mere PhP 17.82 million in 2008. Equity had eroded by almost half to PhP 10.84 million in 2008 from PhP 20.1 million in 2003 (Please see Figure. 6.4.).

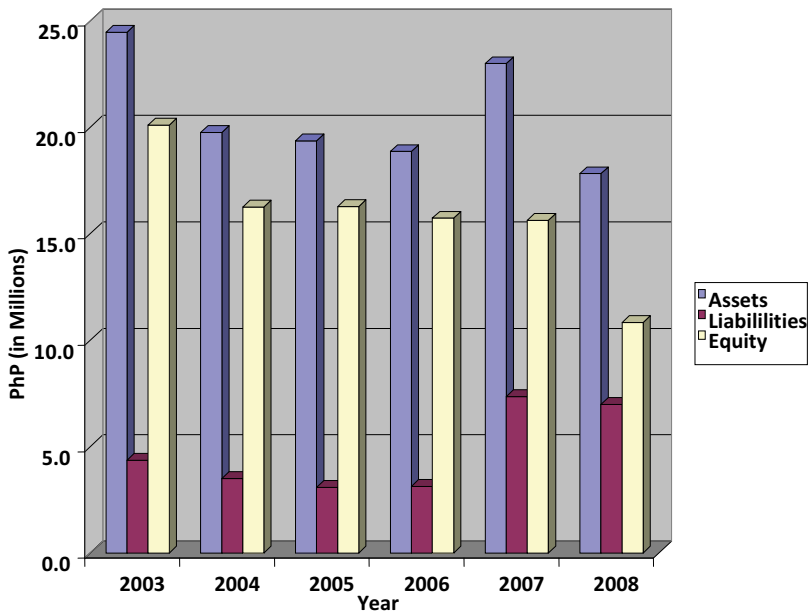


Figure 6.4. Tahanang Walang Hagdanan: Assets, Liabilities and Equity, 2003 – 2008.<sup>78</sup>

Sources: Tahanang Walang Hagdanan, Audited Financial Statement for 2008 and 2007, Unaudited Financial Statements for 2003 to 2006.<sup>79</sup>

<sup>78</sup> Unaudited balance sheets provided for the years prior to 2003 included Intra-Company Accounts under Assets and Liabilities, hence the amounts indicated could not be compared to the amounts in the 2003 to 2008 balance sheets.

<sup>79</sup> Fiscal year for 2008 is January to December. Fiscal year for all other years is October of prior year to September of current year.

## 6.5.2. Social Outcomes

Before the typhoons and floods in 2009<sup>80</sup>, the workers in Tahanan numbered 309. Approximately 90 were office-based and program support staff, and the rest were distributed across different workshops. Workshop workers included approximately 30 in metal craft, 5 in needlecraft, 40 in woodwork, 60 in packaging and 8 in fish hooks. The others were piece rate workers.<sup>81</sup> Most were amputees and paraplegics coming from poor family backgrounds, had very little schooling, and were unemployed before their engagement with Tahanan (Garcia, 2009; Evangelista, 2009). Lita Evangelista, Workshop Operations Director, explained:

“The regular workers of Tahanan have sustained income. Without Tahanan, most would have either been unemployed after their accident or those who were disabled from birth would have become totally dependent on their families without the opportunity for study or work. Non-financial impacts are many. You could tell the difference when they meet people – upon entry in Tahanan, *‘nakayuko’* - they are usually just looking down, their heads bowed, a usual expression of shame because of their disability. With their entry into Tahanan, they get a job, they start to have a sense of belongingness, they learn to socialize and become contributing members of their families. Tahanan also has a program to benefit their families and children. All these help increase their self esteem and social standing”. (Evangelista, 2009)

Workers interviewed validated how their life had changed for the better with Tahanan, not only in terms of employment but also in terms of increased self-esteem and standing in their families and communities. Leon Caraog, one of the workers, expressed:

“I came to Tahanan at 21 years old in 1993, with no formal schooling and no work. It was Tahanan that helped me finish elementary and high school, and gave me opportunities to work and make a living, first in metal craft then in woodcraft. I make PhP 170/day or PhP 850/week. However, it’s not only work. Tahanan opened my eyes and helped me to stand on my own.... I don’t know what would have happened to me without Tahanan”. (Caranog, 2009)

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<sup>80</sup> A series of strong storms hit the Philippines in 2009, including Tropical Storm Ondoy (International name Ketsana) which created the worst flooding in Metro Manila in decades.

<sup>81</sup> No breakdown was acquired for this except for needlecraft that had 20 piece rate workers. For fish hooks, there were 7 other workers who were abled. Many PWDs did not like to work with fish hooks as they felt it was hard work for very little pay.

Maekel Lita expressed how Tahanan had paved the way for him to have a direction in life:

“I have a wife who is also disabled – she used to work with fish hooks, and we have 3 children, aged 2, 4 and 5. Since August this year, my wife and children have gone home to Bicol and live with my mother in law. I stayed behind to work and send them PhP 600-800/week, which is most of what I earn at PhP 170/day or PhP 850/week. It’s not much but at least I’m not dependent on my parents.... My life used not to have any direction. If not for Tahanan, I probably would still be fishing in the province, and drinking liquor in between. Having a family and work has made a big difference in my life – it has given me direction”. (Lita, 2009)

Vanessa Celso, 26 years old, suffered from a congenital disability, and was on a wheelchair she acquired through Tahanan since she was 4 years old. She finished high school at the Cainta Catholic School when she was 18 years old and had 2 years of college at the Systems Technology Institute (STI). The Citibank Savings Installment Loan Program employed her for 4 months but her place of work was too far and she found it difficult to source her transportation expenses on a daily basis. In November 2008, she was employed with the fish hook and packaging departments of Tahanan. She explained Tahanan’s effects on her after only over a year:

“I am no longer shy. I have participated in the dance olympics and the choir. I’ve even competed in sports activities like the ‘karera sa wheelchair’. Tahanan has helped me develop my personality and build my self confidence. I’ve learned to be independent, to socialize, to be more patient, to be humble, and to be of service to others.... My family still supports me financially – my father gives me about PhP 1,000 per month. But with what I earn, which can be as low as PhP 400/month to a high of PhP 5,000 per month depending on the contracts available, I feel good that I am able to give money to my mother once in a while to add to family expenses, I could give ‘baon’ to my nephew for school and I can participate in the ‘paluwagan’<sup>82</sup>”. (Celso, 2009)

Rolando Narciza, the worker turned supervisor four months before the research, expressed:

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<sup>82</sup> The dance olympics engages paraplegics in dance competitions. The karera sa wheelchair is a relay competition where the team that can travel the fastest by wheel chair wins. ‘Baon’ is cash given to a child of school age for snacks, transportation and other day-to-day expenses. ‘Paluwagan’ is a system of group savings where members contribute a small amount regularly and take turns using the amount saved by the group in regular intervals.



“It was Tahanan that assisted me to finish my elementary then my high school education. I tried to set up a small bakery after I graduated in 1992 but it didn’t prosper. So, I was just at home, unemployed from 1992-94.... Then I thought of going back to Tahanan. I make Php 246/day, or Php 2,806.00 every 15 days, which is just enough for me and my family.... Tahanan has been a big factor in my rehabilitation, changing my outlook on life, and also helping me acquire leadership skills”. (Narciza, 2009)

Virgie Montilla, Tahanan’s Social Director, who credited Tahanan for her rehabilitation and development after being diagnosed with tuberculosis of the spine when she was a second year high school student in 1975, explained that the majority of PWDs Tahanan had helped were poor like Caraog, Lita and Narciza.

“I would say that about 70% of the PWDs we are able to help are poor people referred to us by religious organizations, the Department of Social Work and Development, other organizations, and with some walk-ins. We create about 10 new jobs per year through our center-based workshops. We are able to reach more poor people through our Community-Based Rehabilitation Program. Less than 500 have been given direct employment through Tahanan’s projects but we have helped thousands of PWDs in many other ways”. (Montilla, 2009)

## 6.6. Tahanang Walang Hagdanan and Social Entrepreneurship

### 6.6.1. Tahanan as SEPPS

Tahanan has the basic characteristics of a SEPPS as defined in Section 2.5:

Firstly, PWDs, the majority of whom are poor are its primary stakeholders and their social inclusion is its main reason for being.

Secondly, it sustains its mission of social inclusion in part by creating wealth through the manufacture and sale of educational toys and other products from its sheltered workshops.

Thirdly, it distributes the economic and social benefits it generates principally to unemployed PWDs through sheltered workshops where the PWDs are engaged as workers. It also undertakes programs to provide various rehabilitation services to

PWDs. It does these through an organizational and legal set up of a non-stock, non-profit foundation.

## 6.6.2. SEPPS in a Developing Country Context

Relative to PWD Fed, Tahanan is closer to the characterization of WISE in European countries as integrating marginalized groups to work and society through productive activity (Nyssens, 2006; Defourmy and Nyssens, 2008). However, the external environment of Tahanan as SEPPS in the Philippines is quite different from the context of Europe. In short, this context may be characterized as one of state neglect for PWDs amidst market failure. State neglect has many expressions, including the lack of government action and absence of subsidies for social enterprises assisting PWD integration.

This unfavorable situation has pushed Tahanan to be more entrepreneurial. During its development stage, Tahanan ventured into serving the mainstream export market, with problematic results. During its renewal stage, Tahanan has ventured into bidding for regular contracts with government given its many challenges, beyond just claiming the 10% allocation for PWD groups mandated by legislation.

Many institutions and individuals played enabling roles:

- Institutions from the North, such as the ICM congregation, the Belgian government (who provided 75% of the construction cost of the Tahanan Center) and the Australian government (through the Philippine-Australia Community Assistance Program);
- The Catholic Church through the Archdiocese of Manila and Antipolo, for providing leaders to serve in Tahanan's Board and leasing for free the 4.5 hectare lot for the Tahanan center;
- Schools, companies and organizations serving as markets for Tahanan's products and services; and
- Individuals committed to the cause of PWDs, including those from the business community in Tahanan's Board.

While the Department of Education serves as a major market for Tahanan's products, particularly educational toys, it is important to note that DepEd treats Tahanan as a regular bidder and supplier, subject to the same requirements, procedures and difficulties tackled in Section 6.4.3.

### 6.6.3. SEPPS and Social Entrepreneurship

Among the three schools of thought in social entrepreneurship, Tahanan resonates with the social economy school in terms of characterizing social enterprises as multi-stakeholder organizations, locating them as entrepreneurial organizations with roots in the third sector, giving importance to the role of government and espousing a plural economy that promotes the principles of redistribution and reciprocity (Defourny, 2001; Defourny and Nyssens, 2008, 2010; Vidal, 2010; Laville, 2010).

Tahanan has what Spear, et al., (2010) considered as having a self-selecting trustee-based board, characteristic of social enterprises with charitable origins. As shown by Table 6.1.a., the rank and file PWDs are not represented as voting members of the Board of Tahanan. Sisters from the ICM congregation, representatives of the Catholic Church and individuals committed to the cause of PWDs specifically from the business community form this trustee-based board. When asked about the composition of the Board, a management staff of Tahanan commented that given the possibility of powerful politicians and private interests controlling Tahanan for self-serving ends, it was probably better to retain the religious sector as the dominant group in the Board to protect Tahanan's 'moral ascendancy' and the 'integrity of PWDs'. This view is consistent with Cornforth's (2003) characterization of one of the roles of Boards in co-opting potential external threats.

Tahanan has similar features to one of the work integration social enterprise (WISE) models that Davister et al., (2004) identified in their study on WISE involving the 12 member states of the European Union: one of the four main modes identified in the study was professional integration with permanent subsidies for the most disadvantaged groups. These took the form of sheltered workshops and adapted work enterprises, usually involving persons with disability and with a severe social handicap. The lack of systematic state support however is a key differentiating factor faced by Tahanan as SEPPS, making it distinct from its European WISE counterparts.

Tahanan's experience of mission drift as it diversified its products and markets to serve more PWDs during the development stage as well as its difficulties in achieving full cost recovery among its past and current contractors may be likened to the challenges faced by social enterprises with charitable origins in the United Kingdom (Spear, et al., 2010). However, there are critical issues that Tahanan has faced as SEPPS in a developing country context where severe neglect of PWDs is part of the reality of widespread state and market failures.

Like Upland Marketing, the case of Tahanan shows the pitfalls of SEPPS in engaging the mainstream market while pursuing a social mission, in this case of facilitating the rehabilitation and social inclusion of PWDs.

Unlike the developed economies of Europe where the state has a strong tradition of undertaking affirmative action to assist PWDs, Tahanan's experience showcases

an unreliable state in implementing even its own policies for PWDs. Like PWD Fed, it shows the potentials and challenges of engaging the state as market, and actualizing its role in redressing inequalities (Laville, 2010) towards creating equality of conditions and opportunities (Turner, 1986) for PWDs.

## 6.7. Tahanang Walang Hagdanan: A Stakeholder Perspective

### 6.7.1. Primary Stakeholders of Tahanan

Tahanan and PWD Fed both serve a poverty sector who, from Sen's capability perspective, are "... not only among the most deprived human beings in the world, they are also, frequently enough, the most neglected" (Sen, 2009, p.258). Sen noted that the situation of PWDs in developing countries, of which the Philippines is a part, is even more difficult, relative to their counterparts in developed countries:

"Furthermore in the developing world, the disabled are quite often the poorest of the poor in terms of income, but in addition, their need for income is greater than that of able-bodied people, since they require money and assistance to try to live normal lives and to attempt to alleviate their handicaps. The impairment of income-earning ability, which can be called 'the earning handicap' tends to be reinforced and much magnified in its effect by 'the conversion handicap': the difficulty in converting incomes and resources into good living, precisely because of disability". (Sen, 2009, p. 258)

From the very beginning, the Tahanan founders were clear that their main mission was the integration of PWDs to the mainstream of society through education, training and employment. The PWDs, the majority of whom were poor, were the primary stakeholders of Tahanan. They were the main reason for Tahanan's being, and all programs, including their wealth creation activities, were geared towards their social inclusion. Like the cases of Alter Trade, Upland Marketing and PWD Fed, the PWDs in Tahanan were primary stakeholders from what Donaldson and Preston (1995) consider a normative approach.

### 6.7.2. Roles and Role Changes: From Passive Worker-Beneficiaries to Worker-Partners

Unlike the PWD Fed that was self-initiated by PWDs, Tahanan started as a mission of religious people and concerned private citizens among able-bodied persons

of society. Unlike the case of PWD Fed, as well as the cases of Alter Trade and Upland Marketing, Tahanan engaged the PWDs or the poor, as individuals but not as groups.

At the initiation stage, a small number of PWDs were engaged as participants in their own rehabilitation process: Tahanan involved them as workers in a sheltered workshop to produce wheelchairs that were used for Tahanan's Sponsor a Wheelchair program. As workers, they enacted transactional roles. They were also engaged as partners in their own rehabilitation process.

At the development stage, there were two types of sheltered workshops: a small but stable sheltered workshop producing the wheelchairs, and workshops that expanded and contracted according to the requirements of exporters. The former was run in the original spirit of providing rehabilitation to PWDs. The latter tended to engage the PWDs like workers in an assembly line to meet the delivery requirements of the contracts. As one management staff explained, "With exporters concerned about lowering costs to stay competitive, workers in these workshops felt they were doing hard work for little pay. Most stayed on as it was their only option". With the mentality of serving the export market 'just to give work to people', one could say that the dominant role played by most of the PWDs then was as worker-beneficiary. They were dependent on Tahanan for work but they were only employed on a piece rate basis when orders came in. One may even surmise that as a whole, and especially in relation to the contract for the wood tables that warped, the PWDs indicated enacting the role of being passive worker-beneficiaries.

During the renewal stage, the essence of work as part of the rehabilitation process had apparently been restored in most of Tahanan's sheltered workshops. On the whole, most of the PWDs seemed to see themselves as passive to self-assured workers, thankful to Tahanan for giving them the opportunity to earn a living and appreciating their self-worth. If one was to use their self-assessment in terms of participation in face-to-face meetings as gauge, one could draw a spectrum that ranged from 'just listening' to 'speaking when asked' to 'volunteering to speak to make suggestions'. These seemed to show different levels of individual development as part of their rehabilitation process. At the same time, some of the PWDs, though a small minority had become pro-active supervisors, empowered managers, and directors. All of the PWD workers interviewed reported they had been transformed from being 'dependent' to becoming 'contributing' members of their families.

On the whole, PWDs within Tahanan had played transactional roles as worker-partners except for the period when being passive worker-beneficiaries seemed to have become the dominant role enacted during the development stage. As worker-partners during the renewal stage, there were 3 segments observed: passive to self-assured workers, pro-active supervisors and empowered managers/directors.

### 6.7.3. Roots and Routes of Role Changes

Table 6.1. details the evolution of the roles enacted and services provided to Tahanan's primary stakeholders of PWDs using Mintzberg's (2007) stages of initiation, development and renewal.

#### 6.7.3.1. From Worker-Beneficiaries to Worker-Partners

The essential role change from being worker-partners at initiation to becoming mainly worker-beneficiaries during the development stage then shifting back to being worker-partners during the renewal stage may have several explanations.

One explanation may be the nature of markets served. The shift to becoming worker beneficiaries happened when Tahanan was mainly serving subcontracting arrangements with mainstream exporters. These contracts required the completion of big job orders of consistent quality, delivered on time at very low cost. This transformed the sheltered workshops into assembly lines of passive workers. The shift back to becoming worker-partners happened as Tahanan served local institutional markets the biggest of which was the Dep Ed, and companies practicing corporate social responsibility.

Without discounting the possibility that this may have been a factor, one could raise the point that the Dep Ed as a market had its own challenges especially that Tahanan had started to win bids under the regular process of the DepEd since 2009. As such, Tahanan needed to bid in big volumes and compete with other business enterprises in terms of price, quality and delivery. With the Dep Ed as market, it is not unthinkable for the sheltered workshops to be run like assembly lines of passive workers. In 2009, despite the highly competitive process and the additional difficulties associated with government contracts as detailed in Section 6.4.3, including not being paid on time, the PWDs had continued to enact the role of being worker-partners.

A more probable explanation may be a change in management orientation towards the PWD workers. During the time Tahanan was serving the export market, the General Manager appointed by the Board brought into the organization a professional team of non-PWD staff who had experience in running a business. This was deemed important to ensure that Tahanan would meet its contractual obligations and comply with the demands of the export market. Even after this professional team of non-PWD staff had left, the PWD-led management team that took their place chose to continue to serve the export market 'just to give work to people'. The professional team who came from a purely business context may not have had the social orientation for managing a work environment under a rehabilitation framework involving PWDs. On the other hand, the PWD-led team that took their place may not have had the

knowledge, skills and experience to appreciate and manage the tension between ensuring a rehabilitation framework in providing employment for PWDs and serving chosen enterprise markets. On the whole, this may be seen as a reflection of the Tahanan Board's own difficulty and lack of preparedness at that time in governing and managing the tension between social and business goals as the social enterprise expanded its outreach and operations. This explanation resonates with the findings of Spear, et al., (2010) on the sources of mission drift and governance issues usually faced by social enterprises.

Nevertheless, as reflected by a shift back to a management orientation of engaging the PWDs as worker-partners during the renewal stage, the mission drift seems to have been arrested. With all the difficulties faced, the Board had consciously invested in building a committed and competent management team that restored a collaborative relationship with the PWD workers.

**Box 6.1. Top Management, Tahanang Walang Hagdanan 1979-2011**

- Mr. Agustin Cabrera, a non-PWD, was appointed overall coordinator for workshops in 1979.
- Ms. Ruby Gonzales became the first PWD General Manager (GM) and later President from 1984-86; Ms. Edna Daroy, a PWD, became GM in 1984 but retired in 1986.
- Mr. Antonio Kohtiao, a PWD became President in the late 80s; the GM then was Mr. Lorenzo Binuya, a non-PWD.
- Engr. Felix Gonzales, a non-PWD, became President from 1988-2007.
- Mr. Jesus Docot, a PWD became GM sometime 1988-1990, and later became Executive Vice President (EVP) and Chief Executive Officer (CEO) until he retired in 2003; Ms. Joy Garcia, a PWD, became EVP and CEO after Mr. Docot retired.
- Mr. Manuel Agcaoili, a PWD, became President and CEO in 2007, with Ms. Joy Garcia as EVP and Chief Operations Officer (COO).

### 6.7.3.2. Worker-Partners as Supervisors, Managers and Directors

This is directly related to the other aspect of role change that had occurred within Tahanan. By the renewal stage, notable changes had occurred in the level of participation of some of the individual PWD worker-partners in enterprise management. One may ask: what would explain the 3 segments of worker-partners? Why and how did a number of PWDs especially from the poverty sectors come to enact roles of being supervisors as well as managers and directors?

The positions of President and General Manager had historically been occupied by a combination of PWDs and non-PWDs, without any particular pattern. Box 6.1. details who occupied these top leadership positions over time. Beyond the positions of President and General Manager, it was in the early 1990s, after the crisis Tahanan

went through, that the appointment of PWDs to management positions began. By the late 1990s, the PWD managers had become the majority. There was also a conscious effort to send PWDs being appointed to management positions to undertake relevant seminars and trainings. As one management staff put it, “Tahanan’s founder and officers had been successful in spotting PWDs with the potential to be honed for future leadership positions” (Evangelista, 2009). When Engr. Gonzales became President, a position he held from 1988-2007, he also pursued a policy of ‘minimum interference and maximum encouragement among PWDs’. This gave impetus to training more PWDs for management positions (Garcia, 2011).

The common experience among the PWD supervisors, managers and directors of receiving scholarships for elementary, high school and/or college as well as being provided with training and other learning opportunities for leadership development may be considered manifestations of Tahanan’s transformational services. However, unlike the transformational services provided by PWD Fed or Alter Trade to their primary stakeholders, these transformational services that Tahanan provided were directed to individual PWDs who showed promise, and those who showed the most promise in the process of enacting their transactional roles as worker partners were provided the opportunity to enact the role of supervisors, managers and directors.

Moreover, unlike the transformational services provided by PWD Fed or Alter Trade, they were not directed at building the collective capacity of the PWDs to govern themselves and undertake group initiatives to overcome their poverty and contribute to community or sectoral development.

In other words, the transformational services directed at individuals did not translate to the PWDs’ enacting transformational roles beyond the social enterprise, like in the case of PWD Fed and Alter Trade. At the same time, the roles within the social enterprise, indicating increased participation in planning, decision-making, and team leading characteristic of being supervisor or of being manager or director, may still be considered transactional roles. This is because these roles are directly related to enterprise operations and the performance of such is remunerated by the social enterprise with corresponding salaries and benefits.

These transformational services targeted at individual PWDs, seem to be distinct in terms of enabling them to achieve what Turner (1986) refers to as equality of condition and equality of opportunity. Turner explains the notion of equality of condition and of opportunity this way: “... there is an attempt to make the condition of life equal for relevant social groups” to the point that they could enjoy equality of opportunity. “Equality of opportunity rewards those who have the ability and who are prepared to exercise their skill in the interest of personal achievement in a competitive situation” (Turner, 1986, pp 34-35).

Applying this to the present case, PWDs were provided scholarships to complete their formal education, and undertook personality development and leadership



training, so they may reach a condition (equality of condition) where they can have the same opportunity (equality of opportunity) relative to their able bodied counterparts to be appointed to management positions within Tahanan. In a sense, the supervisor, manager and director positions are competitive positions that the PWDs needed to vie for, utilizing the abilities they acquired through Tahanan's transformational services. These positions however were limited. As of June 2011, Tahanan had 13 manager/director positions with 10 occupied by PWDs and 14 supervisor positions with 11 occupied by PWDs (Garcia, 2011; Lloren, 2011).

### 6.7.3.3. Engaging the Front Line PWD Workers as Partners

During the renewal stage, Tahanan had grown to be a big organization, reaching 90 office-based and program support staff and 219 workers by 2009. A legitimate question to ask is, how were the majority of front line PWD workers engaged? What would indicate that at the renewal stage, they were being engaged as partners rather than as beneficiaries?

A development and planning office within Tahanan was created in the 1990s. The office initiated planning processes that happened every three years. Up to 2007, institutional planning processes involved the Board with the participation of managers and supervisors. However, interviews with management staff revealed that since early 2000, planning and decision-making processes started to be more rigorous, participatory and transparent. COO and EVP Joy Garcia explained that the main changes in their planning practice was in the involvement of the rank and file PWD workers and reviewing accomplishments based on plans and budgets. Other management staff expressed that under Ms. Joy Garcia, a process of involving the staff per department was initiated to get their views about problems, and suggestions on how they could be solved. Overall, the management staff in 2009 felt they were in a better position to represent views from PWDs not only because a majority of them were PWDs but also because of the involvement of the rank and file PWDs in planning and decision-making (Evangelista and Villafuerte, 2009). Aiding this process was the setting up of an Executive Committee in 2007, by the President of Tahanan, Mr. Agcaoli, which he headed. He also initiated the appointment of directors, in addition to managers so that leading and managing each functional area became a shared responsibility between two people. The directors were members of the Executive Committee. The Executive Committee met regularly to plan, review accomplishments based on plans and budgets, as well as adjust plans accordingly (Garcia, 2011).

What may be culled from the aforementioned discussion is a combination of factors had contributed to the shift towards engaging the PWDs as partners during the renewal stage. The management team composed mainly of professional PWDs had a

clear orientation of pursuing rehabilitation and social inclusion. The institution of management systems that have been described as more rigorous, participatory and transparent complemented this.

One may also note the nature and combination of services provided by Tahanan during the renewal stage: a combination of individually directed transformational services and transactional services that included those that were not fee-based.

Transformational services directed at the rehabilitation and development of PWDs is discussed in Section 6.4.4. These include provision of mobility aids, engaging them in socialization activities such as sports and dance competitions, as well as seminars and trainings on Personality and Esteem Development. These may still be part of what Turner (1986) considered as enabling the PWDs to a point of achieving equality of condition vis-à-vis their able-bodied counterparts. As shown in Section 6.4.4., there is also evidence of transactional services to do their jobs as workers more effectively and efficiently such as trainings on Product Costing, Packaging, Labeling and Marketing as well as skills training on livelihood related activities like water lily stem weaving, linked to making products marketed by their Business Center. This is in addition to the employment they provide through their sheltered workshops for which the PWDs received income.

#### 6.7.4. Impact of Roles and Role Changes

The impact of the PWDs being worker-partners of Tahanan was extensively discussed in Section 6.5.2: from a condition of unemployment and social exclusion, they experienced sustained income and a host of non-financial impacts such as increased self-esteem, self-worth and improved relations and standing in their families. What is interesting to explore further is the impact of the role change from worker-partner to worker-beneficiary, 'just to give work for people', with periods of becoming unemployed during the development stage.

The experience with the warped wood tables that became the reason for the lawsuit that pushed Tahanan to a crisis situation in the 1990s may be good take-off point. One indication that they may not have been engaged as partners was they were not provided the support needed in terms of technology and training to effectively play their transactional roles as workers. For a PWD who was still in the process of grappling with self-esteem and self-worth, one could surmise how a rejection of their work output and fear of loss of employment must have been devastating.

With the lawsuit and the crisis situation that followed where Tahanan stopped the workshops serving the export market, one could theorize that each of the workers who were involved then and could not find work elsewhere may have felt the loss in more ways than just income. Citing many studies on poverty and social exclusion in the North and South, Sen explains:

“There is plenty of evidence that unemployment has many far-reaching effects other than loss of income, including psychological harm, loss of work motivation, skill and confidence, increase in ailments and morbidity (and even mortality rates), disruption of family relations and social life, hardening of social exclusion, and accentuation of racial tensions and gender asymmetries”. (Sen, 1999, p.94)

If one were to add what Sen (2009) called ‘the earning handicap’ and ‘the conversion handicap’ experienced by persons with disability in the South discussed in Section 6.7.1, one could theorize that the negative impacts on the affected PWDs then were, though unintended, grave and far-reaching.

Considering the foregoing, the impact of enacting the role of being passive worker-beneficiary, of staying on just to have work despite the unfavorable conditions among the PWDs, then may be characterized as generally fostering subservience, dependence and fear of unemployment. This resonates with what Sen (2000, p.30) discusses as unfavorable inclusion or “unequal inclusion in an exploitative occupation.... by the sheer necessity of earning a living”, leading to psychological harm and hardening of social exclusion (Sen, 1999).

### 6.7.5. Stakeholder Engagement Strategy over Time

Using Mintzberg’s (2007) theory of strategy formation, the intended primary stakeholder engagement strategy of Tahanan from initiation to renewal was one of collaboration. This may be a reflection of the organizational model chosen by the founders of Tahanan in pursuing its mission. To pursue the rehabilitation and social inclusion of persons with disability in the context of state neglect, sisters from an international religious congregation mobilized individuals from the business community and some prominent people with connections to politicians to comprise a board of a non-stock non-profit corporation.

Using Cornforth’s (2003) characterization of how boards work in the non-profit sector, the founders of Tahanan seem to have combined aspects of what he calls the compliance and co-optation models: board members (the ICM sisters) served as guardians of the non-profit mission, and others were chosen to secure the resources and relations with key stakeholders in an uncertain external environment.

This is in contrast to what Cornforth (2003) characterizes as the democratic model as exemplified by the PWD Fed where ‘lay’ representatives among the PWDs comprised the board. The board of Tahanan was composed mainly of non-PWDs. The intention from initiation was for PWDs to be engaged as worker-partners or as transactional partners, in their rehabilitation process.

The realized stakeholder engagement strategy of Tahanan was dominantly one of collaboration, made possible by the delivery of transactional and individually directed transformational services to their worker-partners. As discussed in Section 6.7.2, the individually directed transformational services, coupled with transactional services to assist the performance of their role as workers, contributed to the process of rehabilitation and development of the PWDs, at different paces. Their rehabilitation and development as individuals helped them overcome what Sen (1999, 2009) calls their ‘capability deprivation’. As discussed in Section 6.7.1, the specific nature of PWDs as a poverty group, not only make these transformational services critical to overcoming their impairment of income-earning ability and their difficulty in converting incomes and resources into good living because of disability (Sen, 2009), but also critical to enabling them achieve equality of condition and opportunity (Turner, 1986) vis-à-vis their able-bodied counterparts. With the PWDs individually undergoing rehabilitation and development at different paces, the more advanced comprise the segments of PWDs enacting the roles of self-assured workers, pro-active supervisors and empowered managers and directors.

The intended and realized stakeholder engagement strategy of collaboration of Tahanan, may be likened in many ways to the stakeholder engagement strategy of collaboration pursued by Upland Marketing and Alter Trade (in engaging the banana growers). There are however some particularities worth noting:

- On the nature of transactional roles enacted: The poor in Tahanan were engaged as worker-partners and as partners in enterprise management while they were engaged as supplier-partners and as partners in value chain management in Upland Marketing and Alter Trade;
- On the nature of services provided: For Tahanan, individually directed transformational services were provided to the PWDs in addition to transactional services, which were not evident in the cases of Upland Marketing and Alter Trade. This may be a function of the nature of PWDs as a poverty group; and
- On the nature of results/impact: For Tahanan, the individually directed transformational services resulted to the self development of PWDs that translated to the performance of various types of transactional roles within the social enterprise, notably as proactive supervisors and empowered managers and directors. They however did not result to the performance of transformational roles by the primary stakeholders manifested by the sugar farmers in Alter Trade and PWDs in PWD Fed. For Tahanan, the combination of transactional services and individually directed transformational services had many non-income impacts such as improved self-esteem and self-worth, characteristic of social inclusion.

The unintended shift to a stakeholder engagement strategy characterized by relating to the PWDs as passive worker-beneficiaries that became dominant during the development stage may be likened to Sloan's (2009) control model of stakeholder engagement, but only in terms of key engagement processes. The key engagement processes were 'telling' the workers what to do and 'monitoring' their work output. Given the unintended impact of fostering of subservience, dependence and fear of unemployment discussed in Section 6.7.4, there may not even have been an engagement process of 'listening' to feedback from PWDs. Moreover, the other elements of the control model of stakeholder engagement of Sloan (2009), like in the case of her collaboration model as applied to Upland Marketing, or Alter Trade (in engaging banana growers) seem inappropriate. A more appropriate way of characterizing this particular stakeholder engagement strategy based on the discussions so far and taking off from the dimensions used in characterizing the collaboration and empowerment models discussed in Chapters 3, 4 and 5 is presented here:

- *Managerial orientation towards the poor*: poor as passive beneficiary;
- *Key engagement processes*: telling, monitoring;
- *Nature of roles and capabilities developed among the poor*: passive workers;
- *Nature of programs/services and delivery systems involving the poor*: limited to fee-based transactional services such as provision of employment; and
- *Impact on the poor*: limited with unintended consequences of fostering subservience, dependency and fear of unemployment

Table 6.1. Tahanang Walang Hagdanan: Evolution of Roles and Services among Primary Stakeholders

	<b>Inception Stage (1973-early 1980s)</b>	<b>Development Stage (Mid 1980s to 1990s)</b>	<b>Crisis Management and Renewal Stage (1990s – 2011)</b>
<b>Key Organizational Developments</b>	<ul style="list-style-type: none"> <li>• Organization of Tahanan by Sr. Valeriana Baerts, ICM, as a live-in rehabilitation and training center for paraplegics and other orthopedically handicapped persons;</li> <li>• Venture by Tahanan into metal craft for wheel chair production as a sheltered workshop that initially employed about 20 paraplegics and orthopedically handicapped persons; and</li> <li>• Fund mobilization and construction of Tahanang Walang Hagdanan center.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance of wheelchair production operations;</li> <li>• Expansion of PWD outreach through diversification of products and markets – packaging, woodcraft, fish hooks;</li> <li>• Workshops serving mainstream export market become dominant: big volumes, irregular periods at very low contract prices;</li> <li>• Institution of policy to only accept contracts priced above break-even level;</li> <li>• Periods of no work for PWDs; and</li> <li>• Legal battle with exporter over contract for wood tables that warped where Tahanan lost P1.5 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Export market dominant up to 2000: continuing tension between policy to be selective with work contracts and desire to continue giving work to many PWDs;</li> <li>• Local Market Development: venture into serving local institutional markets like schools and companies engaged in CSR, direct selling in subdivisions, and use of media to develop alternative markets;</li> <li>• Dep Ed becomes biggest market for educational toys by 2006: first boosted by affirmative legislation; later participated in regular bidding process and won bid worth Php 15 million in 2009; and</li> <li>• Development of Business Center to assist product development and marketing of PWD micro-entrepreneurs – boosted Community-Based Rehabilitation Program initiated in 1994.</li> </ul>

	<b>Inception Stage (1973-early 1980s)</b>	<b>Development Stage (Mid 1980s to 1990s)</b>	<b>Crisis Management and Renewal Stage (1990s – 2011)</b>
<b>Roles of poor: (Unemployed persons with disability)</b>	<ul style="list-style-type: none"> <li>• Worker-partners: engaged in wheelchair production as partners in their own rehabilitation process.</li> </ul>	<ul style="list-style-type: none"> <li>• Small number of workers in wheelchair production engaged as partners in rehabilitation process; and</li> <li>• Most of PWDs: engaged intermittently as passive worker-beneficiaries in workshops for mainstream export market,</li> </ul>	<ul style="list-style-type: none"> <li>• Worker-partners enacting 3 types of roles <ul style="list-style-type: none"> <li>○ passive to self-assured workers;</li> <li>○ proactive supervisors: by 2011, PWDs comprised 11 out of 14 supervisory positions; and</li> <li>○ empowered managers and directors: by 2011, PWDs comprised 10 out of 13 managerial positions</li> </ul> </li> </ul>
<b>Transactional Services to PWDs</b>	<ul style="list-style-type: none"> <li>• Training in the manufacture of wheelchairs; and</li> <li>• Employment in sheltered workshop manufacturing wheelchairs.</li> </ul>	<ul style="list-style-type: none"> <li>• Employment in sheltered workshops mostly for mainstream export market.</li> </ul>	<ul style="list-style-type: none"> <li>• Trainings for employees and workers related to accomplishment of tasks;</li> <li>• Day care services for children of employees; and</li> <li>• Employment in sheltered workshops and in foundation.</li> </ul>
<b>Transformational Services to PWDs</b>	<ul style="list-style-type: none"> <li>• Rehabilitation services including mobility aid assistance; and</li> <li>• Scholarships to selected PWDs to finish elementary, high school and college.</li> </ul>	<ul style="list-style-type: none"> <li>• Rehabilitation services including mobility aid assistance; and</li> <li>• Scholarships to selected PWDs to finish elementary, high school and college.</li> </ul>	<ul style="list-style-type: none"> <li>• Rehabilitation services including mobility aid assistance, personality development seminars, special sports and recreational activities;</li> <li>• Scholarships to selected PWDs to finish elementary, high school and college; and</li> <li>• Trainings and seminars for selected employees and workers eyed for, and occupying supervisory and management positions.</li> </ul>

Table 6.1.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of Tahanan

<b>Participation in Core Organization</b>	<b>Initiation</b>	<b>Development</b>	<b>Renewal</b>
None	None	None	Majority of directors, managers and supervisors are PWDs.



## 6.8. Discussion

The primary stakeholder engagement strategies manifested in the Tahanan case cannot be adequately characterized using the dimensions of Sloan's (2009) control and collaboration models of stakeholder engagement that was drawn from corporate experience. The social economy school of social entrepreneurship is premised on participatory processes of decision-making and multi-stakeholder governance systems (Defourny, 2001; Defourny and Nyssens, 2008; Vidal, 2010). However, empirical studies on participation and multi-stakeholder governance in social enterprises among scholars in the social economy school, including those involving PWD WISE, mainly cover experiences in European country contexts (Davister et al., 2004; Spear and Bidet, 2005; Spear et al., 2010; Vidal, 2010). These strengthen the need for evolving a distinct framework for understanding how SEPPS engage the poor as primary stakeholders in a developing country context.

As a case of SEPPS, the Tahanan experience demonstrates:

- How a control strategy of stakeholder engagement, where the poor are involved as passive worker beneficiaries, could result to limited short term gains and negative social impacts such as fostering dependence and subservience among the poor;
- How an intended collaboration strategy of stakeholder engagement could deteriorate to a control strategy when managerial orientation shifts towards considering the poor as passive worker-beneficiaries and only transactional services that are fee-based are provided;
- How conscious, individually directed, transformational services, such as scholarships for the completion of high school and college education, coupled with providing other learning opportunities, could assist the development of partners among the poor, who could assume bigger roles in social enterprise management, such as that of being supervisors, managers and directors;
- How individually directed, transformational services in combination with fee-based and non-fee based transactional services could assist the process of restoring a management orientation and practice of involving the poor as worker-partners, characteristic of the collaboration strategy of stakeholder engagement; and
- How a participatory and transparent management system could contribute to the pursuit of a collaboration strategy of stakeholder engagement involving the poor as workers.

Tahanan's lack of support from government is a reflection of an ineffective state that is unable to deliver basic social services and address disability as a major cause of poverty (Schelzig, 2005). Local government units have not been able to sustain efforts started by Tahanan to assist PWDs in their areas. In its efforts to expand its outreach among PWDs amidst state neglect, Tahanan was, in the past, pushed to serving mainstream export markets that provided intermittent jobs but did not serve the rehabilitation objective for PWDs. Again, in its efforts to expand outreach among PWDs, it shifted to the state as market, with its own difficulties and dangers. Tahanan started to participate in the regular bidding processes of government. In doing so, Tahanan is not only competing with regular business enterprises but is also faced with the usual problems and uncertainties attached to serving government as a client in the Philippine context. This includes delays in contracts and payments<sup>83</sup> affecting Tahanan's cash flow and causing a big part of its financial difficulties.

Whether Tahanan would be able to surmount its current difficulties will depend not only on its efforts to effectively meet contract requirements with government but more importantly, its success will depend on making government accountable for its contractual obligations in the short term and for its commitment to close the policy-action gap related to serving PWDs as a poverty sector in the medium to long term. This political dimension that Tahanan needs to develop as SEPPS is consistent with a distinct characteristic observed among fair trade and other social enterprises that need to change the broader context within which they operate (Nyssens, 2006; Martin and Osberg, 2007). This would entail building the capability of Tahanan to engage government not only as a customer in what Harrison and St. John (1994; 1998) and Post et al., (2002a; 2002b) consider as Tahanan's operating environment or industry structure, but it will also entail effectively engaging government to enact what Laville (2010) considers as the state's role in redressing inequalities in favor of PWDs in what Harrison and St. John (1994; 1998) and Post et al., (2002) consider to be Tahanan's broader social-political environment.

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<sup>83</sup> Part of the serious challenges in serving government as a client in the Philippine context is corruption. The Philippines is part of the list of most corrupt countries, using Transparency International's Corruption Perception Index, a measure of domestic public sector corruption. See [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results). However, this issue was not raised by Tahanan's stakeholders in the course of the research.

## CHAPTER 7 – LAMAC MULTI-PURPOSE COOPERATIVE: OWNER-CLIENTS AS TRANSACTIONAL PARTNERS

*The Lamac MPC case shows the relevance of cooperatives as SEPPS in responding to the failure of state and market institutions to provide the poor with financial and basic social services in the Philippines. The case also demonstrates the power of the collaboration strategy of stakeholder engagement in reaching large numbers of the poor but with relatively less qualitative impact compared to the empowerment strategy of stakeholder engagement manifested by PWD Fed. From the perspective of cooperatives as SEPPS, part of the challenge faced by Lamac MPC is overcoming what seems to be a major weakness in harnessing the participation of the poor among its members to meaningfully participate in the governance of the cooperative, and create avenues for them to articulate and initiate programs that may deepen the cooperative's impact on their poverty situation. What Lamac MPC is facing may reflect an overall challenge among cooperatives in the Philippines as they strive to go beyond serving their poor members in a transactional way.*

### 7.1. Introduction

Barangay Lamac is a rural village 42 kilometers from Cebu City, which is a center for trade in central Philippines. In the early 1970s, Lamac was a farming community that had little or no access to basic needs and social services. They had only foot trails with no roads to transport their farm produce; kerosene lamps and fireflies were their only sources of light at night; and they fetched their drinking water from wells and a nearby spring. They planted rice, corn, bananas, and root crops for subsistence and a number earned some cash to meet their family's basic needs as migrant contractual workers in nearby cities (Lamac MPC, 2009).

Lamac Multi-Purpose Cooperative (MPC) Chairperson Delfin Tuquib emphasized, "Lamac is very different now". (Tuquib, 2009)

Lamac's transformation was a heartwarming story of how a poor, isolated barangay rose up with the Lamac MPC playing a central role as a community cooperative. Lamac residents, at the time of the field research in 2009, enjoyed access to potable water and electricity in their homes as well as a road and transportation system connecting them to various destinations. Lamac MPC owned and managed several enterprises, notably the Hidden Valley Resort. More than 90%

of Lamac households had members in the cooperative, and availed of their products and services.

Since the late 1990s, Lamac MPC had expanded its area of coverage to include first the town, then the province and finally the whole region where it was located. Such expansion had changed its character. It started as a community cooperative serving the village of Lamac in 1992. At the time of the research in 2009, it had become a cooperative providing microfinance services for livelihood, basic social services, and social protection to more than 37,000 marginalized people in central Philippines.

Lamac MPC envisioned itself as ‘An image builder, financially-sustainable cooperative providing wholesome services to empowered communities’. Its mission was ‘To strongly respond to the holistic empowerment needs of the vulnerable sectors through socio-economic programs’. Its core values were embodied in the acronym LOVE that stood for Loyalty, Oneness, Valor and Empathy (Lamac MPC, 2009).

## 7.2. Pre-Inception Stage (1973-1991): Rise and Fall of Self-Help Group of Farmers

Lamac MPC had its roots in the Lamac Samahang Nayon<sup>84</sup> (Lamac SN) set up in 1973 by 70 tenant tillers and small farm owners with the assistance of the Department of Local Government and Community Development (DLGCD). The DLGCD was a state agency that had a program to organize poor farmers into self-help groups. With an initial capital of PhP 50.00 per member, the Lamac SN had been able to raise PhP 3,500 to undertake consumer and marketing services for its members. From 1973-1986, the Lamac SN became a conduit of government services and projects for farmers, and for a time, was the recipient of many awards. As the government program that created and supported it ended, and as requirements for implementing projects became more complex, they experienced leadership and management problems, and subsequently, financial decline.

About the same time that the Lamac SN was on the decline, a group of young professionals and college level residents organized themselves into the Barangay Lamac Organization and Management Effectiveness Systems Inc. (BLOMES Inc.). Their aim was to provide and assist organizations in the barangay (village) with management and technical assistance. BLOMES Inc., was requested by the Lamac SN management to assist them in revitalizing their organization. With the assistance of BLOMES Inc., and leaders from another cooperative, the Lamac SN was

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<sup>84</sup> Literally means organization in the countryside.

rehabilitated. (Lamac MPC, 2009; Lamac MPC, 2009a; Tuquib, 2009; Limocon, 2009)

Mr. Delfin Tuquib, Chairperson of the cooperative for 10 years and Vice Chairperson for 8 years before that, recalled that in 1986, he was President of BLOMES Inc., the organization of professionals that assisted the rehabilitation of the Lamac Samahang Nayon. Mr. Tuquib, a teacher by profession who was principal of the local high school at the time of the research, emphasized,

“The Samahang Nayon, composed 100% of farmers, requested me to come in as they felt they needed professionals with management skills to revitalize the organization. I became a member in 1988, as I also have a small farm of 1.5 hectares. The leadership that presided over the rehabilitation period from 1988-92 was composed of five professionals from BLOMES Inc., and 2 from among the farmer-leaders”. (Tuquib, 2010)

### 7.3. Inception Stage (1992-1998): From Self Help Group to Community Cooperative

By 1992, the Lamac SN had been transformed and registered as a full-fledged multi-sectoral, multi-purpose agricultural cooperative under the management of BLOMES Inc., giving birth to the Lamac Multi Purpose Cooperative (Lamac MPC). (Lamac MPC, 2009; Lamac MPC, 2009a; Tuquib, 2009; Limocon, 2009)

While the Lamac SN was composed purely of farmers, membership in the Lamac MPC was opened to all members of the Lamac community including professionals and non-farmer segments among the poor. Lamac MPC Board Chairperson Tuquib recalled:

“The first Lamac MPC Board of Directors elected in 1992 was composed of 3 farmer-leaders with 4 professionals, including myself”. (Tuquib, 2009)

From 1992-1998, Lamac MPC remained a community cooperative, drawing its membership among residents in the barangay.

Lamac MPC General Manager Ellen Limocon explained that they started as a multi-purpose agricultural cooperative and they remained so until the time of the research in 2009. She explained:

“During the cooperative’s first monthly ownership meetings, most of those who came were our farmer members. We tried to respond to their needs. They expressed the need for financial services to increase their production, in addition

to farm inputs, pre- and post- harvest facilities and irrigation. This was the inspiration for us to open our lending facility in 1992”. (Limocon, 2009)

Lamac MPC opened its first lending facility in 1992. Lamac MPC General Manager Ellen Limocon recalled:

“Both our chairman and I did not know how to run a credit program. Therefore, we visited nearby cooperatives that had credit operations for exposure. We heard about the Land Bank of the Philippines (LBP) extending credit to agricultural cooperatives so we visited them. Shortly after, LBP visited us and helped work out our accreditation. They extended a PhP 1 million credit line, and a technical partnership. Since then, our credit operations have grown on average about PhP 5 million per year”. (Limocon, 2009)

The General Manager also recounted that some of their earliest fixed asset acquisition were for post harvest facilities:

“Our first loan from the bank was for the amount of PhP 440,000 to buy a hauling truck which we rented out. The hauling truck is also used to bring sick people to the hospital. Also in 1995, using the award money we got from winning second place in the LBP National Gawad Pitak Award amounting to PhP 400,000, we invested in a rice and corn mill, a hand tractor and a thresher to service our farmer-members”. (Limocon, 2009)

It was also during the 1990s that the Department of Environment and Natural Resources (DENR), under its Community Based Forest Management Assistance (CBFMA) Program, partnered with Lamac MPC for a watershed management programme covering 35 hectares within the vicinity. In the process, Lamac MPC and the DENR pursued Income Generating Projects involving upland farmers that included swine dispersal and forest/fruit tree seedling production (Lamac MPC, 2009).

Lamac MPC likewise became the lead actor in responding to the community’s socio-economic and spiritual needs. They joined many prestigious contests that showcased best practices among cooperatives, and they used their cash reward to invest in community projects. Their contribution was often used as leverage to lobby for government officials to do more for Lamac (Lamac MPC, 2009; Limocon, 2009).

- In 1995, an ownership meeting decided to push the establishment of a parish in Lamac. The members felt it was important so people did not have to travel 12 kilometers to avail of spiritual services. Lamac MPC provided financial assistance to construct a convent and undertake major renovations of the church, while people provided labor as counterpart;
- In 1997, Lamac MPC constructed a PhP 2 million, 3-story building made of concrete in the heart of Lamac. This replaced their dilapidated office made of bamboo, and also housed their consumer store. With an ownership meeting pushing the establishment of a bakery, Lamac MPC likewise ventured into one; and
- In 1998, Lamac MPC rehabilitated an old water reservoir and had it connected to a nearby spring, a priority barangay government project that had not been implemented because of lack of funds. Using its first prize cash reward of PhP 500,000 from the LBP National Gawad Pitak Award and a PhP 200,000 loan from LBP, they installed a new water system with the technical assistance of the Local Water Utilities Administration (LWUA). This was used as leverage for the district congressman to allocate PhP 1.5 million from his Countryside Development Fund (CDF) for a filtration plant. This paved the way for most households to have direct access to potable water. The cooperative continued to provide potable water services to the community.

The partnership with the LBP was sustained through the years. The Lamac MPC became recognized as one of the best LBP-assisted cooperatives, as proven by the series of Gawad Pitak awards that it garnered. Every year, the LBP awarded the Gawad Pitak to what were considered as the country's most outstanding cooperatives. From 1994 onwards, the Lamac MPC was always in the running for the Gawad Pitak. In 1995, it garnered 2<sup>nd</sup> prize, for which it won PhP 400,000. In 1998, the cooperative got the 1<sup>st</sup> prize, for which it won PhP 500,000. This prize money was spent for the installation of the water system in the barangay, with the district congressman providing a PhP 1.5 million counterpart from his Countryside Development Fund allocation (or CDF).<sup>85</sup>

From its transformation into a multi-purpose cooperative in 1992, the Lamac MPC engaged with, and in the process was assisted by, several institutions from the government, the financing sector, and the cooperative movement. Interestingly, most of Lamac MPC's early infrastructure projects, whether for its own use or the community's, had been funded by the prize monies of awards that it had garnered from various institutions.

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<sup>85</sup> This was a lump sum fund given annually to each national legislator for funding of small local infrastructure and other community projects that were not covered by the national budget. Allocation for specific projects was left to the discretion of the legislator. The CDF was later re-named the Priority Development Assistance Fund or PDAF.

The trend of providing for the needs of people in the Lamac community, characteristic of the inception stage, continued through to the development stage, but to a much lesser extent. For example in 2000, Lamac MPC bought land worth PhP 250,000 from the barangay government to start a housing program. The barangay had purchased the lot intending to build a market but it turned out that the project was not feasible. The cooperative housing program benefitted 20 members who were squatting on private land<sup>86</sup>.

#### 7.4. Development Stage (1998-2009): Spreading its Wings through Microfinance (Lamac MPC, 2008; Lamac MPC, 2009; Lamac MPC Management Team FGD, 2009)

In the late 1990s, the Lamac MPC Board, with the confirmation of the General Assembly, decided on a membership expansion strategy going beyond the barangay. The expansion strategy was hinged on microfinance as entry point.

The Lamac MPC expanded to cover: the entire town of Pinamungajan in 1998; the third district of the province of Cebu in 2001; the whole province of Cebu in 2004; and eventually the rest of the Visayas region by 2009. While starting to go beyond Lamac in 1998, their massive expansion from 6 to 12 branches happened from 2006-2009 (Pantino, 2009).

Given this expansion strategy, its members beyond Lamac barangay had come mainly from among the entrepreneurial poor or micro-entrepreneurs and professionals. This expansion strategy was influenced by a combination of three factors:

- The push from people outside of Lamac to become members of a cooperative that had become popular due to its achievements, and to avail of the cooperative's financial services given the prevailing problem of usury in the countryside;
- The program and financial resources offered or awarded to it by government and non-government agencies because of the cooperative's track record; and
- The cooperative leadership's commitment to cover a larger number of poor people in pursuit of the organization's mission and vision.<sup>87</sup>

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<sup>86</sup> Squatting was a common phenomenon in the Philippines given the skewed distribution of land. Privately owned or government lands that were left idle usually became areas where informal settlers built shelters or houses where they lived until such time that they were asked to leave, at times forcibly.

<sup>87</sup> See Section 7.1 for Lamac MPC's vision and mission statements.



### 7.4.1. Programs and Services

Lamac MPC's expansion beyond the barangay boosted the development of its financial services. It developed a savings program requiring only PhP 50 as initial minimum deposit and PhP 10 as minimum additional deposit. It provided an interest of 4% per annum computed and compounded quarterly. It carried an automatic Mortuary Cash Assistance Benefit ranging from PhP 20,000 - PhP 120,000 for members and their beneficiaries with a minimum maintaining balance of PhP 500. Its time deposit products of 90-360 days, with a minimum amount of PhP 1,000, earned interest from 4.25-8% per annum. Starting from 2008, other benefits linked to the savings and capital build-up program of the cooperative included:

- Hospital Income Benefit;
- Retirement Benefit;
- Insurance; and
- Pension.

Lamac MPC also developed a credit program with 4 types of loan products:

- HELP: livelihood loans (PhP 4,000 - PhP 50,000) using group lending for those with assets below PhP 500,000;
- ME: micro-enterprise loans (PhP 5,000 - PhP 150,000) for those with assets above PhP 500,000;
- SMILE: asset-based lending (PhP 150,000 - PhP 2 million) for enterprises with assets above PhP 1.5 million; and
- RELAX: providential loans of PhP 1,000 - PhP 2 million for members with a share capital above PhP 50,000.

Interest was from 2.5-5% monthly, with 1-12 months term and 0-4% service fee. HELP and ME carried a Housing Loan Assistance incentive for house repair and renovation with a 2% monthly interest for a maximum of 24 months. ME carried an Asset Acquisition Financing incentive over a 24 month period, with 2.5% monthly interest. SMILE had the same Asset Acquisition Financing incentive. This was complemented by Marketing Information Assistance, which linked the clients to Lamac MPC's internet website and business networks and provided market information and Information and Communication Technology (ICT) training to help clients in product and market development.

Lamac MPC developed a scholarship program and had started a youth organizing and children's program through the Coop Youth Planet (CYP). CYP provided a

training ground for future cooperative leaders and members. The CYP had also established and was managing the first cooperative-run dormitory for students located in Cebu City, and had initiated a school-based savings consciousness and mobilization program for children in cooperation with Aflatoun.

While the services of Lamac MPC among most of its members were mainly financial services linked to providing social protection and benefits, the cooperative continued to provide a host of non-financial services to the Lamac community. These services included the following:

- Agriculture-related services such as rice and corn milling, hauling, swine fattening and breeding, poultry raising, agri-veterinary products and services, ornamental plant production, and maintenance of an agricultural demonstration farm;
- Community services including water, postal, transportation, leasing, catering, drug store, bakery and canteen, ID lamination, photocopying (xerox copying), sound system and communications equipment, and Clean and Green Programs;
- Consumer services for dry goods and houseware as well as hardware and electrical supplies; and
- Resort and training amenities through the Hidden Valley Resort and Training Center, which catered to conventions and conferences, retreats and recollections, trainings and relaxation, inclusive of games, videoke and inland fishing.

The direction of spreading its wings beyond Lamac was expected to continue for the period 2008-2012. In its 5 Year Development Plan (2008-2012), Lamac MPC targeted to achieve 300% or 100,000 membership growth by 2012. The plan also defined “the innovation of existing non-financial services and establishment of direct and rewarding programs for membership” that translated to the following key investments (Lamac MPC, 2007):

- Filtration plant and expansion of water system (Php 4 million);
- Agri-based project including demonstration farm, poultry, piggery, layer, dairy, inland fishing, and goatery (Php 3 million);
- Milling Facility in Punod (Php 500,000);
- Housing Development cum Tourism: Bed and Breakfast (Php 5 million);
- Memorial Park (Php 8 million);
- Funeral Parlor (Php 1 million);
- Improvement of Hidden Valley Resort (HVR) Training Center/Facilities, Covered Court and Sport Amenities (Php 6 million);

- Procurement of 1 mini bus, 2 multicab/van for HVR and branches (PhP 2 million);
- Construction of building in Balamban (PhP 4 million);
- Purchase of lot in Lutopan (PhP 1.5 million);
- Construction of Business Development Center in Toledo (PhP 6 million); and
- Dormitory and Hub in Cebu City (PhP 1 million).

As part of its 2008-2012 plans, Lamac MPC also targeted the organization and registration of the Lamac MPC foundation as a subsidiary “to provide incentives to at least 50% identified good members and clients through direct social and basic services” (Lamac MPC, 2007). This project however had not been implemented at the time of this research.

#### 7.4.2. Membership and Membership Participation

Lamac’s membership as of end December 2008 had reached 39,869, spread across 14 branches and sub-offices. Membership consisted of 26,825 regular members, 13,044 associate members and 2,546 youth as a distinct membership group. Criteria used for membership is as follows:

- Regular full-fledged members had undergone a Pre-Membership Education Seminar (PMES), paid their membership fee of PhP 200, and had a savings deposit of PhP 500 and share capital of at least PhP 1,000. Upon initial enrollment for membership, regular members should have invested share capital of PhP 100 representing 2 shares of the minimum paid up capital of PhP 1,000. They were considered non-full-fledged regular members if their share capital was less than PhP 1,000 and/or their savings deposit were less than PhP 500. Associate members were those who had availed of a service from the cooperative but had not undergone PMES;
- All members were rated quarterly based on the criteria of undertaking regular monthly capital build-up (CBU) and savings (regardless of amount) and paying loans on time. Members in Good Standing (MIGS) were classified into Diamond, Gold and Silver, while those who were Members Not in Good Standing (MNIGS) were classified as Bronze; and
- Only Diamond and Gold members were eligible to run as Board of Chapter Leaders. Only Diamond members were eligible to run as members of the Board of Directors. Diamond, Gold and Silver members comprised the General Assembly as voters and could avail of loans.

By the end of 2008, Lamac MPC's membership in the barangay where it started was estimated at 2,424<sup>88</sup>, including the youth. (Lamac MPC, 2008). This represented 6% of the total membership of 39,869 spread across 14 branches and sub-offices. While 94% of the membership coming from the other branches was composed of entrepreneurial poor, micro-entrepreneurs, and professionals, the membership within Lamac was composed of farmers and livestock raisers (60%); construction, domestic and migrant workers (20%); sari-sari store owners and micro-entrepreneurs (10%); and professionals or salaried employees (10%) (Tuquib, 2009; Lamac MPC Management Committee FGD, 2009).

In terms of overall participation, the members from poverty sectors who were interviewed saw their leaders as the ones responsible for decision-making. One of the members interviewed put it this way: "As a member, as long as I am in good standing, I can vote for our leaders. They are the ones responsible for making decisions for the cooperative". It is important to point out that the criteria for becoming a Member in Good Standing, which was the basis for inclusion in the General Assembly, was purely determined by the capacity of members to regularly undertake capital build-up, savings and loan payments. These same criteria determined the eligibility of members to be elected in the Board of Chapter Leaders or the Board of Lamac MPC. Such criteria tended to discriminate against poorer members in their exercise of their right to become part of governing bodies, and tended to negate the cooperative's mission of empowering vulnerable sectors.

A General Assembly usually generated participation from 60 to 80% of Members in Good Standing or MIGS. During the 19<sup>th</sup> General Assembly at the Cebu Coliseum, this translated to about 8,000 members. The parade before the actual meeting created traffic in the provincial capital and the talk of the town was "Lamac is having its General Assembly" (Pantino, 2009). Assuming a 60% participation rate of the MIGS during this General Assembly and 26,825 regular members by end 2008, about 50% of these regular members, or about 13,412 would have been Members in Good Standing.

### 7.4.3. Governance and Planning Practice

Among the 3 farmer leaders from the first Lamac MPC Board of Directors, only 1 remained in the board, Mr. Pablito Lucero, aged 59, during the development stage. Mr. Lucero had been President of the Lamac Irrigators Association from 1990-2008. He worked on a 1-hectare parcel of land that he leased at a fee of 10% of the farm yield. Off-season, he was also a carpenter. The professions of the Board of Directors

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<sup>88</sup> The latest available breakdown of membership across branches was for the year 2007, which put membership within Lamac at 2,265. Assuming the same % increase in membership listed in Lamac from 2006-2007, put at 7%, membership would have grown to 2,424.

at the time of the research, apart from Mr. Lucero, included two principals of local schools, a retired bank employee, a nurse, a teacher, a midwife, and a sanitary inspector of a national government agency.

Mr. Lucero explained the change in Board composition:

“I am the only surviving farmer leader from the Samahang Nayon. My 2 other colleagues have died and have been replaced with professionals. We can say that those who may be replacing us farmer leaders in the cooperative are sons and daughters of farmers who have gone through college. We try to keep them interested in farming by asking them to work in the rice and corn fields during vacation time. They are professionals but with some guidance, they could remain interested in farming. For myself, I have endeavored to guide my child and nephew – and I think there are indications that I am achieving some success with my nephew”. (Lucero, 2010)

Since its expansion outside of Lamac, the leadership structure of the cooperative was changed to include a Board of Chapter Leaders who were elected per office. At the time of the research in 2009, there were 14 branches (including the Lamac Main Office), so there were 14 Boards of Chapter Leaders elected at large by the members in good standing in their respective areas of coverage. Interaction and consultations between the members and the leadership happened mainly during Quarterly Ownership Meetings per office. There was also an Annual General Assembly. The Annual General Assembly Meeting was conducted in two parts:

- Part I, conducted by office, was when elections and the distribution of dividends and patronage refunds happened; and
- Part II, conducted as one big meeting across offices, was when the business meeting and social activities happened.

Referring to their planning practice, General Manager Ellen Limocon explained that they have had three medium term plans covering 2008-2012, 2005-2007 and 2002-2004. These plans were usually discussed at the level of the management committee and the board, and ratified during General Assemblies (Limocon, 2009).

#### 7.4.4. Partnerships and Recognition

During the development stage, Lamac MPC sustained its partnership with the Land Bank of the Philippines. By then, Lamac MPC had become a model among the government bank’s partner model cooperatives. In 2003, the Lamac MPC won the top prize – the *Ginintuang Gawad Pitak*, a special award given to the best

agriculture-based cooperative among the Gawad Pitak Hall of Fame awardees<sup>89</sup>. This was only the second year when the award was given out. The award carried with it a PhP 1 million prize that the Lamac MPC used to partially fund the construction of a Cooperative Training Center that eventually became the Hidden Valley Training Center and Resort. Also in 2002, Lamac MPC was an awardee under the Ramon Aboitiz Foundation Inc. (RAFI) Triennial Awards. The prize money of PhP 250,000 was spent for the procurement of the lot for the cooperative's housing project.

Within the Philippine cooperative sector, Lamac MPC was a member of VICTO National<sup>90</sup>, and the National Confederation of Cooperatives (NATCCO). Among others, these networks introduced enterprise ideas and facilitated international networking among their members. In 2001, Lamac MPC's linkage with the Canada-based Capital Credit Union (CCU) was opened through the twinning cooperative program of the Canadian Cooperative Association (CCA) and VICTO. The two cooperatives forged a partnership following exchange visits between the Lamac MPC and the CCU leaders, and the CCU has been a supportive partner of the cooperative since then. Among others, the CCU also contributed funding for the construction of the Hidden Valley Training Center and Resort.

The Lamac MPC was actively involved in the Municipal Cooperative Development Council (MCDC), through various activities like the small and big cooperative brother program. This program allowed Lamac MPC to assist start up or smaller cooperatives in the municipality. The cooperative credited its involvement in the MCDC for its being given preferential rights to finance the local government unit (LGU) administered-infrastructure projects. With this involvement, the Cooperative Development Authority and the Representative of the 3<sup>rd</sup> Congressional District of Cebu chose Lamac MPC as the conduit of livelihood credit facilities for the poor such as the '*Lingap sa Mahirap*'<sup>91</sup> fund (PhP 1 million) and the Philippine Development Assistance Fund (PhP 4.9 million).

The Lamac MPC had a wide array of other partners from the government and the private sector, who all helped fuel the cooperatives' expansion. The cooperative was able to secure financing from the National Livelihood Development Corporation, the People's Credit and Finance Corporation (PCFC) and the SEEDFINANCE Corporation.

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<sup>89</sup> 'Gimintuang' means 'Golden'. The Hall of Fame award was given to a cooperative that had already won a grand prize, as well as a second or third prize in previous Gawad Pitak searches.

<sup>90</sup> VICTO used to be the center for NATCCO in the Visayas. In 2007, it spinned off as an independent center for cooperatives and had been called VICTO National since then.

<sup>91</sup> 'Lingap sa Mahirap' means 'Looking After the Poor'

# 7.5. Financial and Social Outcomes

## 7.5.1. Financial Outcomes

As of end December 2008, Lamac MPC had an asset base of PhP 424 million, loan receivables of PhP 314 million (PhP 293 million net of allowance for doubtful accounts), savings and time deposits of PhP 107 million, share capital amounting to PhP 151 million, and members' equity of PhP 171 million.

Growth had been tremendous since 1998, with the start of the expansion program. As seen in the following figures (Figure 7.1. – 7.4.), growth slopes had become particularly pronounced with the expansion to cover the rest of Cebu province in 2004, and with the corresponding expansion from 6 to 12 branches.

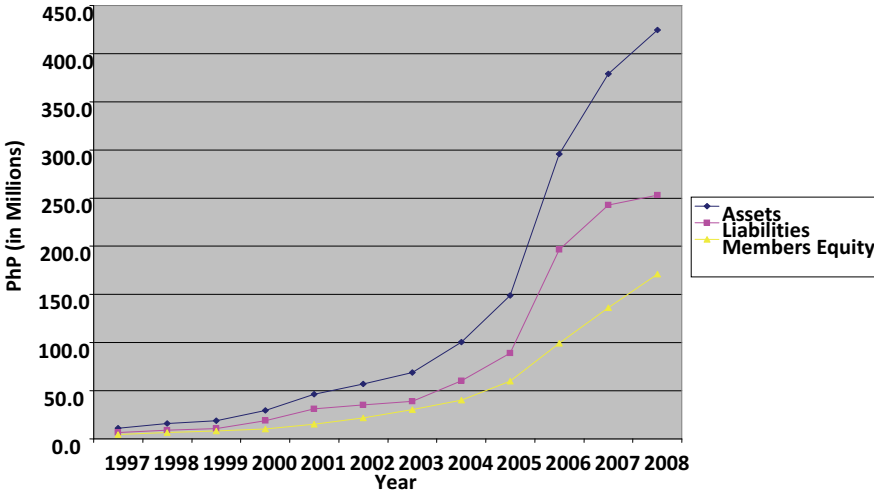


Figure 7.1. Lamac MPC, Assets, Liabilities and Members' Equity, 1997 – 2008. Sources: Audited Financial Statements, 1997 to 2008; Report to General Assembly, 2008.

Share capital rose from PhP 6.48 million (representing 62% of members' equity) in 1997 to PhP 151.4 million (accounting for 88% of members' equity) in 2008. The trend is seen in Figure 7.3. At 39,869 members in 2008, average share capital was PhP 3,797. With an exchange rate of PhP 44 to USD 1, this was about USD 86.

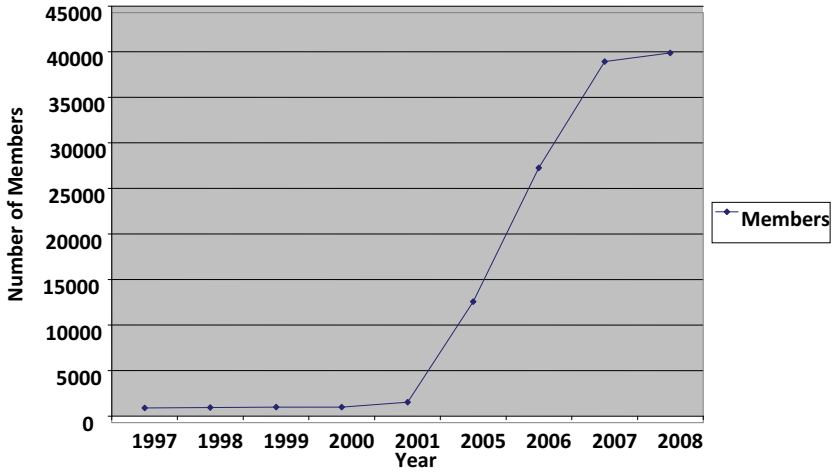


Figure 7.2. Lamac MPC, Number of Members, 1997 -2001, 2005 – 2008.  
Sources: Reports to General Assembly.

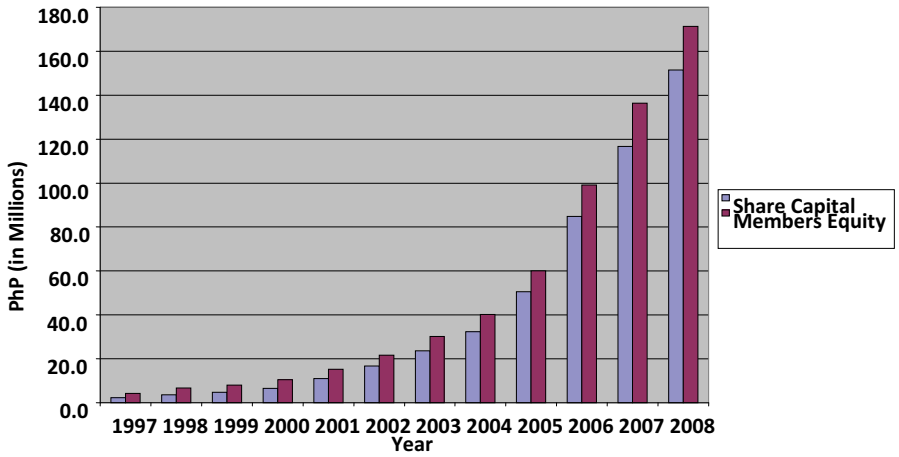


Figure 7.3. Lamac MPC, Share Capital vis-à-vis Members Equity, 1997 – 2008.  
Sources: Audited Financial Statements, 1997 to 2008; Report to General Assembly, 2008



Lamac MPC’s primary enterprise was the provision of financial services. By 2008, loans receivable, net of allowance for doubtful accounts, were at PhP 293 million, from a mere PhP 5.15 million in 1997. This was a 5,589% increase over the period. Savings and time deposits had increased by around the same percentage (5,578%) from just PhP 1.88 million in 1997 to PhP 106.91 million in 2008 (Please see Figure 7.4.)

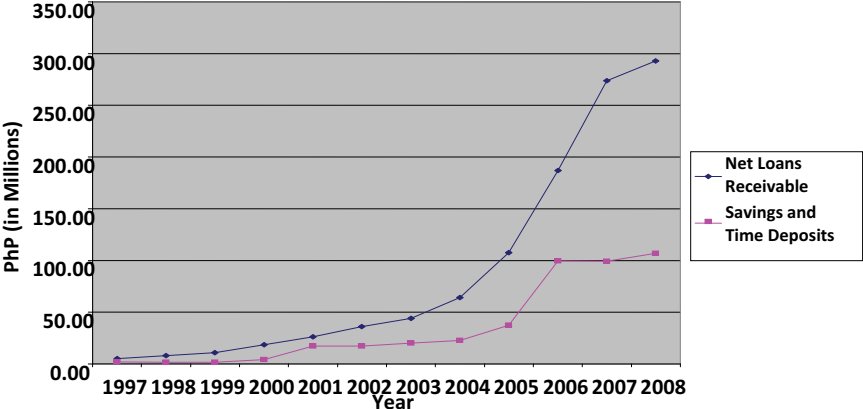


Figure 7.4. Lamac MPC, Net Loans Receivable and Savings and Time Deposits, 1997 – 2008. Sources: Audited Financial Statements, 1997 to 2008; Report to General Assembly, 2008.

Lamac MPC’s massive expansion had led to its registering a total income of PhP 112.07 million in 2007, from only PhP 2.88 million in 1997, or a 3,795% increase. Net surplus rose by 2,952% from less than a million (PhP 760,638) in 1997 to PhP 23.21 million in 2007. The next year, however, Lamac MPC experienced its first decrease in income in the expansion period. Despite an increase in the loan portfolio, interest income on loans had gone down by 11%. Profit from its other operations (which accounted for 4% of total income in 2007 and 5% in 2008) also registered a lower than targeted level. These led to a decrease in total income and net surplus to only PhP 101.4 million and PhP 15.1 million, respectively (see Figure 7.5.). Still, Lamac MPC remained in a very healthy financial situation as shown by the key balance sheet data (see Figure 7.1.).

Since its’ founding, it was loans from the Land Bank of the Philippines and other external sources that had assisted the development and growth of Lamac MPC. A big percentage of the cash prizes it reaped from 1995-2003 totaling PhP 2.15 million, detailed in Sections 7.3 and 7.4, were linked to their excellent track record as a cooperative partner of the Land Bank of the Philippines in borrowing loans and paying them back on time. Grants had not figured in a significant way in their annual

revenues, except in the form of contributions for the construction of community infrastructure projects as detailed in Section 7.3 and 7.4. Likewise, the cooperative had been chosen as a conduit of livelihood credit facilities for the poor amounting to PhP 5.9 million, as detailed in Section 7.4.4.

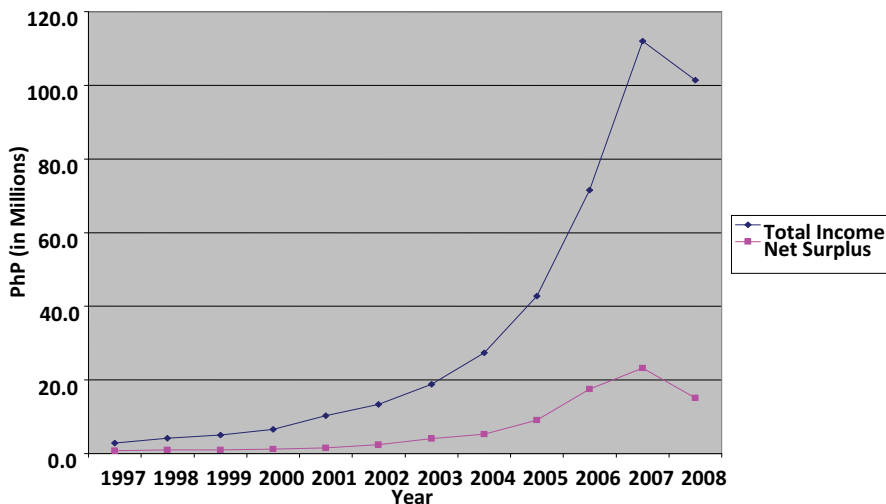


Figure 7.5. Lamac MPC, Total Income and Net Surplus, 1997 – 2008.  
Sources: Audited Financial Statements, 1997 to 2008; Report to General Assembly, 2008.

## 7.5.2. Social Outcomes

By 2009, Lamac MPC was directly employing 240 people – 30 in Lamac and the rest in its 13 other branches and sub-offices, with members and children of members given priority.

More than 90% of Lamac households had members in the cooperative, and availed of their products and services. “The minority who are not in are not members because of their culture or religion. There are certain religious denominations that don’t allow their members to become cooperative members” (Tuquib, 2009). About 90% of the cooperative’s membership in Lamac were farmers and livestock raisers, construction, domestic and migrant workers, sari-sari store owners and micro-entrepreneurs. The exact breakdown of the membership profile outside Lamac, and hence the percentage of poverty groups in the total membership, was not available. One estimate by the Executive Director of the People’s Credit and Finance Corporation was that Lamac MPC had provided microfinance services to more than

37,000 marginalized individuals in Cebu province alone (Generoso, 2009) at a time that its total membership had reached almost 40,000. Going by these estimates, the poor, mainly comprising the entrepreneurial poor and micro-entrepreneurs outside Lamac, as well as the farmers and workers in Lamac, comprised over 90% of Lamac MPC's members. By implication, the professionals and salaried employees, and small entrepreneurs composed less than 10%.

The researcher requested from the Lamac MPC management a purposive sample of members coming from poverty sectors, whom they thought represented varying levels of impact of the cooperative – from good, better and best. Twelve members were interviewed. The results of the interviews, summarized below (with some experiences highlighted in Boxes 7.1., and 7.2.) gave an overview of the range of qualitative effects of the cooperative's services on individual members and their families.

The members spoke of how they had benefited from the financial and other services extended by the cooperative. The benefits derived or generated may be classified into economic gains from access to livelihood loans; employment generated by the cooperative and micro-entrepreneurs assisted by the cooperative; savings and capital build-up among members; improved access to education; and improved access to health, housing and social protection.

- *Economic gains from livelihood loans.* The members interviewed had availed themselves of livelihood loans ranging from PhP 5,000 to more than PhP 300,000. These loans had been used for their farming expenses, or had enabled them to establish or enhance existing micro-enterprises such as livestock-raising, selling of cooked food, or running a *sari-sari* store (small variety store selling basic goods). At the time of the interview, incomes of the interviewed members ranged from around PhP 50 to PhP 1,000 a day.

Box 7.1., describes some of the economic gains enjoyed by members. In general, the assessment was as member Bernardita Alfeche cited, "With the cooperative, my life has changed – it has made it easier for me to earn a living";

- *Employment generation.* Two of the micro-entrepreneurs interviewed had been able to employ others in the community. Two of the members were employed by the cooperative itself, aside from having their own micro-enterprises. Three members (including one of the aforementioned two) had children employed by the MPC. The story of one family is narrated in Box 7.2;

- *Savings and capital build-up.* The cooperative provided a vehicle for setting aside money for savings and capital build-up. Capital build-up, which tended to be higher than savings since it was linked to availment of the lending services, ranged from PhP 10,000 to PhP 90,000 for the 12 members interviewed;
- *Education for the children.* This was facilitated by the higher household income brought in by the enterprises, loans from the cooperative to pay tuition and other fees, and by scholarship grants that some members were able to avail of for their children. Of the 12 members interviewed by the researcher, two had children who had been or were still scholars of the cooperative; and
- *Health, housing and social protection.* The cooperative had been a source of loans and other financial assistance during emergencies such as dealing with sickness or death in the family. Services like the pension for seniors, and the mortuary benefit, had also been a big help to members. Some of the interviewed members had also been able to avail of loans for housing and similar needs. Box 7.2., describes how some of the members had availed of these services.

The members also recognized the benefits derived by the community. On the whole, the Lamac MPC had served as a vehicle for development in the barangay. As outlined in Section 7.3, the cooperative had facilitated the community's access to vital services and infrastructure – ranging from helping in the establishment of the parish, to the installation of electricity, a transportation system and potable water services, to a housing project for informal settlers/squatters. In a country where public services were usually not accessible to isolated villages and the private sector would not find such areas as attractive investment sites, the cooperative had stepped in as social investor, mobilizing community resources and engaging government to make such possible. Member Digna Tanodra, featured in Box 7.3., echoed the sentiment of the Lamac MPC Chair in describing the overall impact of the cooperative: “Lamac is very different now! You would only see bamboo huts before. But now, there are concrete houses, buildings, and we even have a resort with a swimming pool!”

### **Box 7.1. Lamac MPC: Supporting Livelihoods and Education**

*The Tapaleses.* Teofilo Tapales was a farmer of a 1 hectare rice and corn land under a share-cropping arrangement of 60-40 (60% of the produce went to him while 40% went to the land owner). He got about 15-25 sacks of palay per harvest; with 2 harvests a year, this was just enough for his family's consumption. He had 5 children: 2 graduates in commerce and engineering both working in Cebu, 1 in college and 2 in elementary school. Teofilo's wife had been a member of Lamac MPC since 1994 (with capital build-up or CBU amounting to PhP 190,000) while he became a member in 2007 (with a CBU of PhP 6,000). Their membership in the cooperative had helped them with both their business and the education of their children. Since their membership, they had availed of a PhP 20,000 express loan and 5 years ago, they had availed of a PhP 300,000 livelihood loan. Their business involved procuring hogs and cows, butchering them, retailing pork and beef, as well as cooking and selling cooked meat dishes such as barbecue. Apart from themselves, they were able to employ 2 more neighbors as assistants to do ambulant vending. Overall, they made about PhP 4-5,000/day and had a net income of about PhP 1,000/day, on average. With payments of PhP 750/day for their loan, they used to have about PhP 250/day as cash income. At the time of the interview, they had finished amortizing their loan. Two of the children had graduated and were working by the time of the research. These children were able to send about PhP 2-3,000/month to their parents to assist with the schooling of their siblings.

*Bernardita Alfeche*, 38, was a housewife whose husband was a construction worker (welder) in Lapu-Lapu City. He remitted PhP 800 – PhP 1,000/week for household expenses. They had 4 children – 2 in high school and 2 in elementary. She had a CBU with Lamac MPC of PhP 33,000, and she endeavored to add PhP 500/month. In 2009, she had a patronage refund of PhP 4,000. Bernardita opened a sari-sari store 5 years ago with a loan of PhP 5000 and enjoyed a credit line of up to PhP 6,000. She generated sales of PhP 350 – PhP 400 per day and was able to net PhP 50 – PhP 100 per day.

*Teresita Ubaob* was 53 years old, married and had 2 children. She became a member in 1980 and now had a CBU of PhP 50,000 and savings of PhP 500. While both children (aged 31 and 23) were married and working, she recalled how the cooperative helped her make a living to enable her to send the children to school from 2003 to 2007. Teresita used to be part of a hog raising program that allowed members to get piglets and feeds from the cooperative for them to raise and sell back to the cooperative. She used to earn a net income of PhP 15,000 to PhP 25,000 twice a year. At the time of the interview, she sewed and sold clothes, making PhP 700 – PhP 1,000/week in terms of net income.

*Elvie Tana* was 36 years old with 6 children, aged 7 to 19. She became a member in 1990. Her first loan was PhP 1,500; her second was a 1-year loan of PhP 20,000 payable at PhP 2,000 per month. At the time of the interview, she was on her ninth loan of PhP 40,000, payable in 3 years. She used her loan to set up a sari-sari store which generated PhP 300-600 in sales and PhP 100-200 in terms of net income daily. She also sold cooked food, with sales of PhP 200 and a net income of PhP 110 daily. Her CBU was PhP 13,000, with savings of PhP 600. With her business, she was able to send her children to high school.

*Rose Libay.* Rose, 34 years old, was a housewife with 2 children (11 and 9 years old). She got married in 1998. Her husband was a collector of a finance company in Makati City and remitted PhP 5,000/month to the family. Her CBU was PhP 16,000 and savings were PhP 300. She got a PhP 20,000 loan from the cooperative to set up a sari-sari store in 2008. She made PhP 200-PhP 300 daily and an additional PhP 50-PhP 150 from selling vegetables during weekends. Her monthly amortization was PhP 1,700.

*Rosa Ferrer.* Rosa, 45 years old, had been a member for 7 years. She had 7 children – 2 in high school and 1 in elementary school, with 4 working, one as collector for the cooperative. She used to be an ambulant vendor of fish but had set up a sari-sari store with a loan from the cooperative, making sales of PhP 2,000-7,000 daily with a net income of PhP 1,000-2,000. Her CBU had reached PhP 90,000 and she had been a diamond member, but since sales had decreased, she had not been able to pay her amortization for 3 months before the interview.

### **Box 7.2. The Tanodras: Promoting Social Inclusion and Mobility**

Digna Tanodra, 51 years old, was a widow with 6 children – 2 already married, and 4 single (2 working and 2 in college). Digna’s husband died in 1993 at a time that the cooperative did not have the mortuary assistance yet (this was put in place in 1998).

She fondly remembered the year of 1988 when electricity was brought to Lamac. The cooperative approached and convinced the provincial electric cooperative, CEBECO to include Lamac as an area of operation. Cooperative members bought the electric posts, provided labor to dig and set up the posts, and paid for 15 out of the 30 kilometers of service wires through loans. The cooperative also negotiated to be responsible for accepting payments from 100 households. Digna also remembered that in 1990, members cleaned up the muddy 7 kilometer trail after the cooperative approached the local government to build the road.

Digna made a living from farming bananas, corn, camote and other rootcrops. She harvested crops from her farm every four months for consumption and sold PhP 600 to PhP 1,000 worth of produce. She made a net income of PhP 300 – PhP 500 every 4 months or PhP 1,200 – PhP 2,000/year. She also made candles and handicrafts from recycled paper which she sold to the Department of Labor and Employment (DOLE) to generate cash for day to day expenses.

Her CBU was PhP 32,000 and savings was PhP 480. She became a coordinator for Lamac MPC in 1992, which meant she was responsible for relations with a number of members. It used to be a purely volunteer position but by end 2009, she was in charge of 200 accounts and got PhP 1.00/account as honorarium twice a month or PhP 400/month.

In 2004, she took out a loan from the cooperative for the first time in the amount of PhP 120,000. This was followed by a PhP 125,000 loan in 2005 and a PhP 50,000 loan in 2009. She used the loans for the schooling of her children, the marriage of her second child and as capital for farming.

One of Digna’s sons, Eric, became a scholar of Lamac MPC and graduated with a diploma in cooperatives development at the Polytechnic University of the Philippines. At the time of the research, he was an account officer of Lamac MPC. From his salary, he remitted PhP 3,000-PhP 3,500/month to the family, which usually went to loan payments (Tanodra, 2009).

## **7.6. Lamac MPC and Social Entrepreneurship**

### **7.6.1. Lamac MPC as SEPPS**

Lamac MPC exhibits the three elements of being a SEPPS, as defined in Section 2.5.

Firstly, it is driven by its social mission ‘to strongly respond to the holistic empowerment needs of the vulnerable sectors through socio-economic programs’ (Lamac MPC, 2009). Over the years, it has expanded its membership to many segments of the poor, providing financial and social protection services to them.

Secondly, it creates wealth by charging fees as it provides financial and social protection services to its members. It does so for purposes of becoming a ‘financially sustainable cooperative providing wholesome services to empowered communities’ (Lamac MPC, 2009).

Thirdly, it pursues its mission in a cooperative set-up, where any surplus from its operations is distributed as dividends to members or utilized in furthering its organizational mission.

### 7.6.2. SEPPS in a Developing Country Context

As with the other SEPPS covered in this research, the Lamac MPC may be characterized as a response to the failure of state and market institutions in serving the needs of the poor and of poor communities. During the initiation stage, Lamac MPC played a key role in mobilizing community resources and in engaging government agencies to provide a neglected and poor community infrastructural resources that facilitated access of households to potable water, electricity and transportation. The support services that the cooperative made available to farmers particularly in Lamac also reflected market infirmities as well as the failure of state institutions to provide sustained support to small farmer-based agricultural development.

An indication of the failure of market institutions during the development stage was the lack of access by the poor – farmers, contractual workers, entrepreneurial poor – to non-usurious financial services. As shown by the members interviewed, these were mainly used as livelihood capital and to finance basic needs like the education of their children and health care. On a broader basis, the popularity of the Lamac MPC's social protection services reflected the failure of government to provide such, and to ensure access by the poor to basic social services.

These aspects of the Lamac MPC experience echo Encarnacion-Tadem's (2010) finding that the rise of cooperatives in the Philippines has been partly a response to the government's inefficiency in delivery of basic needs. She posits that NGOs, people's organizations and cooperative federations have helped fill the vacuum the state has left in the following aspects: access to capital, technical and infrastructural resources, marketing of products and self management.

Interestingly, Lamac MPC had successfully engaged government in accessing financial and technical resources for its development and growth. Not only did Lamac MPC become a major partner of the state-owned Land Bank of the Philippines, it became a multi-awarded model partner cooperative, and served as a major conduit for government microfinance programs in the Visayan region. There were of course also other supportive civil society actors such as cooperative federations in the Philippines and other countries, notably Canada, and other non-government organizations.

In his narrative of the Philippine cooperative movement, Sibal (2002) recognizes the continuing problems of poverty and income inequality in the country, with inequality existing among classes and among regions. He avers that people

empowerment is the correct approach in solving these twin problems, and locates cooperatives as among the major pillars of the people empowerment movement in the Philippines. Given its articulated vision and mission, Lamac MPC seems to locate itself in this realm of people empowerment.

### 7.6.3. SEPPS and Social Entrepreneurship

As a cooperative, the Lamac MPC resonates with the social economy school of social entrepreneurship (Defourny and Nyssens, 2008; Hulgaard, 2008) discussed in Chapter 1. In particular, Lamac MPC may be seen as typifying what Spear, et al., (2010) consider as a mutual social enterprise with a member-based governance structure. In their study on governance challenges among social enterprises in the United Kingdom, these scholars found that mutual social enterprises are faced by the challenges of maintaining an active membership and developing a competent board. With the farmers successfully bringing into the revitalized cooperative the skills and experience of local professionals, Lamac MPC may be said to have found a way forward in ensuring a competent board. They have also set up Coop Youth Planet as a training ground for future cooperative leaders. This may be considered a formation strategy deemed important by past studies on governance of cooperatives for training and qualifying potential candidates to the cooperative's Board of Directors (Cornforth, 2004; Vidal, 2010).

The case of Lamac MPC adds to the body of literature that studies the trends and challenges for social enterprises within the cooperative framework. Probably the most extensive study on this subject was that of Borzaga and Spear (2004) covering country experiences in Canada and 9 European countries, considered as developed and transition economies. This case on Lamac MPC provides a perspective on this subject from the context of a developing country. While coming from a different country context, the trend of the international cooperative movement towards the direction of revitalizing the communitarian tradition is validated by the case. This could be seen in the reorganization of the farmer-based Samahang Nasyon (single stakeholder model), towards establishing a partnership between the farmers and the professionals in the Lamac Multi Purpose Cooperative, that embraced the community as a whole (multi-stakeholder model). Eighteen years after establishment, other segments of the poor, notably the entrepreneurial poor have become a majority segment.

As a cooperative that now counts among its members various segments of the poor, such as farmers (at least in Lamac), workers and the entrepreneurial poor, there may be room to consider and institutionalize what Cheney (2001) discussed as a combination of direct and representative democracy that was utilized by the Mondragon Worker Cooperatives in Spain. Direct democracy, manifested in the one



person, one vote principle already practiced by Lamac MPC, may be enriched by representative democracy in ensuring that significant segments of members coming from various segments of the poor are fairly represented. This may be particularly important for a cooperative like Lamac MPC, whose mission is ‘to strongly respond (to) the holistic empowerment needs of the vulnerable sectors’ (Lamac MPC, 2009) in a social context of massive poverty and inequality. Trends indicated by the past and current composition of the Lamac MPC Board, and the attitude of members among the ranks of the poor to delegate governance functions to professionals demonstrate the importance of these complementary mechanisms for representative democracy.

What Lamac MPC is facing may be characterized as an expression of what Borzaga and Spear (2004) articulated as the challenge of finding more effective mechanisms for multi-stakeholder governance given the international trend towards communitarianism among cooperatives as social enterprises.

Thorp et al., (2003) argue that the chronically poor are disadvantaged in group formations, both in forming groups and in making them work. This is consistent with Sen’s (1999; 2009) perspective of poverty as capability deprivation. As SEPPS in a developing country context therefore, the biggest challenge that Lamac MPC faces is evolving mechanisms and undertaking programs that would build the capability of key segments of the poor in its membership to articulate and work for their specific interests and to effectively represent themselves in governing bodies. Table 7.1.a. depicts the ‘Participation of the Poor in Governance and Management of Core and Allied Organizations of Lamac MPC’.

## 7.7. The Lamac MPC from a Stakeholder Perspective

### 7.7.1. Primary Stakeholders of Lamac MPC

The Lamac MPC mission of focusing on ‘vulnerable sectors’ and vision towards ‘empowered communities’, and their 18-years of practice show that the poor were a major target for the cooperative’s membership recruitment and services. As detailed in Section 7.5.2, the segments of the poor they have recruited as members and provided services to include the entrepreneurial poor, micro-entrepreneurs, farmers including livestock raisers, and construction, domestic and migrant workers. They comprise 90% of their membership.

As a SEPPS, these various segments of the poor are Lamac MPC’s primary stakeholders from what Donaldson and Preston (1995) consider as a normative approach.

### 7.7.2. Roles and Role Changes among the Poor

The main roles enacted by the poor in Lamac MPC were as clients or customers and as owners. They had put in their stake as owners via their initial capital contributions, and with their capital built-up over time mainly as they availed of the services. At the start of their membership, a sense of ownership was instilled through their participation in a Pre-Membership Education Seminar (PMES). Their being owners was also exercised mainly through their participation in periodic ownership meetings and annual General Assemblies.

The relationship between the cooperative and its client-owners among the poor could be viewed as largely transactional in nature. As clients, the poor availed themselves of the cooperative's services for a fee. As client-owners, in exchange for their patronage of the cooperative's services and their capital contributions, they received dividends and patronage refunds.

Through their entitlement to vote and be voted upon, they theoretically had the power to make decisions and to govern their enterprise. However, the power to vote and be voted upon in General Assemblies was limited to members in good standing (MIGS). Apart from the attendance of the PMES, a member would remain a MIGS, assuming they already met the initial minimum amount of share capital and savings deposit, if they had regular monthly capital build-up and savings, as well as paid loans on time. As described in Section 7.4.2., members were further subdivided into categories based on their capital build-up, savings practice, and loan repayment. Only the Gold and Diamond members were eligible to run as Board of Chapter leaders, and only Diamond members were eligible to run as members of the Board of Directors. All these indicate a largely transactional relationship between the cooperative and its client-owners, especially among the poor.

Although around 60 to 80% of the MIGS participated in General Assemblies, and there were quarterly Ownership Meetings, substantive planning and decision-making was also done by the leadership. Plans were usually discussed at the level of the management committee and the board, and ratified during General Assemblies. As described in Sections 7.4 and 7.5, the members from poverty sectors who were interviewed saw their leaders as the ones responsible for decision-making.

The substantial but minority representation of the farmers (3 out of 7) in the Lamac MPC Board during the initiation stage had declined over time, with only one farmer leader remaining. From his explanation in Section 7.4.3, the remaining farmer-leader would most probably be replaced by a professional in the future, like his two other colleagues who were replaced by professionals when they died. This may be understandable given the reality that since the cooperative had expanded outside of Lamac, the farming segment in the membership had not increased. This may be a function of the decision to expand through microfinance, a service known

to target more the entrepreneurial segment of the poor. However, at the time of the research, there were also no indications that the entrepreneurial poor, who already by then comprised a majority of Lamac MPC's members, were being elected to Board positions. As shown by the results of the interviews, the poor saw their membership more as a means to have social protection and access to financial services.

Compared to the PWD Fed, Lamac MPC's transactional nature of the role enacted by the poor as owner over time shows a different face of the cooperative approach. It indicates that the role of the poor as owner in a social enterprise may have a dual character exhibiting both a transactional and a transformational side.

### 7.7.3. Roots of No Significant Role Change among the Poor

Two important questions that need to be further explored on the Lamac MPC experience regarding the roles enacted by the poor are: (1) Why did the poor experience no significant role change over time? and (2) Why did the role of the poor as owners remain at the transactional level despite a cooperative approach?

One may argue that the professionals in the Lamac MPC Board, who had been asked to revitalize a failed farmers' organization, and comprised the majority from the beginning, viewed the poor as transactional partners. They also looked at the cooperative mainly as a mechanism they needed to govern and manage effectively for the efficient delivery of services. Following this line of argument, they saw their role as governing and managing a cooperative to deliver what they understood were services needed by the community and members from 'vulnerable sectors'.

However, as discussed in Sections 7.1 and 7.6, the intention of the governing bodies of the Lamac MPC seemed to go beyond engaging the poor as transactional partners. If we are to use as gauge their statement of vision towards 'empowered communities' and mission 'to strongly respond to the holistic empowerment needs of the vulnerable sectors', one may need to probe further.

The discussion in Section 7.7.2 regarding Lamac MPC's history of shifting from what Borzaga and Spear (2004) characterized as a single stakeholder organization (the Lamac Samahang Nasyon as a self help group of farmers) to a multi-stakeholder social enterprise (the Lamac MPC as initially a partnership between professionals and farmers, and later included other segments of the poor) may be a good starting point. In a multi-stakeholder cooperative set-up of one person one vote, the poor's capability deprivation (Sen, 1999; 2009) would work to their disadvantage unless affirmative action was taken to assist them overcome such. This is consistent with the findings of Thorp et al., (2003) that the chronically poor are disadvantaged in group formation, and this may form a significant part of the vicious cycle and dynamics of chronic poverty, unless adequately addressed.

In the case of PWD Fed, the capability deprivation of the poor was overcome by transformational services such as education, training and experiential learning opportunities directed at leadership formation and organizational development. These were on top of the services to effectively enact their transactional role, in their case as workers in the school chair project.

In the case of Lamac MPC, its services are dominantly transactional in nature: they are delivered to members, including the poor, for a fee. While there is some effort to provide education and training for leadership formation, these seem to be directed at Board of Chapter leaders or staff, who would most probably be coming from the ranks of the professionals. The most significant transformational service directed at the poor noted by the researcher is scholarships for selected recipients among children of the poor to finish their formal education. As in the case of Tahanan, these services are individually directed. An indication of what may result from such transformational service would be what had happened to Digna Tanodra's son, Eric as discussed in Box 7.3. Eric became an account officer after going through college with the help of a scholarship from Lamac MPC. Eric and others like him may be in a position to contribute to the improvement of the socio-economic status of their families. However, such would not adequately respond to the need for the various segments of the poor in Lamac MPC to be assisted to effectively participate in the governance structures of the cooperative.

The transformational services geared towards leadership formation and organizational development directed at the various poverty segments of Lamac MPC's membership seem to be the crucial missing element and raises further questions: Why despite a cooperative approach, had no significant role change happened among the poor? Why had the poor as owners remained so at the transactional level? Why did the transformational potential of the poor as owners not materialize? The delivery of these transformational services may be worth considering as a potential focus of the planned Lamac MPC Foundation, or as a special agenda for its membership development program.

The importance of the effective participation of various segments of the poor in the governance of the cooperative may be better appreciated if one were to consider decisions related to overall direction and thrust. For example, if the farmers, who comprised the majority of the Lamac MPC members in 1998 were to have been provided transformational services to allow them to decide the cooperative's future direction or thrusts then, would they have voted for an expansion strategy through microfinance? Consider that in 1992, the needs the farmers articulated during ownership meetings included "financial services to increase their production, in addition to farm inputs, pre- and post- harvest facilities and irrigation" (Limocon, 2009). In 1998, wouldn't the farmers have raised the need for a more comprehensive and integrated set of services as direction?

The point of emphasizing this concern is not to suggest a reassessment of Lamac MPC's strategy of expansion through microfinance. It is to underscore the specific challenges faced by cooperatives as multi-stakeholder social enterprises with the poor as primary stakeholders in the context of massive poverty and inequality. In Section 7.6, the importance of combining mechanisms for direct and representative democracy (Cheney, 2001) was suggested as a starting point. The need for transformational services geared towards leadership formation and organizational development among concerned segments of the poor may be another crucial element. Overall, what these suggest is the lack of role change among the poor in Lamac MPC despite the cooperative set-up and a desire for empowerment by the management, may be attributed to the lack of transformational services and the absence of complementary mechanisms for representative democracy. These reflect specific challenges faced by cooperatives as SEPPS or as multi-stakeholder or mutual social enterprises in the context of massive poverty and inequality.

Table 7.1. details the particularities of the roles enacted and services provided by the Lamac MPC among the poor as primary stakeholders.

#### 7.7.4. Impact of Roles and No Significant Role Changes

By 2010, the Lamac MPC had provided loans and other services to more than 37,000 poor or vulnerable people. As described in Section 7.5.2. the benefits derived or generated may be classified into economic gains from access to livelihood loans; employment generated by the cooperative and micro-entrepreneurs assisted by the cooperative; savings and capital build-up among members; improved access to education; and improved access to health, housing and social protection. In addition, the cooperative had been a major engine for the overall development of the barangay of Lamac, facilitating the access of households to potable water, electricity, transportation and spiritual services.

Lamac MPC's overall impact may be characterized as facilitating social inclusion and social protection among a significant number of the poor. In relative terms, the number of poor people reached estimated at 37,000 has been the most dramatic among all the cases studied.

#### 7.7.5. Stakeholder Engagement Strategy over Time

Applying Mintzberg's (2007) theory of strategy formation, Lamac MPC's intended stakeholder engagement strategy among the poor during its stages of initiation and development, may be characterized as one of empowerment. However,

its realized stakeholder engagement strategy among the poor may be characterized as one of collaboration.

Its intended stakeholder engagement strategy of empowerment is evidenced by its vision, mission and choice of the cooperative as organizational form as discussed in Section 7.6. The lack of transformational services for leadership formation and organizational development and complementary mechanisms to adequately represent significant segments of the poor in Lamac MPC's governance bodies were identified as reasons why what was intended was not realized.

Its realized stakeholder engagement strategy of collaboration may be likened to that of Upland Marketing, Alter Trade (among banana growers), and Tahanan except for the particularities related to the nature of transactional roles enacted and services provided.

Lamac MPC's realized stakeholder engagement strategy of collaboration may be characterized as exhibiting the following features:

- *Managerial orientation towards the poor*: poor as transactional partners; even in engaging the poor as owners, what was dominant was the transactional aspect of providing dividends in exchange for their capital investment;
- *Key engagement processes*: collaborating, partnering, dialoguing, learning; collaboration and partnership were expressed mainly in transactional terms through capital and savings build-up and paying loans on time which also gave the poor the right to vote; regular venues for dialogue and learning between its board composed mainly of professionals and the poor included ownership meetings and general assemblies;
- *Nature of roles among the poor*: mainly transactional as clients and owners;
- *Nature of programs and services*: mainly transactional in the form of fee-based provision of financial and social services including social protection schemes; and
- *Impact on the poor*: access to financial and social services by a large number of poor leading to social inclusion and social protection.

As in the earlier cases, Sloan's (2009) conception of models of stakeholder engagement based on a study of European corporations, is inadequate in explaining how Lamac MPC engages the poor as primary stakeholders. Again, this strengthens the need for evolving a framework for understanding stakeholder engagement strategies appropriate for social enterprises serving the poor as primary stakeholders (SEPPS).

Table 7.1. Lamac MPC: Evolution of Roles and Services among Primary Stakeholders

	<b>Pre-Inception to Inception Stages: From Self Help Group of Farmers to Community Cooperative (1973 – 1992; 1992 – 1998)</b>	<b>Development Stage: Spreading its Wings through Microfinance (1998 – 2009)</b>
<b>Key Organizational Developments</b>	<ul style="list-style-type: none"> <li>• Birth, operation and decline of the Lamac Samahang Nayon (SN), a self-help group composed of poor farmers in Bgy. Lamac;</li> <li>• Rehabilitation of Lamac SN by BLOMES, Inc., a group of local professionals;</li> <li>• 1992: Transformation of Lamac SN to Lamac MPC; registration and opening of membership to members of Lamac community;</li> <li>• Operation as community cooperative; and</li> <li>• Mobilization of resources and engagement with government to provide community access to potable water, electricity, transportation and spiritual services.</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion to other geographical areas with microfinance as entry point               <ul style="list-style-type: none"> <li>○ Town-wide (1998);</li> <li>○ District-wide (2001);</li> <li>○ Province-wide (2004); and</li> <li>○ Region-wide (2009)</li> </ul> </li> <li>• Expansion of line of financial services;</li> <li>• Establishment of scholarships and program for children and youth;</li> <li>• Coop Youth Planet as training ground for future cooperative leaders; and</li> <li>• Establishment of Hidden Valley Resort and many other enterprises.</li> </ul>
<b>Roles of the Poor: upland farmers, workers (from Lamac), entrepreneurial poor</b>	<ul style="list-style-type: none"> <li>• Clients; and</li> <li>• Owners with formal voting powers as members when in good standing; with minority representation in Board; and management delegated to professionals.</li> </ul>	<ul style="list-style-type: none"> <li>• Clients; and</li> <li>• Owners with formal voting powers as members when in good standing; governance and management delegated to professionals.</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>• Financial services including lending for farm production;</li> <li>• Rental of hauling truck, hand tractor and thresher; and</li> <li>• Milling services for rice and corn.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial services:               <ul style="list-style-type: none"> <li>○ Loan products: livelihood loans, micro-enterprise loans, asset-based lending for larger enterprises, providential loans; and</li> <li>○ Savings and capital build-up program;</li> </ul> </li> <li>• Social protection services: mortuary, hospital, retirement, insurance, pension services; and</li> <li>• Within Lamac: agriculture-related services, community and consumer services; resort and training facilities</li> </ul>

Table 7.1.a. Participation of the Poor in Governance and Management of Core and Allied Organizations of Lamac MPC

	<b>Initiation Stage</b>	<b>Development Stage</b>
<b>Participation in Core Organization</b>	Members of the General Assembly	Members of the General Assembly
	Minority Members of Board	Progressively declining membership in the Board

## 7.8. Discussion

Much of the literature on the Philippine cooperative sector has looked at factors influencing the survival or demise of cooperatives in the country (Sibal, 2002; Deriada, 2005). Sibal (2002) cites more than 80 studies that had assessed the growth and development of cooperatives in the Philippines. The fluctuations in government support for cooperative-like organizations that Sibal (2002) details in his narrative of the 100-year history of Philippine cooperatives validate that the failure of the Lamac Samahang Nayon, the precursor of Lamac MPC was not an isolated case. However, as a success story, Lamac MPC seems to have surmounted the factors identified by these studies as reasons for the failure of many cooperatives.

This case adds value to the literature on Philippine cooperatives by its exploration of the Lamac MPC experience from the perspective of social entrepreneurship and stakeholder theory. In particular, the case explores Lamac MPC as a social enterprise with the poor as primary stakeholders (SEPPS).

As discussed in Section 7.6, there have been studies by scholars identified with the social economy school of social entrepreneurship, on the trends and challenges faced by cooperatives as social enterprises (Borzaga and Spear, 2004) but mainly covering developed and transition economies such as Canada and 9 European countries. Cooperatives as social enterprises have also been studied in the United Kingdom (Spear, et al., 2010) and Spain (Vidal, 2010) in exploring issues of governance in social enterprises, and the challenges faced by cooperatives as multi-stakeholder organizations. Borzaga and Spear highlighted “Cooperative increasing involvement in the provision of social services is to be noticed in some non-European countries such as the United States, Japan, Canada, Philippines and Latin America” (Borzaga and Spear, 2004, p. 30). They also noted the extremely different conditions faced by cooperatives as social enterprises in the advanced and transition economies they studied. In this context, the contribution of the Lamac MPC case to this growing body of literature is exploring the challenges and issues faced by cooperatives as social enterprises in a developing country context.

The Lamac MPC case substantiates the relevance of cooperatives as social enterprises with the poor as primary stakeholders (SEPPS) in responding to the



failure of state and market institutions to provide the poor with financial and basic social services. In particular, the Lamac MPC has demonstrated the power of a collaborative strategy of stakeholder engagement, or engaging the poor as transactional partners, in achieving social inclusion and social protection among a substantive number of poor people in central Philippines.

However, if we make a comparative analysis of the Lamac MPC case with the PWD Fed case discussed in Chapter 5, one notes a contrasting stakeholder engagement strategy of empowerment employed by a cooperative federation. The PWD Fed case showed the value of the stakeholder engagement strategy of empowerment, or engaging the poor as transactional and transformational partners, to overcome income poverty and capability deprivation. However, while engaging the poor as transactional and transformational partners, as shown by PWD Fed, yielded more depth in terms of impact on poverty, engaging the poor as transactional partners, as shown by Lamac MPC, yielded greater numbers in terms of outreach among the poor.

Section 7.6 and 7.7.3 explored how Lamac MPC may incorporate features of the empowerment strategy of stakeholder engagement within a cooperative context. Combining the delivery of transformational services and instituting complementary mechanisms of representative democracy directed at significant segments of the poor were articulated as possibilities. This suggests that even as the empowerment and collaboration strategies of stakeholder engagement are important conceptual constructs, practitioners and policy makers could combine both strategies in real world efforts to enhance the role of SEPPS in confronting poverty as a social malaise in the South.

## CHAPTER 8 – CORDOVA MULTI-PURPOSE COOPERATIVE: OWNER-CLIENTS AS TRANSACTIONAL PARTNERS

*As SEPPS, Cordova MPC is responding to the failure of state and market institutions by providing access to financial and basic social services to the poor. In pursuing a stakeholder engagement strategy of collaboration, it has also shown its potential to reach large numbers of the poor to provide access to these services. However, like in the Lamac MPC case, the qualitative impact on the poor of a stakeholder engagement strategy of empowerment as shown by PWD Fed and Alter Trade-sugar, in terms of overcoming capability deprivation is not evident. As SEPPS, it shows the same challenge of governance of unintentionally excluding the poor. An important part of Cordova's experience that maybe explored in this context is the possible revival of its strategy of building satellite cooperatives as mechanisms for self-governance and empowerment. Coupled with transformational services, these satellite cooperatives could serve as mechanisms where various poverty sectors (such as fishers, workers, the entrepreneurial poor) could enact transformational roles in addressing the specific problems of their poverty sectors. When used as mechanisms for ensuring representation of the poor in Cordova MPC's governing bodies, they could very well become the complementary mechanisms for representative democracy that current mechanisms for direct democracy are unable to provide. In this sense, Cordova MPC's experience provides useful insights for cooperatives as SEPPS that are wanting to innovate on more effective systems of multi-stakeholder governance.*

### 8.1. Introduction

Cordova is a small coastal town located in the southern part of Mactan Island, host of the Cebu International Airport in central Philippines. In the 1970s, the municipality was one of the poorest in the country, classified as 6<sup>th</sup> class in terms of income. By April 2009, Cordova had become a 3<sup>rd</sup> class municipality<sup>92</sup>.

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<sup>92</sup> Municipalities in the Philippines are given a classification of 1<sup>st</sup> to 6<sup>th</sup> class, based on income by the Department of Finance, with 6<sup>th</sup> class as having the least income and 1<sup>st</sup> class as having the most income. The ranges of income classification for municipalities have changed over time. In 1992, 6<sup>th</sup> class municipalities had incomes of PhP 2 million or less whilst 1<sup>st</sup> class municipalities had incomes of PhP15M pesos or more. From 2005 to the time of the research in 2009, 6<sup>th</sup> class municipalities had incomes of PhP 7 million or less while 1<sup>st</sup> class municipalities had incomes of PhP 50 million or more. Within the same period, 3<sup>rd</sup> class municipalities had incomes from PhP 30-40 million. ([http://www.newsbreak.com.ph/democracyandgovernance/Income\\_Municipalities.html](http://www.newsbreak.com.ph/democracyandgovernance/Income_Municipalities.html) downloaded January 21, 2011)

Mr. Rodrigo Jumao-as, the Vice Mayor of the municipality believed that Cordova Multi-Purpose Cooperative (MPC) was an important factor in the town's progress:

“As of April 2009, Cordova has become a 3<sup>rd</sup> class from being a 5<sup>th</sup> class municipality 3 years ago and a 6<sup>th</sup> class municipality before then. The change in a municipality's class has to do with the expansion of the local economy and increasing the purchasing power of the people, especially the poor, and Cordova MPC has played an important role in that effort. Cordova MPC has abated ‘loan sharks’ and changed the attitudes of people. They played an active role in promoting self-help, of saving for their capitalization”. (Jumao-as, 2009)

By 2009, Cordova MPC had more than 7,000 members composed of fishers, handicraft makers, tricycle and trisikad<sup>93</sup> drivers, micro-entrepreneurs, salaried workers, and professionals. It was providing a host of financial, social protection, and consumer services in Cordova and neighboring areas. Cordova MPC envisioned itself as ‘a globally competitive vehicle for socio-economic empowerment’ with its mission ‘to respond to the socio-economic needs of the people through sustainable programs and services’ (Cordova MPC, 2009).

Based on the 1995 National Census and Statistics Office survey, Cordova had 5,172 households, a population of 26,613, with unemployment placed at 40% and underemployment at 25%. By the 2007 census, the population had almost doubled with 9,541 households and 45,066 people. The rapid population growth had in part been attributed to migration from the nearby urban growth centers of Cebu and Lapu-Lapu Cities. Main sources of income included fishing, stone extraction, shell gleaning and gathering, guso (seaweed) farming, eco-tourism, and employment from services or migrant work in Cebu City and the Mactan Export Processing Zone in Lapu Lapu City<sup>94</sup> (NSO, 1995; Jumao-as, 2009; Tampus, 2009).

## 8.2. Pre-Initiation Stage (1971-1987): Rise and Fall of Cooperatives for the Poor (Cordova MPC, 1997; 2007; 2009a; 2009b; De Remayo, 2009)

Cordova Multi-Purpose Cooperative had its roots in the Cordova Credit Union Inc., which was set up on December 12, 1971. Consistent with its mission to help poor communities, the National Secretariat for Social Action (NASSA) of the Roman Catholic Church conducted a one month training and Pre-Membership Education

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<sup>93</sup> Tricycles were 3-wheeled vehicles powered by motorcycles commonly used for public transportation in many parts of the Philippines. Trisikads are similarly used for public transportation but are manually driven using bicycles.

<sup>94</sup> <http://cordova.gov.ph> (downloaded January 21, 2011).

Seminar attended by 25 Cordova parishioners. The 25 parishioners, led by Father Rudy Abao, put up their share capital totaling PhP 250, and this became the initial capital of the credit cooperative.

The credit cooperative established a savings program in 1971 and a credit program by 1972. The cooperative's savings and credit program was seen as an alternative to informal money lenders ('loan sharks') charging exorbitant interest rates among the poor. The cooperative's membership flourished among fishers and teachers. In 1976, a decision was made to pool the dividends and patronage refunds of members to set up a consumers' cooperative, to allow members to buy groceries on credit at reasonable prices.

Until 1982, the credit cooperative and the consumers' cooperative developed and grew separately. However, the period 1982-86 were difficult years, with both cooperatives experiencing management problems. The Board of Directors tried to change the managers twice, without good results. By 1986, both cooperatives were suffering net losses, and by 1987, both Boards of Directors proposed to close them down. At that time, they had 800 members composed of fishers, tricycle drivers, teachers and government employees. Fishers, tricycle drivers and some teachers comprised the Board.

The cooperatives faced a problematic financial situation in 1986: a 95% loan delinquency rate, a combined PhP 56,000 net loss, and PhP 600,000 worth of assets and PhP 300 cash. They also had overdue loans with the Philippine Business for Social Progress, CARE and VICTO, and had not paid their staff for 2 months.

### 8.3. Initiation Stage (1987- 1993): Revitalization and Consolidation into Cordova MPC

Around that time, Ms. Aurea De Ramayo, then principal of Cordova Academy (now the Cordova Cooperative Catholic School) had just finished her MA in Educational Management at the De La Salle University. Ms. De Ramayo saw the potential of the cooperatives. She was invited to a Board meeting where she presented the idea to revive and nurture the cooperatives. She argued that "it is not so easy to close then reopen a cooperative" (De Ramayo, 2009). The Board reconsidered their recommendation to close down and Ms. De Ramayo led a process of awakening the General Assembly with the participation of the Cordova Academy administration, teachers and students.

Through singing carols in members' homes, they raised PhP 3,000 within one week's time in October 1987. With this, Ms. De Ramayo put up a skeletal work force of one full time and one half time staff and started to work on loan restructuring and collection. Salaried members were asked to pay their loans voluntarily and were not compelled through salary deduction. The cooperatives set a policy that delinquency

would not disqualify members from borrowing as long as they also worked on paying their old account. By the March 1988 General Assembly, the majority of the members voted for non-closure, with the condition that Ms. De Ramayo managed the cooperative.

The period 1987-1990 was one of regaining the trust and confidence of the members. By 1990, the cooperatives' assets had grown to PhP 1 million. In 1991, the Cooperative Development Authority confirmed their separate registrations. Membership slowly but steadily grew from 971 in 1991, to 1,105 in 1992, to 1,180 in 1993. On June 19, 1993, a Special General Assembly resolved the consolidation of the two cooperatives. Formalized as the Cordova Multi-Purpose Cooperative, it was considered the first consolidated cooperative in the country. Services during the first years of revival revolved around credit services and the provision of consumer products.

#### 8.4. Development Stage (1993-2009): Expansion and Diversification (Cordova MPC, 1997; 2009; 2009b; De Ramayo, 2009; Revalde-Tajanlangit, 2009)

After the consolidation of the two cooperatives into the Cordova MPC, the next phase was one of 'accidental enterprise ventures' (De Ramayo, 2009), as well as diversification and expansion of services and sectors of the poor served. In this process, the management and front line staff played a pro-active role, often getting ideas from members proposing a new service or area of operation (Revalde-Tajanlangit, 2009).

Two sub-phases were discernible during Cordova's expansion and diversification: a sub-phase from 1993 to 2006, where the process was relatively slow; and a succeeding sub-phase starting in 2007 up to the time of the research, where the process gained momentum.

For the first sub-phase of the development stage (1993-2006), expansion of members came from cooperative operations in Cordova and one branch in nearby Lapu-Lapu City. Membership grew to over four thousand by 2006.

In 2007, the cooperative opened another branch (Basak) in Lapu Lapu City. This was followed by a branch in Sta. Rosa in Olango Island in 2008. Membership almost doubled in less than 3 years, reaching over seven thousand by end-2008 and about 8,000 by 2009. The Chairperson of Cordova MPC's Board, Dr. Celedonio Sitoy, attributed the phenomenal expansion rate to innovative product offerings and aggressive marketing. In his Chairperson's Report in early 2009, Dr. Sitoy characterized the period starting 2007 as ushering in a new period for Cordova MPC:

“Cordova MPC opened its doors to new approaches of its operations, from a mere ‘sit and wait’ to a ‘plow and plant’ attitude. We do not only listen to the needs of the members but also take a pro-active approach through product development and improvements in the quality of services”. (Sitoy, 2009)

#### 8.4.1. From Creation of Satellites to Branches

The cooperative went into the creation of satellites as it started to expand its membership. Satellites were units composed of not less than 15 cooperative members, who after meeting the minimum organizational requirement, agreed to operate and manage a cooperative themselves. This was to allow the decentralization of management of services, encourage the regular and active participation of members in cooperative affairs, and ensure that total human development was given attention by the cooperative. Another consideration was to ensure that the interest of sectors and communities were given adequate attention.

For example, one satellite of Cordova MPC was the Buagsong Mini Cooperative, which was established in 1994 with the assistance of Cordova MPC through its Project Officer and the late Alberto Jumao-as, who was in the Board of Directors. The members were 22 men and women from the ranks of fishermen, housewives, and fish vendors. By 1996, their membership had grown to 115 regular members and 58 associates.

By 1996, there were 6 satellites established – 2 based in barangay communities (Buagsong and Dapitan), 1 among the Cordova Academy Parent Teachers’ Association, 2 among teachers in Cordova Academy and the Pajo National High School, 1 among students at Cordova Academy, and another among sewers in the community of Matab-ang. By 1998, there were 9 satellites including a Fishermen’s Cooperative.

There were no clear indications about what had happened to the strategy of setting up satellites after 1998. What can be gleaned from annual reports and organizational documents in the years that followed focused on growth in membership, assets and lending operations. By 2007-2009, establishment of branches as an expansion strategy seemed to have taken over, with the setting up of the Basak and Olanggo branches in 2007 and 2008 respectively.

#### 8.4.2. Expansion to Lapu Lapu City

The decision to open a branch and to expand membership among salaried workers in the nearby town of Lapu-Lapu in 1993 was in response to emerging opportunities recognized by members and management. A significant number of members in Cordova were workers or married to workers in companies located in

Lapu-Lapu. These members had actively expressed and suggested the need to establish an office there during informal consultations. The General Manager presented this for approval to the Board of Directors explaining that the population in Lapu-Lapu was 5-6 times more than Cordova. The General Assembly later ratified the decision.

In November 2006, the Lapu-Lapu Branch Manager (who was the COO at the time of the research) Glenn Revalde-Tajanlangit, had proposed to open the cooperative's membership to Mactan Export Processing Zone (MEPZ) workers who were getting their regular salary through Automated Teller Machines (ATMs). From talking with them, Tajanlangit had found out that workers were pawning their ATM cards to loan sharks at 5-13% interest per month. The workers did so because they were often 'cash-strapped' to meet their family's basic needs. Tajanlangit had the idea that the cooperative could help these workers end their bondage with the loan sharks. As cooperative members, they could borrow from the cooperative at lower interest rates, and their payments could be automatically collected from their (or their spouses') ATM accounts. To some Board members, this went against the spirit and policy of voluntary payment by salaried workers that the cooperative instituted during its revival period. Members of the Board were hesitant when this was first presented as they emphasized values such as trust that were important to the cooperative. It was after 2 Board meetings that this was finally approved and an additional branch (Basak) in Lapu-Lapu City was opened. In 6 months time, the branch income rose from PhP 150,000/month to PhP 210,000/month and members grew from 50 to 1000. By the end of 2009, about 50% of the more than 3,000 members of the cooperative in Lapu-Lapu were salaried workers from the MEPZ. In less than two years, the branch also reached an asset level of about PhP 20 million.

### 8.4.3. Core Services and Enterprises

Core financial services included express loans (PhP 500-10,000 at 3-5% interest/month for 6 months), microenterprise loans (3% interest per month for 6 months) and regular loans (1.67% interest per month for 12 months) in addition to savings and time deposits (with 5-10% interest per annum). Social services included health care for poor members without health insurance (with a premium of PhP 500/year entitling the member to a cash benefit of PhP 5,000 per hospitalization up to three times per year), 'Damayan' (with a premium of PhP 700 per year carrying a death benefit of PhP 30,000, with coverage including the member's spouse, and 2 children), pension savings and 'kiddie savings' for children in public schools. The Cordova MPC also owned a school that provided scholarships to poor but deserving children of members.

At the end of 2009, the cooperative owned a school, a lumber/hardware store, a consumer store, a pharmacy, a gasoline station, and a banking system with ATM services. These collectively comprised the cooperative's business enterprises. With these, Cordova MPC offered consumer products in addition to social and financial services.

#### 8.4.4. Accidental Enterprise Ventures

An example of an 'accidental' enterprise was the cooperative's lumber/hardware store. It used to be owned by a member who thought it was being mismanaged. The member offered to sell it to the cooperative in 2001. The General Manager saw a business opportunity for the cooperative and agreed to buy it at PhP 2 million, equivalent to the unpaid accounts of customers, with a down payment of PhP 600,000, and the rest to be paid in installment. The Board initially thought that it was not a good investment so the General Manager offered to sell it for PhP 3 million. After 2 months of operation, an offer was made to the cooperative for the purchase of the lumber/hardware for PhP 3.5 million.<sup>95</sup> In the end, the Board decided not to sell the business as they saw that it was thriving. After this, the cooperative entered into joint ventures with members having problematic businesses – with the intention of getting them back on track then selling them back to the member-owner. Two such businesses were a printing press and a carrageenan trading enterprise. The carrageenan trading enterprise, at the time of the field research was already exporting 1/3 of its seaweeds from a situation where it was totally dependent on importations.

#### 8.4.5. Governance and Planning Practice

Cordova MPC was governed by a Board of Directors, which were elected during the annual meetings of the General Assembly. Ownership Meetings happened once or twice a year. Ownership Meetings and General Assemblies served to ratify decisions made by the Board of Directors. A pro-active management team played a big role in making proposals to the Board of Directors.

Among the Board of Directors of Cordova MPC as of the time of the research, only one was not a professional - Mario Jumao-as, a barangay council member and poultry raiser. The rest were doctors (3), teachers (3), information technology (IT) professionals (2), a human resource (HR) officer of a company, and the treasurer of the Cordova municipality. This trend of professionals occupying leadership positions began with the cooperative's revival in the 1990s. Since then, the Board had been

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<sup>95</sup> At the time of the research in end 2009, the cooperative was getting offers to buy the lumber/hardware business at PhP 5 million.



dominated by professionals with at most 1 from the poverty sectors and sometimes none at all. This trend was true even in Board Committees (Ompad, 2009).

In relative terms, Cordova MPC management staff saw other cooperatives, notably Lamac MPC, as more successful in terms of membership and asset growth. Key management staff attributed this phenomenon to more deliberate strategic and operations planning. Chief Operations Officer Glenn Revalde-Tajanlangit explained:

“Asset and membership growth has been slow because we have not really been into serious planning for a long time. Informal processes have been the rule in Cordova MPC for 38 years. In the past, we made strategic plans to comply with Land Bank of the Philippines requirements for Cordova MPC’s credit line approval. There has been no clear relationship between our strategic and operations plans. Our operations plans, usually made by our General Manager, become the basis for the plans of our branches. In the past, the Board and the General Assembly had no strategic planning process – both just dealt with what members put forward as their concerns, which were then translated into plans by management”. (Revalde-Tajanlangit, 2009)

This planning practice of the cooperative was changing at the time of the research. In September 2009, a head office of the cooperative was set up to oversee Cordova MPC’s overall operations and planning. This was to march in step with the reality of already having multiple branches and areas of operation. The COO further explained:

“Since the setting up of the head office, we have focused on improving member services which we hope to incorporate in a strategic plan that we are formulating for 2010-2012. We developed this initial 3-year plan during a Cooperative Strategic Planning Seminar sponsored by the Land Bank of the Philippines, which we hope to present in the next Board of Directors meeting”. (Revalde-Tajanlangit, 2009)

#### 8.4.6. New Product Development

Ownership meetings were the venues for making decisions, after proposals had been approved by the Board, upon the recommendation of frontline staff. The new venture of Cordova MPC called the ‘Coop on Wheels’, which brought the cooperative to members’ doorsteps in Olango Island in October 2008, went through this process. Olango became the fourth branch of Cordova MPC, with the ‘Coop on Wheels’ as part of its delivery system. This entailed investments for a second hand vehicle, a sound system, and an ATM system. The Olango branch mainly served micro-entrepreneurs and the enterprising poor with microfinance services.

Another new venture that had gone through this process was the Coop Purchase Order Loan. This entailed the member's making a loan in kind by purchasing goods from one of the cooperative's enterprises in the form of lumber materials, consumer goods or generic medicines. The staff proposed this as they believed it would improve sales. At the time of the research, the Board had already approved the venture for implementation by January 2010.

#### 8.4.7. Dual Character of Members as Owners and Customers

The Pre-Membership Education Seminar that all members were required to take to become regular members specified that members were both owners and customers. Box 8.1 details the rights and duties of members as owners of the cooperative on one hand, and the privileges and obligations they had as customers on the other.

To become a member, the PMES Module listed 6 requirements (Cordova MPC, 2009):

- One must be 18-60 years old;
- One must attend the PMES within 1 year;
- One must put up a share capital (minimum of PhP 1,000);
- One must put up a savings deposit (minimum of PhP 200);
- Health care fee of PhP 500/year; and
- Damayan fee of PhP 400/year.

**Box 8.1. Cordova MPC Members as Owners and Customers.**

Source: Cordova MPC Pre-Membership Education Seminar Module, 2009.

**Members as Owners**

## Rights as Owner:

- To vote;
- To be voted upon; and
- To receive interest on capital contribution.

## Duties as Owner:

- To contribute to the capital of the cooperative;
- To deposit regularly;
- To serve when elected; and
- To participate in decision-making through the General Assembly and other membership meetings.

**Members as Customers**

## Privileges as Customer

- To receive quality services;
- To be provided with efficient services;
- To be treated well by the people handling the business; and
- To receive patronage refund.

## Obligations as Customer

- To settle obligations, for example, to pay loans on time;
- To suggest improvements; and
- To patronize the coop business.

### 8.4.8. Weak Membership Development Program

In comparison to 2006, membership almost doubled, from 4,043 in December 2006 to 7,225 by end 2008. Total assets grew from PhP 114.3 million at the end of 2006 to PhP 163 M by end 2008, a record increase of 30% in two years time.

As regular membership doubled, non-regular membership grew as well, reaching 9,000 by 2009 composed of 7000 associate members and 2,000 children savers (Aflatoun kiddie savers). Associate members were users of the cooperative's products and services but had not gone through the required Pre-Membership Education Seminar.

Even as they took a pro-active stance in developing their products and services, Cordova MPC's COO, Glenn Revalde-Tajanlangit shared that they lacked a membership development program, a weakness they identified during their 2009 strategic planning session (Revalde-Tajanlangit, 2009; Cordova MPC, 2009c). The Education Committee Report in 2008 during the 37<sup>th</sup> General Assembly validated this: it contained numbers of members, cooperative celebration activities, and 3

seminars conducted by Landbank and the Bureau of Internal Revenue attended by officers and staff, with no clear education activities for members.

Cordova MPC's structure and staffing by the end of 2009 had a head office with a CEO, a COO plus staff in charge of human resources/finance, a 3 staff credit and collections team, managers and staff dedicated to the 4 credit and savings branches, and managers and staff of the 4 business enterprises owned by the cooperative (printing press, health plus, lumber and consumer) (Revalde-Tajanlangit, 2009). This staffing pattern of the cooperative was not equipped to sufficiently handle a development program for a membership base that was growing rapidly.

#### 8.4.9. Perspectives of Members Coming from Poverty Sectors

Members coming from poverty sectors were interviewed about how they viewed themselves, their level of participation and the role they played in the cooperative. Fe Gloria Sentillas articulated a sentiment that was typical in this manner:

“I see my membership as providing me ready and easy access to financial services with very reasonable interest rates. I usually attend ownership meetings and General Assemblies but I usually don't speak directly about my questions. I feel shy with many people around and I don't speak English like others do. I didn't finish any formal schooling so I don't see myself as qualified to run for office. I usually vote in General Assemblies for people I personally know and trust, especially my friends. One time I did vote for someone who didn't have a college education. However, I think it's better that cooperative leaders are educated because they have to deal with problems and relate to NATCCO<sup>96</sup> in solving them. They need to be able to communicate in English and Tagalog. It is hard for people without any education to lead or run an organization”. (Sentillas, 2009)

Rosalia Baguio added another typical response:

“I listen to reports during General Assemblies and owners' meetings. Whenever I have a question, I ask my sister in law to ask it for me. I feel too shy to do it myself. I vote for people I trust to be cooperative leaders, and from experience, I end up voting for relatives and friends”. (Baguio, 2009)

When successful micro-entrepreneur Miriam Fuentes was asked about her role in the cooperative, her response was informative especially when seen in the context of her

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<sup>96</sup> The National Confederation of Cooperatives, of which the Cordova MPC was a member.

being identified by Cordova MPC management as typifying a member manifesting a high level of social impact:

“I see my membership as giving me the right to vote during General Assemblies for leaders who are responsible and approachable. I am usually on the sidelines during ownership meetings except when I have questions like when the cooperative took over ownership of the lumber enterprise. With a CBU of PhP 112,000 and savings of PhP 62,000, I see myself more as a client of the cooperative rather than an owner. My loan of PhP 4 million is way above my CBU and savings. Maybe when I no longer have a big loan and my CBU/savings is able to provide loans for others, I may start to feel like an owner and think about being elected as a Board member. For now, that’s the farthest from my mind”. When asked why she had not gone to the bank for her loan requirements, she explained “One of the banks I tried to loan from has an interest of only 9% per annum as opposed to 38% per annum with the cooperative, but my lot is not titled so I cannot use it as collateral. With the cooperative, my tax declaration is adequate”. (Fuentes, 2009)

Even as all members of the cooperative had the right to vote and be voted upon, and to participate in decision making processes, these members seemed to feel inadequate in fully exercising these rights and duties as owners of Cordova MPC.

#### 8.4.10. Partnerships

Several institutions assisted the development of the Cordova MPC since its revival and consolidation in 1993. The Land Bank of the Philippines (LBP), a government bank mandated to undertake countryside development by partnering with agricultural cooperatives, was a major partner for capacity-building and financing. In addition to supporting its strategic planning process, trainings conducted by the LBP covered topics like credit investigation, credit management, and microfinance technology for cooperatives.

In 1996, the Cordova MPC was a Regional Gawad Pitak awardee of the LBP. The annual award was given to outstanding cooperative partners of LBP. Another partner in the government sector that also provided technical assistance as well as recognition was the Department of Trade and Industry, which recognized the Cordova MPC as the Most Outstanding NGO in Cebu in 1994.

Cordova MPC was a member and got support from VICTO National<sup>97</sup> and the National Confederation of Cooperatives (NATCCO). From NATCCO and VICTO,

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<sup>97</sup> Until 2007, VICTO was the regional office for the Visayas of the National Confederation of Cooperatives or NATCCO, but has since spun off to an independent national network of cooperatives.

the Cordova MPC was able to access trainings on cooperative management, leadership development, financial analysis, and exposures to best practices of cooperatives like Lamac MPC.

Cordova MPC also had relations with other development organizations like the National Pharmaceutical Foundation, Inc. (NPF). NPF introduced to Cordova MPC the Health Plus, a social franchising system for the distribution of generic pharmaceuticals, mainly catering to poor households in the rural areas. The cooperative started this social enterprise in 2009 as the provincial pharmaceutical franchisee for Cebu.

## 8.5. Financial and Social Outcomes

### 8.5.1. Financial Outcomes

At the end of 2008, the Cordova MPC had total assets of PhP 159.953 million, net loan receivables of PhP 111.785 million, deposit liabilities of PhP 93.309 million, share capital amounting to PhP 40.113 million, and members' equity of PhP 52.627 million.

Assets had steadily climbed since the early 1990s, as shown in Figure 8.1. Assets stood at PhP 3.6 million in 1991, and had grown by around 150% to PhP 8.9 million in 1993, its year of "rebirth". Only one slight decrease was experienced during 2002, and by 2008, the asset base had reached PhP 159.953 million, a 1,697% increase from the 1993 figure. (Please see Figure 8.1.).

By 2009, Cordova MPC's assets stood at PhP 173 million. Its asset growth had generally matched its membership growth, with the greatest increase registered during the period of 2006-2008.

For the 2002 to 2008<sup>98</sup> period alone, assets more than doubled from PhP 77.8 million to almost PhP 160 million. Within this period, Cordova MPC was able to maintain a debt-equity ratio within the range of 1:4 to 2:1. Total liabilities grew from PhP 45 million in 2002 to PhP 107.2 million in 2008, while members' equity grew from PhP 32.6 million to PhP 52.6 million. (Please see Figure 8.2.).

Share capital of members within the period 1991 to 2005 hovered around 30 to 35% of total assets, but declined to 25% of total assets by 2008 at PhP 40 million. With respect to members' equity, share capital held steady at 76 to 79 per cent over the 2004 to 2008 period (Please see Figure 8.3.).

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<sup>98</sup> Period for which complete audited financial statements were made available, except for the years 2004 and 2007.

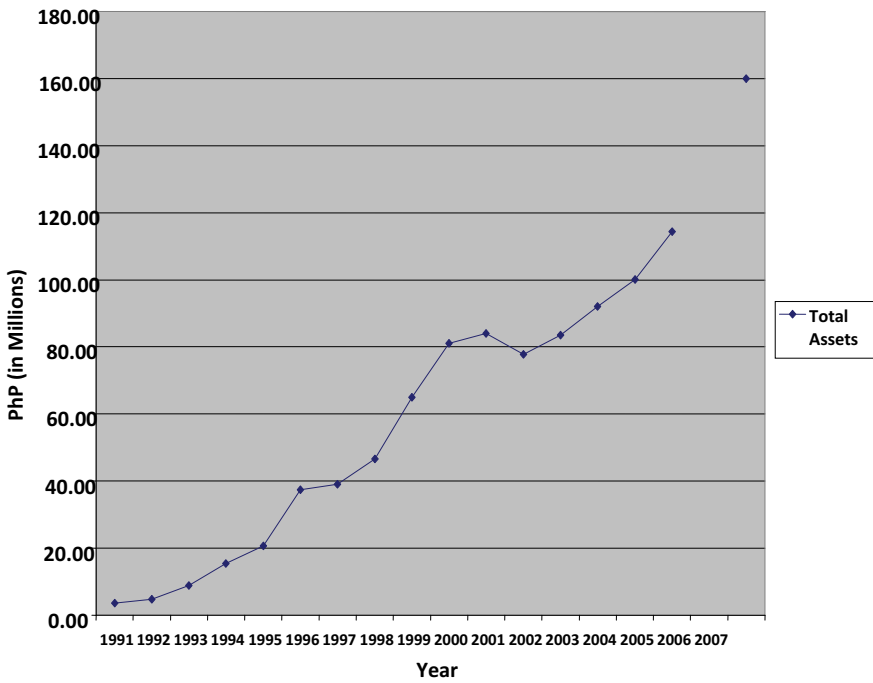


Figure 8.1. Cordova MPC Assets, 1991-2008.  
 Sources: Reports to General Assembly, Cordova MPC, 1991-2008.<sup>99</sup>

<sup>99</sup> Report for 2007 not available.

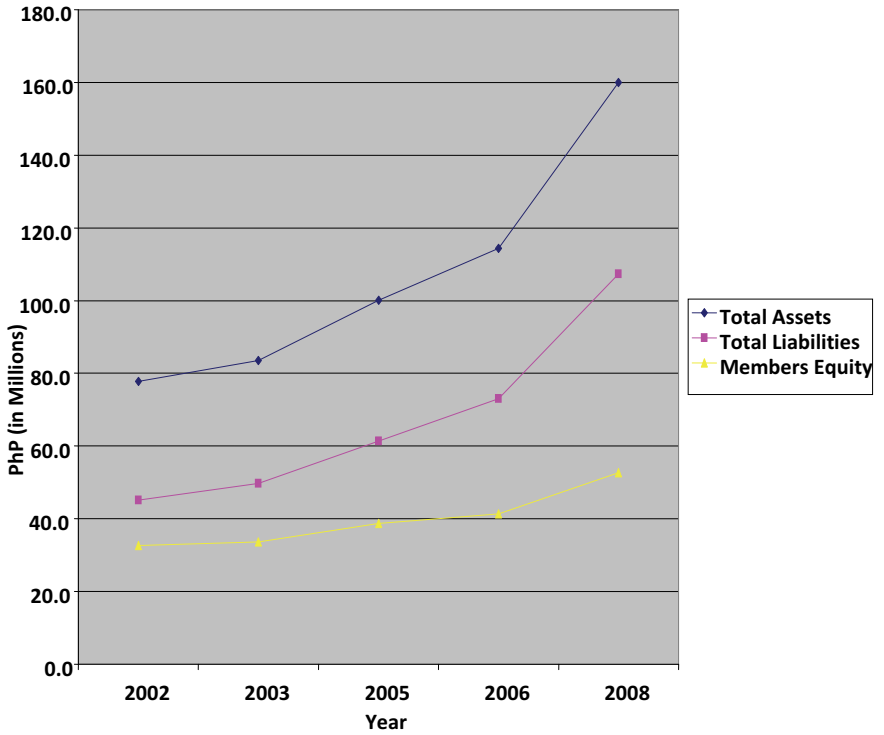


Figure 8.2. Cordova MPC Assets, Liabilities and Members' Equity, 2002-2008.

Sources: Audited Financial Statements and Reports to General Assembly, Cordova MPC, 2002-8



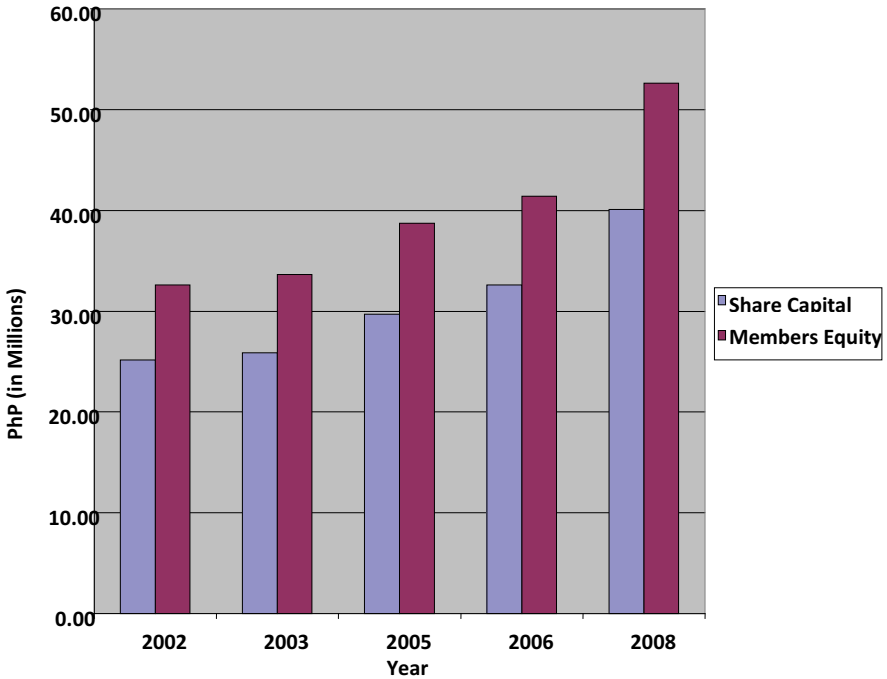


Figure 8.3. Cordova MPC Share Capital and Members' Equity, 2002 -2008.

Sources: Audited Financial Statements and Reports to General Assembly, Cordova MPC, 2002-2008.

The cooperative's net income over the years had been erratic, although it always managed to achieve a positive net income from operations (Please see Figure 8.4.). 2006 was a particularly problematic year, as net income went below the one million level (at around PhP 880,000) for the first time since the mid-1990s. In that year, net income was a mere 6% of revenues. Still, Cordova MPC was able to recover, earning about PhP 4 million in 2008 representing 16% of its PhP 25.86 million revenue. A continuing issue faced by the cooperative had been the high rate of past due accounts, although such improved over the years from 95% delinquency in 1987 to 61% (Portfolio at Risk) in 2008 (De Ramayo, 2009).

External grants had not been a significant source of revenues for Cordova MPC. However, as detailed in Section 8.4.10, it had received capacity building and technical assistance from both government and non-government partners in addition to external financing in the form of loans.

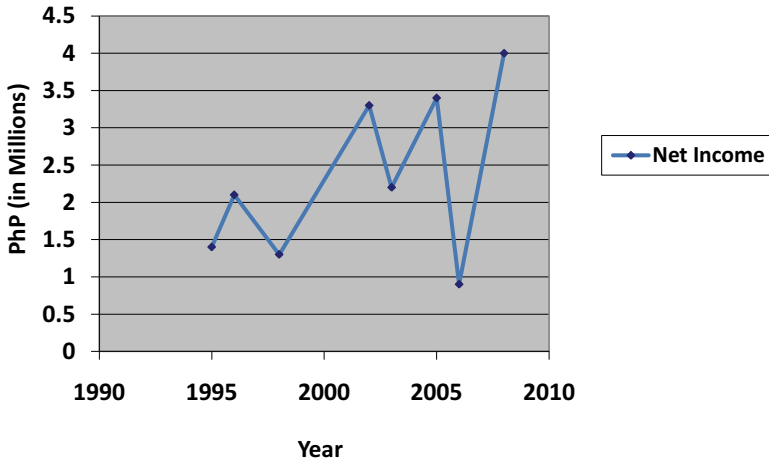


Figure 8.4. Cordova MPC Net Income, Years Where Data Available, 1995-2008.  
Sources: Reports to General Assembly, Cordova MPC, 1995-2008

### 8.5.2. Social Outcomes

Since its revival, membership of Cordova MPC had grown from a little less than 1,000 in 1991 to over 7,000 in 2008. Membership was estimated at 8,000 by end 2009. Membership was 100% from Cordova municipality in 1991 and they remained the majority until 2006, even as a branch in Lapu-Lapu was opened in 1993. But by 2007, with the opening of another branch in Basak, Lapu-Lapu City, members from

other areas started to outnumber members from Cordova, as shown by Figure 8.5.

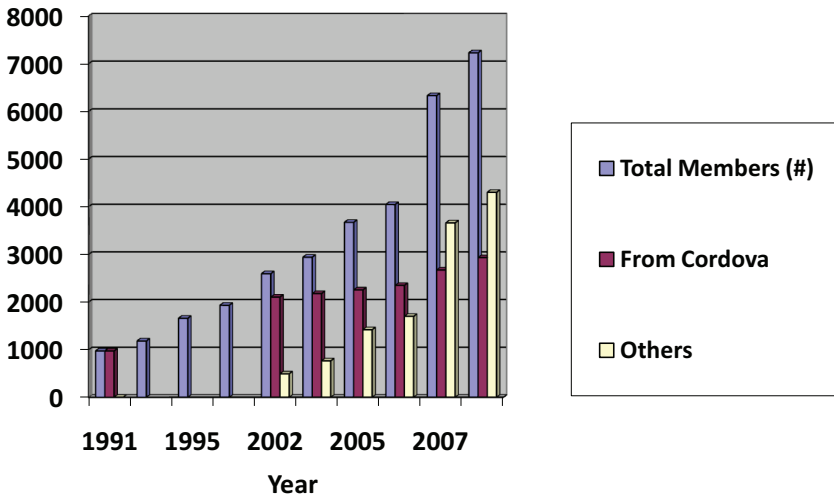


Figure 8.5. Cordova MPC Membership, 1991-2008.  
Sources: Reports to General Assembly, Cordova MPC, 1991-2008

The 2,929 members from Cordova by end 2008, representing 40% of regular members, comprised over 30% of the total households in the municipality, assuming one member per household (or over 15% of the total households, assuming two members per household). Membership, by 2009, included fishers, handicraft makers, tricycle and *trisikad* drivers, micro-entrepreneurs, salaried workers, and professionals. Professionals comprised the minority. The professionals who joined the cooperative were either those who wanted to be of help to the poor and their community, or needed capital to set up businesses, or were attracted to the cooperative after it had earned a name (De Ramayo, 2009).

Given that total share capital by 2008 was PhP 40 million, the average capital build-up per member was about PhP 5,556. With an exchange rate of PhP 44 to USD 1, this was about USD 126. This was below the range of the capital build-up among members interviewed, which ranged from a low of PhP 7,643 to a high of PhP 112,000. Given this data, one may assume that there were probably a significant number of members whose capital build-up was below PhP 5,556, belonging to the aforementioned poverty sectors.

In terms of the range of impact on individuals and their households, stories culled from interviews by the researcher among a purposive sample of members deemed as exhibiting ‘good, better and best impact’ by Cordova MPC management showed that members had benefited mainly in terms of financial support to grow their enterprises and generate employment as well as to support livelihoods and basic needs of members’ families. Basic needs of members’ families supported by the financial services of the cooperative cited by the interviewees included the education of children, house improvement, household appliances, expenses during emergencies, and pensions (Please see Boxes 8.2 and 8.3.)

### **Box 8.2. Cordova MPC: Growing Enterprises, Generating Employment**

*Miriam Fuentes*, 38, was married with 5 children aged 6-19. In 1997, she was a factory worker in a small business making cartons for packing, before she became a member of the cooperative. Her first loan with the cooperative was PhP 2,500. She used the loan to start her own small business producing and selling cartons. Her cooperative loan grew as the capital for her business grew. Two months later, she borrowed PhP 60,000; 6 months later PhP 100,000; 1 year later PhP 500,000. Twelve years later, her loan from the cooperative had reached PhP 4 million – a special loan of PhP 0.5 million (renewable every 6 months) and a regular loan of PhP 3.5 million payable over a period of 3 years. Much of the loan was meant to upgrade the machines in her factory. From 3 workers in 1997, she was employing up to 42 workers by 2009, 15 of them in carton making. Her factory floor had grown from 300 square meters to 2,000 square meters. She had 4 delivery trucks as her clients had grown to include established companies such as Timex, Fairchild, CHC Canning, Autolease, etc. By 2009, her sales had reached PhP 5 million per month. She looked at the cooperative as having been a big help in expanding her business, as its interest on loans were reasonable and she was able to get them for a longer term. She felt her family was better off with her growing business but they still lived simply. She still sent her children to public school but every once in a while they could already go shopping. She was pleased that her business was able to provide employment to people who would otherwise be unemployed – she was able to give them a salary of PhP 200-285/day. (Fuentes, 2009)

The cooperative had also helped enterprising professionals set up and grow their businesses, in the process providing employment to people. Two cases in point were *Ethel Gonzales* and *Judith Velasquez*. Ethel Gonzales was a nurse who went to the US with the help of a loan from the cooperative. She eventually returned and wanted to set up a business. She borrowed PhP 2,000 to set up a cell phone business, which flourished through direct selling. As of end-2009, she had a loan of PhP 9 million from the cooperative. She owned a house and lot and had a PhP 20 million deposit in the cooperative. Judith Velazquez, a chemical engineer, was the owner of Jovel Enterprises. She started with a loan of PhP 5,000 to set up a beauty salon. By end 2009, she had 10 salons all over Cebu. (De Ramayo, 2009).

### Box 8.3. Cordova MPC: Supporting Livelihoods and Basic Needs

*Rosalia Baguio*, 73, had been a sari-sari store<sup>1</sup> owner since 1972. She had been married to a laborer at a Visayan corn mill, who died and left her with 4 children 15 years ago (1994). The loans she got from the cooperative helped to finance the education of her children and sustained her sari-sari store as a regular income source. In 2009, two of her children had finished college, had gotten jobs in Taiwan, and were helping out with family expenses in her old age. She also had her small pension from the cooperative (Baguio, 2009).

*Fe Gloria Sentillas* was 54, and had been a member in good standing since 1983. She had 10 children (7 from the first husband and 3 from a second one) whom she practically raised on her own. She used to make a living picking and selling shells and tending to a sari-sari store. With loans from the cooperative for tuition, school needs, and capital for her sari-sari store, she was able to send her children to elementary and high school. She had also been able to benefit from the cooperative's consumer credit line of up to PhP 10,000 for her grocery needs, in addition to being able to renovate their house and buy appliances with low interest loans. Her share capital or CBU had reached PhP 7,643. One of her children had also become a member of the cooperative and the others were depositors. In 2009, she stopped picking shells and became a dealer for direct selling of personal care products, to augment her income from her sari-sari store. She sold about PhP 500-700/day and made a profit of at least PhP 700/week (Sentillas, 2009).

Cordova MPC COO *Glenn Revalde-Tajanlangit* also recalled how his family was helped by the cooperative. *Beatrice Tajanlangit*, his mother, was a high school graduate and a housewife. His father, an accounting graduate, was the manager of Visayan Glass, a factory of plates and glasses. In 1990, the father died and Beatrice was left behind to raise 7 children on her own, with only a small pension. The oldest of the children had to stop schooling to work as a laborer in Visayan Glass to help earn a living. Beatrice became a member of the cooperative, and applied for loans to pay for the tuition of her children, for emergency purposes, and as capitalization for her buy and sell business. She also cooked meals to sell to the neighborhood. Glenn recognized that without the help of the cooperative loans, he and his brothers would not have been able to finish their schooling. Now four of them are professionals – 1 a certified public accountant, another a programmer, and the 3<sup>rd</sup> a sea man. He applied for employment with the cooperative after a few months of working in an auditing firm outside of Cordova, he felt it was more challenging and liked to be based in Cordova. He started as an accountant, and after 3 ½ years he became the branch manager of Lapu-Lapu and served the main branch of Cordova for 4 years before he was appointed COO in 2009 (Revalde-Tajanlangit, 2009).

Asked about the poor as members of the cooperative, Cordova MPC's COO Glenn Revalde–Tajanlangit said,

“The cooperative serves as a partner of the poor in progress. As my family experience shows, the cooperative helped produce professionals like my brothers and me. A significant number of 2<sup>nd</sup> generation members of the cooperative are professionals from families that used to be poor”. (Tajanlangit, 2009)

In terms of overall impact, General Manager De Ramayo echoed the assessment of the Municipal Vice Mayor that Cordova MPC had been a major factor in the progress of the municipality. She explained,

“In my estimation, Cordova MPC is 70% responsible for the reclassification of Cordova town from a 6<sup>th</sup> class municipality to a 4<sup>th</sup> class municipality”. (De Ramayo, 2009)

It may be difficult to ascertain whether Cordova MPC was indeed the most significant factor in moving the municipality’s income status from one of the poorest to becoming part of the not-so-poor towns in the country. Nevertheless, what the data generated by the research showed was that Cordova MPC played a big role as partner of the poor in promoting social inclusion and social mobility.

The cooperative promoted social inclusion by providing financial services that enabled a significant percentage (estimated at 15%) of the households of Cordova, majority of whom were most probably poor, to have access to employment (whether self employed like Fe Sentillas or employed by members of the cooperative whose businesses grew like Ethel Gonzales or Judith Velazquez) and basic social services (education, pension, housing). The cooperative promoted social mobility for those members who were able to send their children to college and whose children had gotten jobs locally (like the COO) or abroad (like the children of Rosalia Baguio who were employed in Taiwan). These children had become instruments for moving their respective families out of poverty.

What may also be noted was that the cooperative directly contributed to moving Miriam Fuentes out of poverty. Though most probably fewer in number, the story of Miriam Fuentes exemplified how the cooperative’s financial services had been a direct factor in growing her enterprise. Such helped not only in moving her family out of poverty but also in assisting her transformation from a factory worker to a factory owner and an employer of the unemployed.

## 8.6. The Cordova MPC and Social Entrepreneurship

### 8.6.1. Cordova MPC as SEPPS

Cordova MPC may be considered a SEPPS using the three criteria set forth in the definition in Section 2.5.

Firstly, it is driven by its vision of “socio-economic empowerment” (Cordova MPC, 2009) in the delivery of services among its members, the majority of whom are

poor - fishers, handicraft makers, micro-entrepreneurs, and workers in the formal and informal sectors.

Secondly, it creates wealth in the pursuit of a double bottom line: it provides financial and social protection services to its members while charging fees to ensure 'sustainable programs and services' (Cordova MPC, 2009).

Thirdly, its distributive enterprise philosophy is manifested in the pursuit of its mission and programs through a cooperative set-up, where any surplus income generated goes back to the fulfillment of its objectives or is distributed as dividends to its members, majority of whom are poor.

## 8.6.2. SEPPS in a Developing Country Context

Similar to the origins of the Lamac MPC, Cordova MPC developed from self-help initiatives in response to unfavorable market conditions and the failure of the state to ensure access to basic social and economic services among the poor. The MPC's precursor, the Cordova Credit Union, was conceived at a time when the town of Cordova was among the poorest in the country. The credit union's savings and credit program was seen as an alternative to informal money lenders charging exorbitant interest rates among the poor. Subsequent services by the credit union and the cooperative were aimed at filling in gaps or weaknesses in the poor's access to financial and social protection services.

As SEPPS, the Cordova MPC served various segments of the poor in different ways. Among the entrepreneurial poor, Cordova MPC served as an intermediary financial service provider to sustain their means of livelihood, or grow their micro-enterprises to employ others. Among the unemployed and underemployed, the cooperative served as a mechanism that facilitated social inclusion. The poor were either provided employment by the enterprises of members and/or were assisted to have access to social services such as education for children and pensions for the elderly. The poor who were able to send their children to college with the help of the cooperative, had overcome poverty as their children became professionals and were employed locally or abroad.

Cordova MPC has a similar experience with Lamac MPC of successfully engaging government agencies to provide technical and financial support to make services accessible to the poor. In this sense, Cordova MPC as well as Lamac MPC, may be said to have directly assisted the performance of what social economy scholars (Laville, 2010) consider to be the state's function of redistribution.

### 8.6.3. SEPPS and Social Entrepreneurship

In the context of an ineffective state that is unable to deliver basic services and provide policy and service support to small producers (Schelzig, 2005), the cases of Lamac and Cordova MPC suggest a potentially bigger redistributive role of cooperatives as SEPPS, relative to their counterparts in developed economies in the North.

As SEPPS, the Cordova MPC resonates with the social economy school of social entrepreneurship (Defourny and Nyssens, 2008; Hulgaard, 2008) discussed in Chapter 1. Interestingly, its experience validates many of the issues and concerns faced by Lamac MPC as a SEPPS in a developing country. Foremost of these is the important challenge of developing more effective mechanisms of multi-stakeholder governance to harness the participation of the majority of its members in seeking solutions to problems confronting various segments of the poor. Together with the case on PWD Fed, which is a cooperative federation, the three provide the basis for developing propositions about cooperatives as social enterprises with the poor as primary stakeholders or SEPPS. Initial insights on this are contained in Section 8.8 but discussed more thoroughly in Chapters 9-11.

## 8.7. The Cordova MPC from a Stakeholder Perspective

### 8.7.1. Primary Stakeholders of Cordova MPC

As SEPPS, Cordova MPC engages the poor as primary stakeholders from a normative perspective (Donaldson and Preston, 1995). The poor comprise the majority of Cordova MPC's members. They include fishers including shell pickers, handicraft makers, the entrepreneurial poor, micro-entrepreneurs, and workers in the formal and informal sectors.

### 8.7.2. Roles among the Poor

The Cordova MPC case closely resembled the Lamac MPC experience. Within a cooperative structure, the poor mainly enacted transactional roles as owners and as clients. Since initiation, no significant role change can be discerned.

As clients, they availed themselves of the financial and social protection services of the cooperative for a fee. In exchange for their capital contribution and patronage of services, the poor received dividends, and patronage refunds. Historically, as shown in Section 8.4.5, the Board of Cordova MPC, including its Board Committees,



had been dominated by professionals, despite the reality of the poor sectors comprising the majority of the membership.

As detailed in Box 8.1, the cooperative system, as explicitly explained during their Pre-Membership Education Seminars (PMES), formally provided for all members as having the right and duty to vote, be voted upon and to serve when elected. However, as detailed in Section 8.4.9, the members among the poor saw themselves more as clients and only nominally as owners. This included Miriam Fuentes who had clearly overcome income poverty, and Fe Arguilles who was a Member in Good Standing.

### 8.7.3. Roots of No Significant Role Change

The pattern of no distinct role change among the poor in Cordova MPC seems to have similar roots to what were identified in the case of Lamac MPC. Both cooperatives shared a common experience of originating from efforts to revitalize failed cooperative/pre-cooperative formations of poverty sectors. Professionals who were invited or were received warmly by the members of these failed formations led these rehabilitation efforts. Since then, the leadership of both cooperatives have remained in the hands of the professionals who were entrusted with the rehabilitation of their pre-cursor formations. No major changes in leadership and management had happened since initiation.

Cordova MPC had been focused on providing financial services, consumer and social services on a transactional basis to a majority of their members. Cordova MPC did recognize that it had a weak membership development program. As described in Section 8.4.8, this weakness had been identified in the cooperative's 2009 strategic planning session. At the time of the research in 2009, there were no clear programs to deliver transformational services to enable members from poverty sectors to take on leadership positions.

By 2009, the only active transformational service being delivered was the provision of scholarships that were selectively and individually directed towards a limited number of children among poor members. Again as in the case of Lamac MPC, such translated at most to allowing some management staff like the COO to come from the ranks of the poor and in helping some poor families improve their socio-economic standing. Again as was discussed in Chapter 7, what seemed to be missing were transformational services directed at leadership formation and developing mechanisms for representative democracy work for the poor given the nature of Cordova MPC as a democratic member-based social enterprise.

One may hypothesize that the inadequacy of transformational services may be a function of the orientation of the local professionals in engaging the poor as transactional partners. However, there was a period in Cordova MPC's history that it

implemented transformational services towards leadership formation and organizational development among the poor. At the beginning of its development stage, Cordova MPC established a strategy of satellite formation. As explained in Section 8.4.1, this was to allow the decentralization of management of services, encourage the regular and active participation of members in cooperative affairs, pursue total human development of members, and ensure that the interest of sectors and communities were given adequate attention. As discussed in Section 8.4.1, satellite cooperatives among fishers and some poor communities were organized during this period, with Cordova MPC Board members actively involved. Although this was pursued between 1993-1998, there were no clear indications of their status by the time of the research in 2009.

This overshadowing of the strategy of building satellites needs due consideration. The vision statement of Cordova MPC to be a 'globally competitive vehicle for socio-economic empowerment' (Cordova MPC, 2009) still reflects an intention not just to partner but to empower members. If one were to assume this statement of intent, maybe the phenomenon of no role change may be better related to the capability of Cordova MPC to manage the tension between social and business goals, which has been identified as a common governance issue among social enterprises (Spear, et al., 2010). To illustrate, the current strategy of branch formation, which facilitated the quick expansion of transactional services that seems to have taken over, may be responding better to the need for enterprise growth but not to empowerment.

Details on the evolution of roles and services provided to the poor by Cordova MPC during the stages of pre-initiation, initiation and development are contained in Table 8.1.

#### 8.7.4. Impact on the Poor

As clients and owners, or as transactional partners, the poor that comprise the majority in Cordova MPC's membership of 8,000 have benefitted mainly in terms of access to financial and social services leading to social inclusion and social protection. Cordova MPC also assisted in sustaining livelihoods, creating employment opportunities, and to a limited extent, moving people out of income poverty. The details of these were already discussed in Section 8.5.2, with examples contained in Boxes 8.2 and 8.3.

In comparison to PWD Fed that engaged the poor as transactional and transformational partners, the Cordova MPC shows a relatively large number of poor reached through transactional services. The depth of impact on the poor is comparable to Lamac MPC.

Table 8.1. Cordova MPC: Evolution of Roles and Services among Primary Stakeholders

	<b>Pre-Inception to Inception Stage (1971 – 1993)</b>	<b>Development Stage (1993 – 2009)</b>
<b>Key Organizational Developments</b>	<ul style="list-style-type: none"> <li>• Setting up of Cordova Credit Union Inc., in 1971; establishment of savings and credit program; pooling of members' dividends and patronage refunds to set up consumers' cooperative in 1972;</li> <li>• Development and decline of both cooperatives (1971-1986);</li> <li>• Rehabilitation with intervention of professionals (1987-1990); and</li> <li>• Revitalization leading to consolidation of two cooperatives as MPC (1993).</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion and diversification;</li> <li>• Sub-phase 1: 1993 – 2006               <ul style="list-style-type: none"> <li>○ Establishment of satellite cooperatives (1993-1998);</li> <li>○ Expansion within Cordova; 1st Branch in Lapu-Lapu City; and</li> <li>○ Membership growth: 1,200 to over 4,000.</li> </ul> </li> <li>• Sub-phase 2: 2007 – 2009               <ul style="list-style-type: none"> <li>○ Opening of another branch (Basak) in Lapu Lapu City and a branch in Sta. Rosa in Olango Island;</li> <li>○ New product development: Coop on Wheels, Coop Purchase Order Loan;</li> <li>○ Membership growth to about 8,000 by 2009; and</li> <li>○ Enterprises by end-2009: school, lumber/hardware, consumer store, pharmacy, gasoline station, banking system with ATM services.</li> </ul> </li> </ul>
<b>Roles of the Poor: Artisanal fishers, workers, entrepreneurial poor</b>	<ul style="list-style-type: none"> <li>• Client-owners with formal voting powers in General Assembly with little or no representation in Board and with management delegated to professionals</li> </ul>	<ul style="list-style-type: none"> <li>• Client-owners with formal voting powers in General Assembly, with little or no representation in Board and with management delegated to professionals; and</li> <li>• Some members: leaders and members of satellite cooperatives (1993-98).</li> </ul>
<b>Services from Cordova MPC</b>	<ul style="list-style-type: none"> <li>• Credit services; and</li> <li>• Access to consumer products.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial services: express loans, microenterprise loans, regular loans, savings products;</li> <li>• Social services: health benefit, death benefit, scholarships for poor but deserving children of members; and</li> <li>• Access to consumer products.</li> </ul>

Table 8.1.a. Participation of the Poor in Governance and Management of the Core and Allied Organizations of Cordova MPC

<b>Participation in Core Organization</b>	<b>Initiation Stage</b>	<b>Development Stage</b>
		Members of the General Assembly  Rarely elected as members of the Board

### 8.7.5. Stakeholder Engagement Strategy over Time

Using Mintzberg’s (2007) theory of strategy formation, Cordova MPC may be said to have had an intended primary stakeholder engagement strategy of empowerment. As discussed in Section 8.7.2 and 8.7.3, the Cordova MPC had the explicit vision of becoming a globally competitive vehicle for socio-economic empowerment. As a cooperative, it oriented its members, the majority of whom were poor, on how they could exercise their rights and duties as fully fledged owners as well as privileges and obligations as customers.

However, Cordova MPC’s realized primary stakeholder engagement strategy may be characterized as one of collaboration. From the stages of initiation to development, their dominant mode of engagement with the poor was as transactional partners. One may argue that there was a brief period where they may have engaged a limited number of poor as transformational partners through their organization of satellite cooperatives. However, this was not sustained and did not clearly translate to providing the poor a systematic mechanism for the representation and pursuit of their interests in the cooperative’s governance bodies. As explained in Section 8.7.3, the gap between the intention to empower the poor and the reality of engaging them mainly as transactional partners may be attributed to two factors: the unsustainable delivery of transformational services towards the poor and the limitations in their overall capability to manage the tension between empowerment and enterprise growth objectives.

Cordova MPC's primary stakeholder engagement strategy of collaboration echoes the same features as that of Lamac MPC discussed in Chapter 7. These features are discussed below:

- *Managerial orientation towards the poor*: poor as transactional partners even as owners as dominant orientation; poor as transformational partners exhibited to a limited extent in 1993-98 but was not sustained;
- *Key engagement processes*: collaborating, partnering, dialoguing, learning; collaboration and partnership were expressed mainly in transactional terms through capital and savings build-up and paying loans on time which also gave poor right to vote; regular venues for dialogue and learning between its board composed mainly of professionals and the poor included ownership meetings and general assemblies;
- *Nature of roles among the poor*: mainly transactional as clients and owners;
- *Nature of programs and services*: mainly transactional in the form of fee-based provision of financial and social services including social protection schemes; and
- *Impact on the poor*: access to financial and social services by a large number of poor leading to social inclusion, social protection and social mobility; sustaining livelihoods, creating employment opportunities, and moving a limited number of people out of income poverty.

As in the earlier cases, Sloan's (2009) conception of models of stakeholder engagement based on a study of European corporations, is inadequate in explaining how Cordova MPC engages the poor as primary stakeholders. Again, this strengthens the need for evolving a framework for understanding stakeholder engagement strategies appropriate for social enterprises serving the poor as primary stakeholders (SEPPS).

## 8.8. Discussion

The role of cooperatives as SEPPS in the context of an ineffective state and amidst market failures in developing countries like the Philippines is an important area of exploration in the social economy school of social entrepreneurship. The potentially bigger redistributive role of cooperatives as SEPPS discussed in Section 8.6 underscores the importance for practitioners, policy makers, and scholars, to better understand the challenges they face and how they could work more effectively in favor of the poor.

Robinson, et al., (2009) have recognized that context matters in developing frameworks for understanding social entrepreneurship in different social milieus. The

major differences in the context faced by SEPPS vis-à-vis their counterparts in the North are the combined realities of pervasive market failures, massive poverty and inequality, as well as the state's ineffectiveness in redressing inequalities. This case, together with the cases of Lamac MPC and PWD Fed, builds on the work of past scholars, notably Borzaga and Spear (2004) in understanding cooperatives as social enterprises in developed and transition economies. These three cases provide insights on the challenges that cooperatives are facing in a developing country context, as social enterprises with the poor as primary stakeholders (SEPPS). As shown by these three cases, how the poor are engaged in cooperatives as SEPPS could yield very different results.

In the case of PWD Fed, the poor were engaged both as transactional and transformational partners. The case showed the power of combining transactional and transformational services to empower the PWDs to govern themselves in a cooperative context. As a cooperative, the PWD Fed exhibited the characteristics of what Borzaga and Spear, (2004) consider as a single stakeholder cooperative, with the PWDs as the only members. However, PWD Fed's efforts to co-create the Foundation for TheaseAbled Persons Inc., as a multi-stakeholder organization where empowered PWDs could work with supporters and advocates for a broad and sustained effort of engaging government and other stakeholders towards inclusive development indicates the importance of complementary mechanisms of self-governance and multi-stakeholder governance in confronting poverty as a social problem.

The Cordova MPC, like the Lamac MPC reflects the trend towards the communitarian tradition observed in the international cooperative movement (Borzaga and Spear, 2004). As such, Cordova MPC's membership has grown to include various sectors in the community and has taken on the challenge of helping to address issues confronting the poor. The particular condition that the poor as members, are starting from a position of capability deprivation (Sen, 1999; 2009) and are disadvantaged in forming groups and making them work (Thorp et al., 2003) merits due consideration. As shown by both the cases of Cordova and Lamac MPC, the poor who have become the majority of their members, have tended to opt out from exercising their role in the governing bodies of the cooperatives. In the process, they have 'delegated' such function to the professionals whom they perceive to be more capable. In this sense, the cooperative's governing bodies have tended to reflect the hierarchy and inequality in the broader society, making the democratic member-based governance system in the cooperative less meaningful.

Both the Cordova and Lamac MPC experiences seem to show that a cooperative that engages the poor mainly as transactional partners may fill the gap of the government's and market's failure to make social and economic services accessible to the poor. However, the governance structures of these cooperatives have so far

tended to mirror the capability deprivation of the poor and inequality characterizing the society at large. This may indicate the importance of complementing transactional with transformational services directed towards leadership formation and organizational development to make the democratic member-based governance system of the cooperative, as SEPPS, to work for the poor.

While Cordova MPC already recognized the need for them to overcome their weak membership development program, the insights from this case show how critical it is for such program to be directed towards enabling significant sectors of the poor among their current and potential members to effectively participate in the cooperative's governance system. The case on Lamac MPC, particularly Sections 7.6., 7.7., and 7.8., already discussed the importance of transformational services geared towards leadership formation and organizational development coupled with putting in place mechanisms for complementing direct democracy with representative democracy. In addition to validating the relevance of this emerging proposition for cooperatives as SEPPS, the Cordova MPC case also points to how this may be pursued. In particular, Cordova MPC's thrust of building what were called satellite cooperatives during the early part of its development stage provides one way on how these program elements could be operationalized. An assessment and strengthening of this strategy, of developing dynamic satellite cooperatives among the most significant sectors of the poor in its constituency could very well become the vehicles for leadership formation and organizational development, as well as the springboards for representative democracy if integrated into Cordova MPC's governance structures.

## **PART III – THEORY BUILDING**



## CHAPTER 9 – CROSS CASE ANALYSIS: SOCIAL ENTERPRISES WITH THE POOR AS PRIMARY STAKEHOLDERS

*This chapter discusses the results of a cross-case analysis of a theoretical sample chosen to explore how social enterprises serve the poor and address poverty. It studies six Philippine-based social enterprises with the poor as primary stakeholders or SEPPS. It introduces two types of roles that the poor enact as stakeholders: transactional and transformational roles. It tracks these roles and the role changes that the poor enact as stakeholders of SEPPS over time. It analyzes how and why these roles change or don't change, and the impact such change has on the social enterprise and the poor. It notes that SEPPS engage the poor to enact these roles through transactional and transformational services. It draws patterns from the analysis towards defining dimensions that differentiate three ways that SEPPS engage the poor as stakeholders: as passive beneficiaries, as transactional partners, and as transformational partners.*

The thesis uses case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) to explore a framework for understanding how social enterprises serve the poor and address poverty. Poverty is understood as a multidimensional phenomenon, consistent with Sen's (1999; 2009) conception that it is not just a state of 'lowness of income' but of 'capability deprivation'.

The thesis studies a theoretical sample of three pairs of social enterprises in the Philippines where the poor were suppliers (Alter Trade and Upland Marketing), workers (PWD Fed and Tahanan), and clients (Lamac MPC and Cordova MPC). In half of the theoretical sample, the poor were also owners of the social enterprises, being members of cooperatives (Lamac MPC and Cordova MPC), or of a cooperative federation (PWD Fed). The thesis studies the roles and role changes of the poor in these social enterprises, how and why they changed, or did not change, and the impact of the roles and role changes, if any, on the social enterprises and the poor.

This chapter discusses the results of the cross case analysis involving the three pairs of social enterprises in the theoretical sample.

### 9.1. Roles and Role Changes among the Poor

Tracking the roles and role changes among the poor across the six cases was aided by Mintzberg's (2007) organizational stages of initiation, development and renewal discussed in Section 2.11. The main roles they enacted across these stages,

over a period of 10-37 years may be classified into two: transactional roles and transformational roles.

Transactional roles are functions performed by the poor that involve an exchange of goods or services for money or vice versa. These are directly linked to enterprise operations and include being suppliers for which they receive a payment for goods or services rendered, being workers for which they receive wages, being clients where they pay a fee to avail of a product or service, and being owners for which they receive dividends.

Transformational roles are functions performed by the poor as conscious agents of change, to lift them from poverty, and to participate in group efforts to improve the quality of life of their community, sector or society as a whole. These include their participation in self-governed cooperatives, associations or federations that envision a better future, and serve as venues for planning and implementing initiatives to overcome poverty and contribute to community or sectoral development.

Table 9.1. provides details of transactional and transformational roles and role changes across the stages of initiation, development and renewal as shown by the cases in the theoretical sample. By the time of the research in 2009-2010, three of the cases (Alter Trade, PWD Fed and Tahanan) were in their renewal stage, having been in existence for 22, 12 and 37 years respectively. The other three cases (Upland Marketing, Lamac MPC and Cordova MPC) were still at their development stage after a period of 10, 17 and 22 years respectively. The number of years of existence seemed not to be a key determining factor in terms of stages traversed.

The transactional roles that the poor enacted in the social enterprises were the starting points for the choice of the cases – the poor as suppliers (in the case of Alter Trade and Upland Marketing), the poor as workers (in the case of Tahanan and PWD Fed), and the poor as clients (in the case of Lamac MPC and Cordova MPC).

How were the poor involved or engaged in the process of enacting these transactional roles? At what point did they enact transformational roles?

In all six cases, the poor manifested enacting transactional roles at the point of initiation. It was only in the case of PWD Fed that the poor simultaneously enacted transformational roles, and continued to do so up to the renewal stage. Transformational roles were enacted by the poor in Alter Trade as well but only starting at the development to renewal stage for the sugar farmers, and at the renewal stage for the banana growers.

### 9.1.1. From Passive Workers to Self-Assured Workers, Supervisors and Managers

At the initiation stage, Tahanan engaged a limited number of 20 PWDs in their metal craft sheltered workshop as workers and partners in their rehabilitation process. As it sought to expand its reach among PWDs by diversifying its sheltered workshops to serve the mainstream export market, the dominant role enacted by most of the PWDs were as passive workers. Plunging into a period of crisis, then a renewal stage, the PWDs had been re-engaged as worker-partners with a number of them showing levels of being self-assured and pro-active. The most dramatic changes were exhibited by the PWDs who had assumed the roles of supervisors (11 out of 14 supervisors were already PWDs), and the roles of managers and directors (10 out of the 14 managers and directors were already PWDs). These dramatic changes however are still within the realm of transactional roles, as partners in social enterprise management. As a foundation, Tahanan's board had always been composed primarily of religious leaders and prominent members of the private sector who supported PWD rights and welfare.

### 9.1.2. Poor as Partners in Social Enterprise and Value Chain Management

The poor as transactional partners manifested itself in other ways in the remaining cases: as supplier-partners (in the case of Alter Trade and Upland Marketing), as worker-members (in the case of PWD Fed), or as client-members (in the case of Cordova Coop and Lamac Coop).

PWD Fed, Alter Trade and Upland Marketing pursued capacity development programs in collaboration with the poor to meet the quality and volume requirements of their respective markets. In these three cases, their partners among the poor were progressively engaged as groups collaborating with them in value chain management.

For example, in Alter Trade and Upland Marketing, their supplier-partners were actively engaged in transparently negotiating 'fair prices' and in annual planning processes to align levels and requirements for production and trading. In the case of Alter Trade, their supplier partners were assisted to take over functions in the value chain such as organic fertilizer production and trucking for transport of raw materials and products. At one stage, PWD Fed engaged its primary member cooperatives in a decentralized system of producing whole chairs or components that were assembled upon delivery to different schools nationwide.

The collaborative nature of the relationship with the poor on the part of Lamac MPC and Cordova MPC at the point of initiation was explicit as they made their

initial capital contributions and were required to go through Pre-Membership Education Seminars (PMES). The PMES served as venues to orient members about their rights and responsibilities as owner-clients. In both cases, the PMES emphasized the need for the poor to patronize the services of the cooperative, pay their loans on time and regularly save and build up their capital with the cooperative. This may be considered another form of engaging the poor as partners in social enterprise management.

All these demonstrate the dynamic ways that SEPPS have engaged the poor as transactional partners. The poor were engaged not only as workers, clients and suppliers, but also as partners in social enterprise and value chain management.

### 9.1.3. Transactional Nature and Transformational Potential of Poor as Owner

As has been pointed out, PWD Fed was the only case where the poor enacted not only transactional but also transformational roles at the point of initiation. The researcher was actually expecting that where the poor were owners, they would also be enacting transformational roles. In the two cases (Lamac MPC and Cordova MPC), where the poor were owners, the enactment of transformational roles did not manifest. This indicates that the role of the poor as owner may have a dual character: that it has a transactional nature and a transformational potential, but the latter may need to be harnessed to be realized.

As shown by all the 3 cooperative cases, the poor as owner had a transactional nature: in exchange for their capital contribution, the poor received dividends. It also had a transformational potential, given their entitlement to vote and to be voted upon. This meant they potentially had the power to make decisions and to participate in governing bodies of the enterprise to advance their interests, beyond being workers or clients.

In PWD Fed, such transformational potential was realized at the level of the federation and at the level of the primary cooperative. From initiation, the primary cooperative members, had representatives in the PWD Fed General Assembly, who from the beginning, elected a governing board composed 100% of PWDs. From initiation, the PWD Fed acted as a representative body of the PWDs to engage government to enact and implement affirmative policies for PWDs. Over time, the PWD Fed enabled its primary cooperative members to become self-sustaining vehicles for PWD employment and empowerment in their respective areas.

In the case of both Lamac MPC and Cordova MPC, the transactional nature of the poor not only as clients, but also as owners was dominant from the initiation to the development stages. For example, the criteria used for members in good standing (MIGS) in both cooperatives, which gave them the power to vote and be voted upon

in General Assemblies, were purely transactional in nature: regular capital build-up and savings as well as timely payment of loans. In Cordova MPC, representation of the poor in the Board, over time was rare, if not absent altogether. In Lamac, the minority representation of the farmers in the Board had declined over time, and there were no indications that the entrepreneurial poor, who comprised the majority of their members at the time of the research, were being elected to Board positions. The poor members in both Lamac MPC and Cordova MPC saw their membership more as a means to have social protection and access to financial services.

Table 9.1. Roles and Role Changes among the Poor Served

Social Enterprise and Poor Served	Roles Played at Different Stages		
	Initiation (3-5 years)	Development (7-14 or more years)	Renewal (3 or more years)
Alter Trade: Sugar workers-turned agrarian reform beneficiaries	Organized suppliers of sugar cane for muscovado production and trading  Partners in Bio-Organic Conversion Program  Partners in fair trade with European fair trade organizations	Organized suppliers of organic sugar cane engaged in negotiations for fair price  Partners in Sustainable Agriculture for Sustainable Communities Program  Organized into Fair Trade Sub Group and represented in Alter Trade Foundation Board  Leaders and members of self-determining producer organizations at various stages of development <ul style="list-style-type: none"> <li>• Self help groups</li> <li>• Entrepreneurial farmers' organizations</li> <li>• Organizations practicing social entrepreneurship</li> </ul>	Organized participants in value chains linked to Alter Trade and beyond  Partners in fair trade and sustainable agriculture federated into Negros Organic and Fair Trade Association (NOFTA)  NOFTA as co-equal partner of Alter Trade Group in local/global organic and fair trade movement  Leaders and members of self-determining producer organizations
Banana growers	Suppliers of Balangon bananas  Partners in people-to-people trade with Japanese cooperatives	Suppliers of Balangon bananas  Partners in people-to-people trade  Leaders and members of growers' associations exhibiting capabilities as self help groups	Organized growers participating in value chain management  Partners in people-to-people trade  Leaders and members of associations planning and implementing community development plans

<b>Social Enterprise and Poor Served</b>	<b>Roles Played at Different Stages</b>		
	<b>Initiation (3-5 years)</b>	<b>Development (7-14 or more years)</b>	<b>Renewal (3 or more years)</b>
<b>Upland Marketing:</b> Organic rice farmers and muscovado producers	Suppliers of organic rice, muscovado sugar and other food products  Community-based enterprise partners assisted with technology, financing and market access	Suppliers organized as community-based enterprises (CBEs) at various stages of development: start-up, take-off, growth and sustainable  Partners engaged in negotiations for fair price, with most advanced playing proactive roles in value chain management	<i>(Note: Upland Marketing had not reached renewal stage)</i>
<b>Social Enterprise and Poor Served</b>	<b>Roles Played at Different Stages</b>		
	<b>Initiation (2-11 years)</b>	<b>Development (8.5-10 or more years)</b>	<b>Renewal (1.5-16 years or more)</b>
<b>PWD Fed:</b> Unemployed persons with disability (PWD)	Workers of school chair enterprise project  Leaders and members of PWD primary cooperatives  Representatives of primary cooperatives in PWD Fed General Assembly  Elected members of all-PWD board  Leaders of management team  PWD Fed as representative body in engaging government and support institutions	Members of primary cooperatives engaged as workers in production of school chairs  Leaders and members of primary cooperatives at various stages of development <ul style="list-style-type: none"> <li>• Cooperatives for PWD employment</li> <li>• Cooperatives for PWD empowerment</li> </ul> Leaders in governance and management bodies of PWD Fed  PWD Fed as <ul style="list-style-type: none"> <li>• Organizer and enabler of PWD primary cooperatives</li> <li>• Representative body in engaging government and support institutions</li> </ul>	Members as workers of enterprise ventures and participants in programs of PWD Fed and primary cooperatives  Leaders and members of primary cooperatives at various stages of development <ul style="list-style-type: none"> <li>• Cooperatives for PWD employment</li> <li>• Cooperatives for PWD empowerment</li> </ul> Leaders and role models in communities  Leaders in governance and management bodies of PWD Fed  PWD Fed as <ul style="list-style-type: none"> <li>• Promoter of economic empowerment and inclusion of PWDs nationwide</li> <li>• Representative body in engaging government and support institutions</li> </ul> Empowered PWDs as co-founders of foundation for national partnership towards inclusive development

<p><b>Tahanan:</b> Unemployed persons with disability (PWD)</p> <p>Selected PWDs from poor families of school age</p>	<p>Worker-partners in sheltered workshop for wheelchair production</p> <p>Beneficiaries of rehabilitation, scholarships and special education programs</p>	<p>Passive worker beneficiaries in sheltered workshops serving export market (Dominant)</p> <p>Worker-partners in sheltered workshop for wheelchair production (Small)</p> <p>Beneficiaries of rehabilitation, scholarships and special education programs showing potential start to be appointed to management, supervisory and staff positions</p>	<p>Worker-partners exhibiting various levels of development</p> <ul style="list-style-type: none"> <li>• Passive to self assured workers</li> <li>• Pro-active workers and supervisors</li> <li>• Empowered managers and directors</li> </ul>
<p><b>Social Enterprise and Poor Served</b></p>	<p><b>Roles Played at Different Stages</b></p>		
	<p><b>Initiation (6 years)</b></p>	<p><b>Development (11-16 years or more)</b></p>	<p><b>Renewal</b></p>
<p><b>Lamac MPC:</b> Upland farmers, workers, entrepreneurial poor</p>	<p>Client-owners with formal voting powers in General Assembly</p> <p>With minority but substantive representation in board</p> <p>Management delegated to professionals</p>	<p>Client-owners with formal voting powers in General Assembly</p> <p>Board almost totally composed of professionals</p> <ul style="list-style-type: none"> <li>• 1 of 3 surviving farmer leaders in original board still a member</li> <li>• No mechanism for poverty sectors to be represented</li> </ul> <p>Management delegated to professionals</p> <p>Poor see membership as means to have social protection and access to financial services</p>	<p><i>(Note: Lamac MPC had not reached renewal stage)</i></p>
<p><b>Cordova MPC:</b> Artisanal fishers, workers, entrepreneurial poor</p>	<p>Client-owners with formal voting powers in General Assembly</p> <p>Little or no representation in board</p> <p>Management delegated to professionals</p>	<p>Client-owners with formal voting powers in General Assembly</p> <p>Little or no representation in Board</p> <p>Management delegated to professionals</p> <p>Poor see membership as means to have social protection and access to financial services</p>	<p><i>(Note: Cordova MPC had not reached renewal stage)</i></p>

#### 9.1.4. Poor as Transactional and Transformational Partners

Among the six cases, the most dramatic changes in terms of roles happened in Alter Trade, among its sugar farmer partners and in PWD Fed. In both cases, the poor manifested transformational roles as they became conscious change agents not only for themselves but for their respective communities or sectors and society as a whole.

In the case of Alter Trade, the organized sugar farmer partners did not only serve as an organized producer base for Alter Trade, they defined and implemented community development plans, and started to initiate crop and income diversification efforts. Crop and income diversification have been shown as key to achieving food security and overcoming income poverty for a significant percentage of Alter Trade's sugar farmer partners. By the end of the development stage, the organized sugar farmer partners were at various stages of development as self help groups, entrepreneurial farmers' organizations and as organizations practicing social entrepreneurship.<sup>100</sup> MIARBA, featured in Box 3.1., and 3.5., exemplified a partner reaching the third stage. Not only was it engaged as a producers' group in the Alter Trade system, it was actively assisting its members diversify their crops and sources of income. MIARBA was playing a lead role in community reforestation and health services delivery. It was also recognized by the local government as a leader in the promotion of sustainable agriculture and a significant contributor to the local economy. At the renewal stage, MIARBA and the other sugar farmer partners of Alter Trade became founding members of NOFTA or the Negros Organic Fair Trade Association. As a federation, NOFTA had become a small producers' organization serving as Alter Trade's co-equal partner in the local and global organic and fair trade movement, with the capacity to plan, mobilize resources, and implement their own enterprise and development efforts.

As has been emphasized, the poor in PWD Fed manifested transformational roles from initiation. What may be important to take into account in explaining this early manifestation of the poor's transformational roles is a pre-initiation stage that lasted 4-5 years. During this period from 1993-1997, CBM<sup>101</sup> assisted the initial formation of cooperatives to start the school chair project. These cooperatives became the founding members of PWD Fed in 1998. Of course, the PWD Fed primary cooperatives and the individual PWD members developed at different paces. As the PWD Fed initiated the organization of more primary cooperatives, each of them went through an organizational life cycle of their own. The pattern observed was they usually started as 'cooperatives for PWD employment' before they reached a stage

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<sup>100</sup> See Appendix 12.10 for the instrument used to measure the level of development of Alter Trade's producer partners.

<sup>101</sup> CBM was the German development agency that sent a consultant and supported the initiation of the school chair venture among PWDs.



where they became ‘cooperatives for PWD empowerment.’ The most developed among the primary cooperatives that reached the latter stage had become self-propelling organizations, engaging their members in various initiatives beyond the school chair project to look after the rights and welfare of PWDs in their own communities. The most advanced among the individual PWDs became founding members of the Foundation for TheseAble Persons to create a venue to engage non-PWD supporters to assist and serve as enabling partner to PWD Fed and PWDs in general. Their membership in the Foundation signified their readiness for broader efforts to participate as co-equals in mobilizing other organizations and engaging government “in a national partnership for sustainable, inclusive ...development towards equal social and economic participation of PWDs” (Foundation for TheseAble Persons, 2011).

These transformational roles of the poor may be appreciated as manifestations of their overcoming ‘capability deprivation’, having become active participants in creating ‘actual opportunities’ to improve their ‘means of living’. The enactment of these transformational roles through their own self-propelling organizations are directly assisting the exercise of political freedoms and mediating their access to various forms of economic facilities, social opportunities, transparency guarantees, and protective security. These are the freedoms identified by Sen as critical to poverty reduction and development (Sen, 1999).

### 9.1.5. Situating Roles in Regions of Stakeholder Environment

One way of enriching our analysis of the roles and role changes of the poor among the social enterprises is to use tools developed by scholars advancing a stakeholder approach to strategic management (Freeman, 1984; Harrison and St. John, 1994, 1998; Post et al., 2002a). Of particular interest is Harrison and St. John’s (1994, 1998) conception of the three regions of the stakeholder environment: the internal organization (stakeholders with formal ties with the firm), the operating environment (external stakeholders that influence the firm over which the firm has some influence), and the broader environment (society, technology, economy and political/legal, where the firm has little influence). This is similar to the conception by Post et al., (2002) of the three broad categories of stakeholders: the resource base, industry structure, and social-political. Each group is characterized as being situated in a set of concentric circles with those belonging to the resource base closest and those belonging to the socio-political the most distant. (Post et al., 2002).<sup>102</sup>

Exploring the application of these broad categories or regions of the stakeholder environment to better understand how the poor are engaged by SEPPS yields interesting insights.

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<sup>102</sup> See Figures 1.1. and 1.2. in Chapter 1 for graphical illustrations of the 3 regions of the stakeholder environment and the broad categories of stakeholders.

Four of the cases (Upland Marketing, Tahanan, Lamac MPC and Cordova MPC) show the poor as playing roles in either the internal organization (Tahanan as worker-partners), the operating environment (Upland Marketing as supplier-partners and co-managers of the value chain) or both (Lamac MPC and Cordova MPC as owner-clients). Two of the cases (Alter Trade and PWD Fed) show the poor as progressively playing a combination of roles over time, not only in the internal and operating environment, but also in the broader, social-political environment. Interestingly, the cases of Alter Trade and PWD Fed are the same ones that, as discussed earlier in this section, demonstrated the poor as enacting transformational roles in their community/sector and society as a whole.

In corporate models of stakeholder management (Harrison and St. John, 1994, 1998; Post et al., 2002a), specific stakeholders are classified or located in these regions, and are managed to facilitate the achievement of organizational goals, depending on their level of influence and whether they are evaluated as posing an opportunity or threat. As shown by the cases, the poor as stakeholders in SEPPS, were initially located in either the internal (as workers, owners) and/or operating environment (as clients, suppliers). As primary stakeholders, the poor were engaged to enact their transactional roles more effectively, no matter where they were located and no matter their initial level of influence. Moreover, in two of the cases (Alter Trade and PWD Fed), they were enabled by the SEPPS not only to more effectively enact their transactional roles in the internal and operating environment, but the poor were also empowered by SEPPS to enact transformational roles in the broader, social-political environment: in Alter Trade, as partners in the local/global organic and fair trade movement; and in PWD Fed, as promoters of economic empowerment and inclusion of PWDs in their local communities and at the national level.

Enacting transformational roles in the broader, social-political environment is consistent with the observations and propositions from earlier literature by scholars of social entrepreneurship notably Huybrechts and Defourmy (2008), Nyssens (2006), Martin and Osberg (2007) and Austin et al., (2006). Nyssens (2006) in particular argued that the political dimension is an attribute of some social enterprises that distinguishes them more sharply from traditional businesses. Martin and Osberg emphasized that political goals are present when there is an intent of acting on the wider system in order to change the context in which social enterprises operate. Austin et al., (2006) see this as particularly important when the social problem being addressed is deeply embedded in contextual factors, which poverty as a social problem is.

## 9.2. Roots and Routes of Role Changes among the Poor

A corollary conceptual tool that needs to be introduced at this point, which would be used to explain in part the roots and routes of role changes among the poor is

classifying services rendered to the poor by SEPPS as transactional and/or transformational. Earlier in Section 9.1, the concepts of transactional and transformational roles were introduced. Transactional and transformational services are linked to what it takes for the poor to perform these roles.

- Transactional services pertain to activities, such as providing loans, demonstrating new technologies or conducting trainings that are necessary for the poor in the social enterprise system to effectively and efficiently perform their transactional roles as workers, suppliers, clients, and owners. Transactional services are usually defined by what is needed by enterprise operations to serve markets effectively and efficiently, so are enterprise or market-driven.
- Transformational services pertain to sustained capacity development efforts including leadership and organizational development, asset build-up and providing education and experiential learning opportunities, to empower the poor as conscious stakeholders in overcoming their poverty situation and becoming partners in pursuing change in their community/sector and society as a whole. Transformational services are defined by what the poor need to become conscious actors in overcoming their poverty situation, so are primary stakeholder-driven.

Two types of transactional services were noted: fee based, such as loans; or non-fee based, such as job-related trainings.

Two types of transformational services were noted: individually directed, such as scholarships to complete formal schooling or trainings for individual advancement; or group directed such as leadership formation linked to organizational development.

Significant role changes were observed among the poor in three cases over time: Alter Trade, PWD Fed and Tahanan. The other three manifested no distinct role changes (Upland Marketing, Lamac MPC and Cordova MPC). However, a significant segment of Upland Marketing's partners among the poor exhibited changes in terms of higher levels of participation as supplier partners over time.

Table 9.2.a. provides a summary of the roots (why) and routes (how) of the role changes. The most significant role changes could be attributed to the sustained delivery of transformational services, in addition to transactional services; strategic efforts to close the gap between intended and realized strategies for engaging the poor; changes in management orientation and/or systems; and the support of enabling stakeholders.

Responses to pressures in the external environment such as more effectively meeting market requirements also triggered some changes. Responses to these market pressures, that were mediated by management orientation and capability were

surfaced as governance challenges among SEPPS as they navigate the balance of social and enterprise sustainability objectives in the individual case analysis, but may be better explored further in a future research initiative.

### 9.2.1. Alter Trade and PWD Fed: Dedicated Programs and Delivery Systems for Transformational Services

For Alter Trade and PWD Fed, the two cases where the most significant role changes among the poor were evident, the role changes were products of vision/mission clarification and strategic planning and responses to emerging threats and challenges in their enterprise operations. From these strategic visioning, strategic planning and strategic learning processes (Mintzberg, 2007), dedicated programs and structures/staffing were put in place to ensure the delivery of transformational services. These transformational services were over and above the transactional services that Alter Trade and PWD Fed also provided their partners.

Transactional services included skills development for the PWDs to participate as workers of PWD Fed in manufacturing chairs required by DepEd and providing the financial, technological and product development assistance to supplier partners of Alter Trade to deliver the quality and volume requirements of the European fair trade buyers of muscovado and the Japanese cooperative buyers of Balangon bananas.

Transformational services provided by PWD Fed and Alter Trade were wide-ranging and include leadership formation; enabling programs towards income diversification that are not directly linked to the value chain of the social enterprise; capacity building in organizational and change management, community visioning and planning; as well as facilitating networking, advocacy and claim-making initiatives vis-à-vis government towards sectoral and community development.

The transformational roles enacted by the primary cooperative members of the PWD Fed and the supplier partners of Alter Trade are largely attributable to the transformational services provided by PWD Fed and Alter Trade. The contrasting experiences between the sugar and banana producer partners of Alter Trade, where only the former performed transformational roles at the development to renewal stage also support this conclusion. For a significant period of time until almost the end of the development stage, Alter Trade was unable to provide transformational services to their banana producer partners. Alter Trade Foundation's Sustainable Agriculture for Sustainable Community Program (SASC) was dedicated to their sugar farmer partners during the development stage. Although organizing efforts among Balangon banana growers started during the last years of the development stage, it was only during the renewal stage that transformational services using the SASC framework implemented through Alter Trade Foundation was pursued among banana growers. Even the initial results of these efforts, with the banana growers associations starting

to do their community development plans, also point to how critical sustained transformational services through a dedicated delivery system is, in effecting transformational roles.

While the ownership of the poor in both Lamac MPC and Cordova MPC remained transactional, such was given substance by PWD Fed through conscious capacity development programs for the members and leaders of their primary cooperative members. In the case of Alter Trade, their conscious capacity building programs also developed their sugar farmer partners to become owners of their respective community-based enterprises. These community-based enterprises, that took the form of cooperatives and associations, served not only as a reliable supplier base for Alter Trade, but also as planning and implementing bodies for crop and income diversification and community development efforts.

Table 9.2.a. Roots and Routes of Role Changes among the Poor

<i>Social Enterprise</i>	<b>Roots (Why) of Role Change(s)</b>	<b>Routes (How) of Role Change(s)</b>
<i>Alter Trade</i>	<p>Vision/mission clarification and commitment to close the gap between intended and realized stakeholder engagement strategy</p> <p>Realization that improved product quality and production efficiency can be realized and threat from armed groups neutralized with organized Balangon growers</p> <p>Enabling stakeholders: Push and support from solidarity markets and international partners from Europe and Japan resulting from evaluation studies/visits and certification inspections/audit</p>	<p>Transformational services:</p> <ul style="list-style-type: none"> <li>• Sustainable Agriculture for Sustainable Communities (SASC) Program for sugar farmers</li> <li>• SASC-type program for banana growers instituted at renewal stage</li> </ul> <p>Transactional services:</p> <ul style="list-style-type: none"> <li>• Program to transform sugar farms from conventional to organic</li> <li>• Banana growers development program to ensure market requirements</li> </ul> <p>Foundation as distinct structure to deliver transformational services to sugar farmers (development-renewal stages) and banana growers (renewal stage)</p> <p>Cooperatives of sugar farmers as mechanisms for planning and implementation of crop and income diversification and community development</p> <p>NOFTA as mechanism for self-governance, collective action, and advocacy among small producers</p>

<i>Social Enterprise</i>	<b>Roots (Why) of Role Change(s)</b>	<b>Routes (How) of Role Change(s)</b>
<i>PWD Fed</i>	<p>Strategic planning that clarified critical role of self-propelling primary cooperatives</p> <ul style="list-style-type: none"> <li>• To ensure quality and efficiency of school chair production nationwide</li> <li>• To plan and implement local programs for PWD employment and empowerment</li> </ul> <p>Enabling stakeholders: Partners from Europe and Canada providing technical and financial support for capacity development and participatory strategic planning process</p>	<p>Transformational services:</p> <ul style="list-style-type: none"> <li>• Dedicated leadership and capacity development program for primary cooperative members</li> </ul> <p>Participatory strategic planning process involving primary cooperatives</p>
<i>Tahanan</i>	<p>Change in management and management orientation towards PWDs:</p> <ul style="list-style-type: none"> <li>• from worker-partners to passive worker beneficiaries</li> <li>• from passive worker-beneficiaries to worker partners</li> </ul> <p>Conscious initiation of individually-directed transformational services by founders and top leadership (e.g. scholarships, leadership development) created critical mass of pro-active, committed and capable PWDs</p>	<p>Business-oriented professional team managing sheltered workshops</p> <p>Appointment of committed and qualified PWDs to majority of supervisory and management/director positions</p> <p>Participatory planning and operating structures/system</p>

### 9.2.2. Tahanan: Transformational Services and Changes in Management

For Tahanan, a process of providing individually directed transformational services (such as scholarships, leadership and management trainings) to a selected number of PWDs, who by the renewal stage had assumed supervisory and manager/director positions may be the most important factor that had brought about the role changes.

This was a reflection of a conscious orientation on the part of the Board and the top leadership to develop PWDs as partners in the management of Tahanan and its sheltered workshops. The management orientation of the team of supervisors, managers and directors towards the rank and file PWD workers also reflects this

collaborative mode. Reflecting and aiding this collaborative mode are planning and decision making processes that have been characterized as more rigorous, participatory and transparent, with the institution of systems for teamwork, shared responsibility and accountability.

The change in management and management orientation from the initiation to the development stage was also a big factor in the role change from being worker-partners to dominantly becoming passive worker beneficiaries. The business-oriented professional management team of non-PWDs brought in to ensure that contractual obligations of Tahanan to mainstream exporters would be met and the successor management team who continued serving the export market ‘just to give work for people’ both manifested an orientation of viewing the PWD workers as passive beneficiaries.

### 9.2.3. Mandate of Upland Marketing: Poor as Transactional Partner

An interesting aspect to explore is why there was no role change in Upland Marketing. The absence of a distinct role change for the poor was a product of the organizational mandate of Upland Marketing as an intermediary marketing organization in the context of a broader network strategy. Upland Marketing was set up, and is, the marketing arm of the Upland NGO Assistance Committee (UNAC), a consortium of institutions working for comprehensive upland development. In the process, Upland Marketing was expected to provide transactional services while other members would provide the transformational services.

Nevertheless, even as there was no distinct role change for the poor, there was an increase in their level of participation in planning and decision-making as supplier-partners over time. By the development stage, the supplier partners for organic rice and muscovado were already participating in annual planning meetings to align production and marketing targets and discuss the resolution of problem areas. Increasing the level of participation of the supplier partners was made possible by transactional services provided by Upland Marketing. This took the form of a dedicated program for capacitating supplier-partners in community-based enterprise and value chain management.

### 9.2.4. Cordova and Lamac MPC: Transactional Management Orientation and Services

Another interesting question to ask is why no role changes among the poor have happened in both the Cordova and Lamac MPC.

The absence of a distinct role change among the poor in Cordova MPC and Lamac MPC may be better understood if we go back to their common historical experience. Both Lamac and Cordova MPC came from efforts to revitalize failed cooperative/pre-cooperative formations that used to be self-help initiatives of poverty sectors (Lamac Samahang Nayon involving farmers and the Cordova Credit Union involving parishioners who were mainly fishers). Both intentionally brought in professionals in the community to rehabilitate them. Since then, the leadership of both cooperatives remained in the hands of the professionals who were entrusted with the cooperative's rehabilitation. No major change in leadership and management has happened in both cooperatives since their rehabilitation. Both cooperatives have been focused on providing financial services, consumer and social services on a transactional level. Individually directed transformational services such as scholarships have enabled children of poor households to become staff of the cooperatives. However, no clear programs or structures are in place to enable members from poverty sectors to take on leadership positions or to enact transformational roles.

### 9.2.5. Cooperatives as SEPPS: Governance Issues

Cordova and Lamac MPC seem to be confronted with governance issues related to cooperatives as mutual social enterprises especially as they become more communitarian and get involved in broader social concerns. The need to develop more appropriate multi-stakeholder systems of governance as a key issue among cooperatives as social enterprises, found as a need in studies undertaken in developed and transition countries (Borzaga and Spear, 2004; Cornforth and Aiken, 2010), is validated by this study. However, this study shows that the capability deprivation of the poor in a developing country context makes answering this need particularly challenging if SEPPS are to give an effective voice and vote to the poor.

The Lamac and Cordova MPC cases demonstrated that even as the poor had the right to be elected in governance bodies, they generally felt they were not in a position to become leaders and make decisions for the cooperative. With Lamac and Cordova MPC engaging their poor members mainly as clients at the transactional level, formal provisions of participatory governance become ineffective to give the poor a voice and vote. But as the PWD Fed and Alter Trade cases showed, the poor could be capacitated, through the delivery of transformational services and the setting up of mechanisms for self governance where they can enact transformational roles, to become leaders and make decisions for themselves. Such is of particular importance for cooperatives as SEPPS, which may be inferred as an intent of both Lamac and Cordova MPC. Not only do they have the poor as the majority of their members but



they have incorporated the empowerment of the poor as part of their vision and mission.

### 9.2.6. Enabling and Disabling Stakeholders

In all 6 cases in the theoretical sample, one could identify a pattern of failure among state and market institutions in addressing the needs of the poor. The SEPPS were set up to meet these unmet needs. Table 9.2.b. provides details of these indications of failure and how the SEPPS in the theoretical sample responded to them.

The cases showed various agencies of government having the mandate, power and potential to be enabling stakeholders of SEPPS. In practice, government agencies tended to have marginal or limited roles, acted as unreliable partners or even played disabling roles. An exception was the government-owned Land Bank of the Philippines that was consistent in supporting the growth of Lamac MPC and Cordova MPC in terms of technical and financial services.

Alter Trade exemplifies a case where government, as an enabling stakeholder in the broad environment, played a minimal but critical legitimizing role in formalizing ownership of the sugar workers over land they had already occupied. Such minimal role by government was not without problems as shown by the story of MIARBA, one of Alter Trade's best partner producers. The efforts of the land owner to block the process of land reform through the courts were overcome in part by the persistent lobby efforts of MIARBA and its partners for government to implement the law. To date though, MIARBA members are still in a legal battle over 50 of the 127 hectares of land they filed claims for. At the same time, the case showed that the Department of Agrarian Reform was mandated but did not have the political will or the resources to play an enabling role, resulting to its failure to provide support services to 97% of agrarian reform beneficiaries in the province.

The PWD Fed case on the other hand demonstrates, at the initiation stage, a major role played by government, as it responded to lobby efforts made by PWD Fed and its supporters to enact a special provision in the General Appropriations Act of the Philippines, to allocate 10 percent of the Department of Education's (DepEd) school chair budget to cooperatives of PWDs. In the process, the government became a major and critical enabling stakeholder in the broader and operating environment of PWD Fed. However, PWD Fed faced a major crisis in 2010 as it decided not to take on a major contract from the DepEd. This happened because the price offered per school chair could not adequately cover the operating and other costs of production. This is ironic given that a social return on investment (SROI) study covering 2002-2007 had already showed government as disproportionately benefitting from buying relatively cheaper and more durable chairs from PWD Fed. While none of the

stakeholders wanted to openly discuss corruption as an issue in relation to the failed DepEd contract, the researcher notes it may have played a role. Here we see the same government agency playing a disabling role, and creating setbacks for PWD Fed.

In the case of Alter Trade, the social enterprise and its enabling stakeholders pursued a strategy that enabled MIARBA and agrarian reform beneficiary partners to develop with them. Government played only a minimal legitimizing role in land redistribution. In the case of PWD Fed, giving up the 2010 DepEd contract while declaring a diversification strategy in terms of products and markets may mean it's evolving a strategy that is not dependent on government. But considering that DepEd as a market evolved from its lobby and advocacy efforts to enact the law requiring the procurement of 10% of school chairs from PWD organizations, it may still be appropriate for PWD Fed to strengthen its lobby and advocacy efforts to address the policy-action gap.

Here lies the importance of assisting the poor to overcome their capability deprivation not only in the internal organization of the social enterprise and the operating environment of the economic subsector, industry or value chain where the poor and the social enterprise are situated but also in the broader environment where they need to be pro-active players in their own development process. In the case of PWD Fed, engaging the government in the broader environment to enact and effectively implement legislation was what made possible and what would sustain the DepEd as a market for its school chairs. In the case of Alter Trade and their sugar farmer partner MIARBA, both need to enhance their efforts in engaging forces in the broader environment and strive to win the legal and political battle for land ownership.

Equally interesting is the disabling role that stakeholders of the social enterprises studied from the mainstream market enacted, as demonstrated by Upland Marketing (from pre-initiation to the development stage) and Tahanan (at the development stage). The logic of the mainstream export market of pushing prices down (as shown by Tahanan at the development stage) and the industry practice of supermarkets as distribution channels (as shown by the case of Upland Marketing) emphasize the importance of working beyond the operating environment. In these 2 cases, networking and advocacy of ethical or fair trade as expressions of corporate social responsibility in the market place, are potentially useful engagements with stakeholders in the broad environment that Upland Marketing and Tahanan could pursue to redefine the rules in their operating environment. To enable the poor as partners in this process, they would need to be empowered to perform transformational roles.

Interestingly, SEPPS that have uncritically engaged mainstream market channels, whether at the international level (such as what Tahanan experienced with exporters during its development stage) or at the local level (such as what Upland Marketing

experienced with supermarket chains as market channels), or government as market for their products (such as what Tahanan and PWD Fed experienced with the DepEd) have encountered challenges that have affected their sustainability and viability. This suggests that SEPPS would need to have a clear agenda for change in dealing with mainstream markets, whether local or international, or in dealing with government as market, if they are to succeed in achieving their mission. Otherwise, they may end up mirroring if not absorbing the very problems of failed state and market institutions that they were set up to respond to.

Amidst these negative experiences with state and market institutions, an important countervailing force that emerged as enabling stakeholders in most of the cases studied are development agencies in the North.

These agencies in the North served as solidarity markets assisting product and enterprise development. They served as enabling partners supporting institutional development efforts and the delivery of transformational services to the poor. An important expression of the support coming from these enabling stakeholders was funding in the form of both grants and loans. Outstanding examples of development agencies in the North that served as enabling stakeholders in the cases are the following:

- Bread for the World in Germany provided resources in the form of grants for Alter Trade's Sustainable Agriculture for Sustainable Communities Program from 2002-2010, that transformed assetless sugar workers to become self-sustaining farmer partners federated into the Negros Organic and Fair Trade Association;
- Alter Trade Japan, Green Coop and other Japanese cooperatives supported the development of a small grower-based system of cultivating, harvesting and shipping Balangon bananas to Japan, including investments covering spoiled shipments and failed plantation production experiments
- Christoffel Blinden Mission provided PWD Fed with a technical consultant and an annual organizational subsidy to initiate the school chair project and help develop strong primary cooperatives;
- ICCO, the Dutch Interchurch Organization for International Development Cooperation, provided the resources for developing the capability of producer partners of Upland Marketing in value chain management; and
- The sisters of the Immaculate Conception of Mary who initiated the establishment of Tahanan and continue to play an important role in the governance of Tahanan.

These agencies may be contextualized as expressions of broader efforts to address the global dimensions of poverty. Net resource outflows to the North not only from

the Philippines but also from other countries in the South have been well documented by many scholars in the context of unequal trade, tied aid, and foreign direct investments. These net resource outflows have been criticized as sharing the responsibility for reproducing and exacerbating poverty in the South (Stiglitz, 2002; Bello, 2004; Broad and Cavanagh, 2009). Effectively harnessing these global forces in the broader environment to become enabling stakeholders of the operating environment of SEPPS is an important agenda for global poverty reduction.

This suggests that SEPPS have and could perform critical catalyzing roles in mobilizing these development agencies in the North, as enabling institutions and markets, to bring about North-South cooperation for global poverty reduction, in the Philippines and other similarly situated countries in the South. At the same time, SEPPS would need to invest more in developing support institutions including markets that share their vision and mission among local government and business institutions, and the local population as a whole.

Table 9.2.b. Indications of State and Market Failures and Response by SEPPS in Cases

<b>Social Enterprise Case</b>	<b>Indication of Failure of Market Institutions</b>	<b>Indication of Failure of State Institutions</b>	<b>Social Enterprise Response</b>
<b>Alter Trade</b>	<p>Hunger among sugar workers in Negros Occidental</p> <ul style="list-style-type: none"> <li>Landlords abandoned sugar lands as US lowered Philippine import quota</li> <li>Local economy completely dependent on sugar with US as main market.</li> </ul>	<p>Problematic implementation of agrarian reform law</p> <ul style="list-style-type: none"> <li>Prolonged, unresolved land cases in agrarian courts</li> <li>Inability of ARBs to pay amortizations</li> </ul> <p>Failure to provide support services to 97% of ARBs</p> <ul style="list-style-type: none"> <li>Lands awarded unproductive</li> <li>Landlords and traders (re) establish control</li> </ul>	<p>Empowerment of agrarian reform beneficiaries (ARBs) to overcome poverty:</p> <ul style="list-style-type: none"> <li>Participate in fair trade in the organic muscovado sugar</li> <li>Diversify farm produce and income sources</li> </ul> <p>Assistance to ARBs in redeeming lands and resolving land claims</p>
<b>Upland Marketing</b>	<p>Refusal of mainstream traders and upland communities to engage in direct trading:</p> <ul style="list-style-type: none"> <li>Farmers considered traders ‘heartless’</li> <li>Traders saw farmers incapable of meeting volume, quality and delivery requirements</li> </ul> <p>Upland communities unable to reconcile meeting volume requirements of commodity trading and sustainable forest use</p> <p>Financial health of Upland Marketing threatened</p> <ul style="list-style-type: none"> <li>Normal practice of supermarkets (payments after 60-120 days)</li> <li>Fair trade practice of prompt payments among partner suppliers</li> </ul>	<p>Policy-action gap in social forestry and agrarian reform: no program for building sustainable livelihoods in upland communities</p>	<p>Creation of intermediary organization practicing fair trade to:</p> <ul style="list-style-type: none"> <li>Provide sustainable livelihoods</li> <li>Assist poor communities with product development and marketing</li> <li>Provide access to mainstream markets</li> </ul>

<b>Social Enterprise Case</b>	<b>Indication of Failure of Market Institutions</b>	<b>Indication of Failure of State Institutions</b>	<b>Social Enterprise Response</b>
<b>PWD Fed</b>	Majority of PWDs unable to find/sustain employment in private sector despite Magna Carta for Disabled Persons	<p>Policy-action gap:</p> <ul style="list-style-type: none"> <li>• Affirmative policy of employing 5-10% PWDs as staff in government</li> <li>• Procurement of 10% of supplies from PWD cooperatives.</li> </ul> <p>Refusal of PWD Fed to enter contract with DepEd given unfavorable terms and conditions.</p>	<p>PWD Fed as self-help initiative</p> <ul style="list-style-type: none"> <li>• Provide employment to PWDs</li> <li>• Promote their economic empowerment and inclusion</li> </ul> <p>Institution of 3 pronged strategy by PWD Fed</p> <ul style="list-style-type: none"> <li>• Training and job placement</li> <li>• Micro-enterprise development</li> <li>• Product/market diversification</li> </ul>
<b>Tahanan</b>	<p>Majority of PWDs unable to find/sustain employment in private sector despite Magna Carta for Disabled Persons</p> <p>Periods of no work for PWDs</p> <ul style="list-style-type: none"> <li>• Refusal to accept contracts with mainstream exporters priced below breakeven</li> <li>• Legal battle with mainstream exporter</li> </ul>	<p>Policy-action gap (same as PWD Fed)</p> <p>Prolonged delays in payment of contracts by government</p> <p>Entry in regular bidding processes given inadequacy of 10% procurement policy for educational toys</p>	Setting up of sheltered workshops to employ PWDs
<b>Lamac MPC and Cordova MPC</b>	<p>Lack of access of poor to financial services</p> <p>Dominance of informal money lenders charging usurious interest rates</p>	<p>Lack of access of poor to basic social services and social protection</p> <p>Inability of government to provide social protection to poor</p>	<p>Cooperatives as community mechanism</p> <ul style="list-style-type: none"> <li>• To pool and access resources</li> <li>• Provide financial services and social protection to poor</li> </ul>

### 9.3. Impact of Roles and Role Changes

A cross case analysis of the impact of the roles and role changes on the enterprise, the poor served, and the poverty sector yielded interesting results. Table 9.3. provides a summary across the 6 cases.

The cases show that over time, enabling stakeholders from the internal organization, work with enabling stakeholders in the operating and broader environments to assist the poor overcome social exclusion (Tahanan, PWD Fed, Lamac MPC, Cordova MPC), food insecurity and income poverty, (Alter Trade, Upland Marketing) and capability deprivation beyond the enterprise and value chain (PWD Fed and Alter Trade).

The SEPPS exhibiting the most significant qualitative social impact are those where the enabling processes resulted to helping the poor overcome capability deprivation to play transformational roles. This is observable in Alter Trade (sugar) and PWD Fed.

The SEPPS exhibiting relatively high quantitative outreach among the poor (outreach of 3,000 and above) were Lamac MPC, Cordova MPC, Upland Marketing and Alter Trade (banana). While their qualitative social impact on the poor remained at the level of access to financial and social services leading to social inclusion and social mobility (for Lamac and Cordova MPC), as well as access to markets and increase in incomes (for Upland Marketing and Alter Trade-banana), it is noteworthy that they have reached thousands in multiple sites. These are the SEPPS that mainly delivered transactional services for the poor to better perform their transactional roles from initiation to development stages.

The summary in Table 9.3. does not include the negative impact that was experienced by Tahanan during the development phase of shifting from engaging the poor as worker-partners to engaging them as passive beneficiaries. It is important to reiterate what was extensively discussed in Chapter 6 to complete our analysis. The negative impact resulting from the shift to engaging the workers as passive beneficiaries may be characterized as fostering subservience, dependence and fear of unemployment. As explained in Chapter 6, this leads to what Sen (1999) has called psychological harm and hardening of social exclusion.

Table 9.3. Impact of Roles and Role Changes

<b>Social Enterprise</b>	<b>Impact on Enterprise</b>	<b>Scale of Reach</b>	<b>Impact on Poor Served/Poverty Sector</b>
<b>Alter Trade (sugar) and PWD Fed</b>	<p>Facilitated more effective and efficient operations to meet market requirements</p> <p>Facilitated alignment of operations with vision/mission</p> <p>Facilitated assertion of PWDs to give more importance to integrity of production process within each primary cooperative rather than more efficiently meeting market requirements at the national level</p>	<p>Alter Trade: 820 sugar farmers in 1 province</p> <p>PWD Fed: 1,250 PWDs in 15 primary cooperatives nationwide</p>	<p>Provided substantial and regular income sources for unemployed PWDs with corresponding improvements in self-esteem and self-worth resulting to social inclusion (among members) and empowerment (among leaders)</p> <p>For Alter Trade, moved people from absolute poverty to food sufficiency, on or above income poverty (for sugar farmer partners)</p> <p>Greatly enhanced collective (self-determining primary cooperatives and producer organizations) and individual capability (as exhibited by leaders) of the poor reached to create ‘actual opportunities’ to improve their ‘means of living’</p> <p>Created organizational mechanisms for the poverty sectors to engage civil society, market and government players to give more attention to plight and solutions to problems of PWDs (PWD Fed) and agrarian reform beneficiaries/farmers (NOFTA)</p>
<b>Alter Trade (banana) and Upland Marketing</b>	<p>Facilitated more effective and efficient operations to meet market requirements</p>	<p>Alter Trade: 3,493 banana growers spread nationwide</p> <p>Upland Marketing: 3,000 poor producers in 60 community-based enterprises nationwide</p>	<p>Improved access to technologies and markets bringing about increased incomes</p>



<b>Social Enterprise</b>	<b>Impact on Enterprise</b>	<b>Scale of Reach</b>	<b>Impact on Poor Served/Poverty Sector</b>
<b>Tahanan</b>	Facilitated repositioning of organization to better serve PWDs	273 PWD employees, workers, producers and students	Created relatively sustained income streams with corresponding impacts on self-worth and self-esteem of PWDs reached <sup>103</sup>
<b>Lamac and Cordova MPC</b>	Created mechanism for pooling of community resources to deliver inclusive financial and social services	Lamac: 35,040 mainly entrepreneurial poor in various provinces  Cordova: 5,694 mainly entrepreneurial poor in 1 province	Improved access to financial and social services among thousands of poor people resulting to social inclusion and facilitating social mobility

## 9.4. Patterns Defining Stakeholder Engagement Strategies Pursued by SEPPS in the Theoretical Sample

Based on a cross case analysis of SEPPS in the theoretical sample, the dynamic process of how the poor are involved as stakeholders, as manifested in the roles and role changes they enact over time show interesting patterns. Three types of stakeholder engagement strategies are discernible: Type 1 (poor as passive beneficiary) is represented by Tahanan at the development stage; Type 2 (poor as transactional partner) is represented by Upland Marketing, Alter Trade-banana, Lamac MPC and Cordova MPC at the initiation and development stages; and Type 3 (poor as transactional and transformational partner) is represented by Alter Trade-sugar (development to renewal stages) and PWD Fed (initiation to renewal stages). These different types of stakeholder engagement strategies seem to involve distinct processes for engaging the poor. These engagement processes seem to be pursued through programs that provide transactional and transformational services facilitating the development of individual and group capabilities. The capabilities developed in turn enable the poor to enact transactional and/or transformational roles. The performance of these transactional and transformational roles by the poor in turn results to various levels of social impact.

These patterns that define the three types of stakeholder engagement strategies pursued by SEPPS in the theoretical sample are systematized into a framework for understanding models of stakeholder engagement in Chapter 10. The dimensions

<sup>103</sup> This was observed as a result of the role change from the development to the renewal stages.

differentiating the three stakeholder engagement models, consistent with the patterns observed among the SEPPS in the theoretical sample are:

- Managerial orientation towards the poor;
- Key engagement processes;
- Nature of programs/services and delivery systems directed at the poor;
- Nature of roles and capabilities developed among the poor; and
- Social impact.

These models are discussed more thoroughly in Chapter 10.

## CHAPTER 10 – PROPOSITIONS AND CONTRIBUTIONS: ENRICHING SOCIAL ENTREPRENEURSHIP AND STAKEHOLDER THEORY

*This chapter develops propositions about social enterprises with the poor as primary stakeholders or SEPPS. These propositions are based on a cross case analysis of a theoretical sample of six Philippine-based SEPPS. Using case-based theory building, it makes a contribution to social entrepreneurship and stakeholder theory. While needing further testing and replication in a broader sample of SEPPS in the Philippines and other countries in the South, it nevertheless contributes to the under-theorized area of stakeholder engagement. It also contributes to stakeholder discourse beyond the corporate context, where much of stakeholder theorizing has so far happened. It demonstrates the dynamic process of stakeholder engagement among SEPPS, in the process evolving three models: control, collaboration, and empowerment. It suggests the applicability of the propositions on SEPPS in countries in the South where systemic poverty is exacerbated by the failure of state and market institutions to address the needs of the poor. The thesis is a first step to developing a stakeholder theory for social enterprises with the poor as primary stakeholders, in the newly evolving academic field of social entrepreneurship. The thesis locates SEPPS as having a strong affinity to the social economy school of social entrepreneurship. It contributes a perspective from the South in social entrepreneurship theorizing in the context of the discourse being dominated by the American and European schools of thought. It emphasizes the need for collaborative research to better appreciate how contextual differences between North and South affect theorizing about social enterprises.*

This thesis uses case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) to make a contribution to social entrepreneurship and stakeholder theory. It does so by sharing a perspective from the South and giving a voice to the poor as stakeholders. The researcher noted in her review of literature that overall, the poor and the South are under-represented in these discourses.

The thesis develops a framework for understanding how social enterprises serve the poor and address poverty. Poverty is defined as a deprivation of basic capabilities to achieve well being, rather than merely as low income (Sen, 1999; 2009).

From a theoretical sample of six social enterprises in the Philippines where the poor are clients, workers, suppliers, as well as owners, it studies and develops propositions on social enterprises with the poor as primary stakeholders or SEPPS.

Among SEPPS, it identifies two types of roles that the poor enact: transactional roles and transformational roles. As discussed in Chapter 9:

- Transactional roles are enterprise-related functions performed by the poor that involve an exchange of goods or services for money including being workers, suppliers, clients, or owners; and
- Transformational roles are functions performed by the poor as conscious agents of change to lift them from poverty and to participate in group efforts to improve the quality of life of their community, sector or society as a whole.

Chapter 9 tracked these roles and the role changes among the poor in the theoretical sample, and discussed why and how these roles changed, or did not change over time. Role changes were in part, attributed to shifts in management orientation and the provision of enabling services that, similar to the roles, may be classified into transactional and transformational services. To reiterate what was discussed in Chapter 9:

- Transactional services pertain to enterprise or market-driven activities, such as providing loans, demonstrating new technologies or conducting trainings that are necessary for the poor in the social enterprise system, to effectively and efficiently perform their roles as workers, suppliers, clients and owners; and
- Transformational services pertain to activities that empower the poor, such as leadership formation and organizational development, asset build-up and providing education and experiential learning opportunities, to become conscious change agents for themselves, for their communities, sectors and society as a whole.

Transactional services may be fee-based (for example loans) or non-fee based (for example trainings). Transformational services may be individually directed (like scholarships to finish high school and/or collage) or group directed (for example organizing and leadership formation).

The roles and role changes that the poor enact in the social enterprises and their relevant environments, made possible by transactional and transformational services, may be seen as indicative of how the poor are involved as stakeholders. For social enterprises with the poor as primary stakeholders or SEPPS, these various ways of how the poor are involved may be equivalent to their stakeholder engagement strategy. Stakeholder engagement has been identified by scholars of the field as an under-theorized area of research (Greenwood, 2007; Sloan, 2009; Freeman et al., 2010).

This research is a contribution to this under-theorized area of stakeholder engagement. In particular, it highlights stakeholder engagement among social enterprises with the poor as primary stakeholders, which has not been done previously. Based on a cross-case analysis of the theoretical sample, the researcher develops a framework for defining models of stakeholder engagement utilized by SEPPS vis-à-vis the poor.

## 10.1. Models of Stakeholder Engagement among Social Enterprises with the Poor as Primary Stakeholders (SEPPS)

As discussed in Chapter 1, past studies involving corporations have identified two models of stakeholder engagement, the control and collaboration models (Sloan, 2009). The most salient dimensions characterizing these models are given in Table 10.1.

Table 10.1. Models of Stakeholder Engagement among Corporations (Sloan, 2009)

<b>Dimension</b>	<b>Control Model</b>	<b>Collaboration Model</b>
Corporate Focus	Arm's length engagement	Inclusive engagement
Manager orientation to stakeholders	Stakeholders are a source of risk	Stakeholders are a source of opportunity
Key engagement processes	Monitoring, listening, telling	Collaborating, partnering, learning
Relationship to core business process	'Bolted on' to core business and strategic processes	Integrated into core business and strategic process
Potential for corporate change	Limited change	Transformative change
Likely performance	Good	Great

Source: Sloan, 2009

An overall cross case analysis of the social enterprises studied suggests three models of stakeholder engagement among the poor: control, collaboration, and empowerment. As social enterprises with the poor as primary stakeholders, all of them have a purposive engagement with the poor. In this sense, their enterprise

focus, no matter the model is the same. This is unlike corporations where Sloan's (2009) control model and collaboration models are characterized as having an arm's length engagement and inclusive engagement with stakeholders, respectively.

Given their nature as social enterprises with the poor as primary stakeholders or SEPPS, and based on a cross case analysis of the theoretical sample, the three stakeholder engagement models vary in terms of the following dimensions:

- Managerial orientation towards the poor;
- Key engagement processes;
- Nature of roles and capabilities developed among the poor;
- Nature of programs/services and structures/delivery systems involving the poor; and
- Social impact.

Table 10.2. details these differences. The common dimension and features differentiating the control and collaboration models for both corporations and social enterprises is the key stakeholder engagement processes: monitoring, listening, and telling for the control model and collaborating, partnering, and learning for the collaboration model. The empowerment model of stakeholder engagement is distinct and observable among SEPPS and has as key stakeholder engagement processes enabling, and empowering.

On the empowerment model, the member cooperatives of the PWD Fed and the organized sugar farmer partners of Alter Trade at the grassroots level demonstrate the state of empowered workers and suppliers. PWD Fed itself and NOFTA, the federation of small producers initiated by the sugar farmers, did not only symbolize reaching a higher level of empowerment but also served as structures that facilitated the enactment of transformational roles by the poor. PWD Fed and NOFTA are not only representing the poor but also facilitating their engagement with state institutions and enabling stakeholders to improve the means of living of the poor in the PWD and small farmer sectors respectively.

The state of empowered clients is included as within the realm of possibilities for the poor who are members of Cordova MPC and Lamac MPC, possibly during a renewal stage. Using the framework summarized in Table 10.3. such is theorized as possible with the introduction of certain changes discussed in Chapters 7, 8, and 9: a shift in managerial orientation towards the poor as transformational partners, the delivery of transformational services in the form of membership and leadership

Table 10.2. Models of Stakeholder Engagement among SEPPS

<b>Dimension</b>	<b>Control Model</b>	<b>Collaboration Model</b>	<b>Empowerment Model</b>
<b>Enterprise Focus</b>	Purposive engagement with poor to improve their quality of life	Purposive engagement with poor to improve their quality of life	Purposive engagement with poor to improve their quality of life
<b>Managerial orientation towards poor</b>	Poor as passive beneficiary	Poor as transactional partner	Poor as transformational partner
<b>Key engagement processes</b>	Monitoring, listening, telling	Collaborating, partnering, learning	Enabling, empowering
<b>Nature of roles and capabilities developed among poor</b>	Passive workers, suppliers or clients	Pro-active workers, suppliers or clients  Partners in social enterprise and value chain management	Empowered workers, suppliers or clients  Organized partners in poverty reduction and community, sector and/or societal transformation
<b>Nature of programs/ services and structures/ delivery systems involving the poor</b>	Limited to fee-based transactional services	Transactional services include capability building to ensure effective performance of transactional roles (fee based and non-fee based)  Delivery system of transactional services integrated into operating systems	Dedicated programs to enable performance of transactional and transformational roles  Distinct delivery system for transformational services  Distinct structures and systems set up to enable performance of transformational roles
<b>Impact on poor</b>	Limited with risk of fostering subservience and dependency leading to hardening of social exclusion	Access to social and/or economic services leading to social inclusion  Access dependent on continuing relationship with social enterprise  Increases in incomes may not be adequate in overcoming income poverty	Significant outcomes in overcoming capability deprivation and income poverty  Outcomes derived from relationship with social enterprise and organized initiatives of poor themselves
<b>Case(s) Typifying Model</b>	Tahanan (dominant during development stage)	Tahanan (initiation stage); Lamac MPC, Cordova MPC; Alter Trade (initiation stage for sugar farmers and banana growers; development stage for banana growers); Upland Marketing	Alter Trade (development to renewal stage for sugar farmers; renewal stage for banana growers) PWD Fed (initiation, development and renewal stages)

development programs directed at significant segments of the poor, and affirmative mechanisms for representation in the cooperative's governing bodies. In this changed context, Lamac and Cordova MPC could be transformed as the vehicles for the poor's enactment of their transformational roles. Alternatively, mechanisms similar to the satellite cooperatives that Cordova MPC pursued at one stage, could become such vehicles, with the mother cooperatives (Lamac MPC and Cordova MPC) playing a supportive role.

While the empowerment model of stakeholder engagement observed among SEPPS may be considered as an enhancement to stakeholder engagement models from literature emanating from the experience of the corporate or the private for-profit sector, elements of the empowerment model may be considered as part of the defining features of "socio-economic initiatives which belong neither to the traditional private for profit sector nor to the public sector.... which is often called the non-profit sector or the social economy" (Defourny, 2001. p. 1). Cooperatives, mutual-type organizations and associations which have historically comprised the social economy adhere to "a democratic decision making process" involving members using the principle of one member, one vote (Defourny, 2001, p. 7). This is carried over in social entrepreneurship literature, particularly by scholars of the social economy school where these 'mutual social enterprises' (Spear et al., 2010) are a part. Social economy scholars as exemplified by Defourny and Nyssens (2008, p. 202) define social enterprises as not-for-profit private organizations that "... rely on a collective dynamics involving various types of stakeholders in their governing bodies".

While collective dynamics and representation of various types of stakeholders in governing bodies can be noted in SEPPS, the distinctive feature of the empowerment model of stakeholder engagement is its giving primary importance to assisting the poor, who are coming from a state of capability deprivation (Sen, 1999), to acquire the knowledge, skills and confidence to become co-equal partners of the enabling stakeholders in the development process. Through transformational services delivered by the SEPPS, the poor go through a learning process of giving meaning to the democratic exercise of one person one vote and collective self-governance to become such co-equal partners.

In the context of the South or developing economies like the Philippines, where many of the poor, as exemplified by Alter Trade's partners and PWD Fed's members, have not had the opportunity to complete even the first six years of basic education, the importance of such transformational services to empower the poor, and to make the cooperative model work for the poor, cannot be over emphasized.

The empowerment model of stakeholder engagement among SEPPS, as exemplified by the cases of Alter Trade and PWD Fed utilized cooperatives and



associations governed by the poor themselves as vehicles for enacting transformational roles, as organized partners in their own process of poverty reduction, and in the broader process of development in their communities, sectors and society at large. Over time, both Alter Trade and PWD Fed became multi-organizational social enterprise systems, where the poor were assisted to progressively articulate their collective interests and exert greater influence in policy and decision making processes. While the poor were already formally the policy and decision-makers from the initiation stage in the case of the PWD Fed, it was in the renewal stage where they started to effectively assert their collective interest to give greater importance to their process of empowerment, even if it meant giving up a level of efficiency in serving the DepEd as market for school chairs. The PWD Fed also became a vehicle for nurturing PWDs to become co-equal members and to represent PWD interests in the General Assembly and Board of the Foundation for TheseAble, which was meant to be a multi-stakeholder organization to support PWD empowerment and integration into mainstream society. In the case of Alter Trade, the poor, during the renewal stage, became co-equal partners in the social enterprise system as NOFTA developed into an independent federation of partner producer cooperatives and associations in addition to leaders from among these organizations becoming members of the Alter Trade Foundation General Assembly and Board.

The empowerment model of stakeholder engagement has been demonstrated as having the most significant impact on the quality of life of the poor. This brings us to Proposition 1.

*PROPOSITION 1: On the empowerment model of stakeholder engagement among SEPPS*

Social enterprises that empower the poor as transformational partners tend to have a significant qualitative impact on poverty reduction.

The empowerment model, where the poor are transformational partners, demonstrate their overcoming income poverty and acquiring what Sen (1999) characterizes as capabilities to improve their means of living. These outcomes are not dependent on their participation in the value chains where the SEPPS are situated. They are outcomes in combination with initiatives by the empowered organizations of the poor themselves. Take the diversification of crops and sources of income initiated by the sugar farmers' associations or cooperatives as example. It was these diversification efforts, in combination with the production of organic muscovado sold to Alter Trade that enabled a significant percentage of the sugar farmers to achieve food security and get out of income poverty. More profoundly, from being assetless, powerless

sugar workers who had just acquired small plots of land through agrarian reform, they became leaders and members of self-sustaining farmers cooperatives. These farmers' cooperatives did not only serve as supplier partners of Alter Trade, they served as vehicles for planning and pursuing crop and income diversification as well as for undertaking joint projects such as the provision of financial services to other sugar farmers. They served as mechanisms for community development initiatives such as providing health care services. Beyond their community, NOFTA, the federation of producers' organizations the sugar farmers established, served as co-equal partner of Alter Trade in fair trade and sustainable agriculture organizing and advocacy. Overall, a continuing and sustainable process of improving the quality of life of these sugar farmers had been put in place, with their cooperatives and NOFTA as main vehicles.

Similarly, the capability deprivation overcome by the PWDs, as symbolized by PWD Fed and their primary cooperatives, demonstrates the profound impact of the empowerment model on the lives of the PWDs. The federation and the cooperatives became their means to secure employment and create other economic and social opportunities for PWDs. Their regular income stream, and the improved self-worth and self-esteem of the PWDs resulted not only from participating in the school chair project per se, but in being active members and leaders of their self-governed cooperatives and cooperative federation.

Now let's examine the collaboration model of stakeholder engagement. As shown by Lamac MPC and Cordova MPC, Alter Trade (banana) and Upland Marketing, these SEPPS seem to have less qualitative impact. Nevertheless, what SEPPS pursuing the collaboration model may lack in depth of impact seems to be compensated by the significance of their quantitative reach. This leads us to Proposition 2.

*PROPOSITION 2: On the collaboration model of stakeholder engagement among SEPPS*

Relative to social enterprises that engage the poor as transformational partners, social enterprises that engage the poor as transactional partners tend to reach a bigger number but with less qualitative impact on their poverty situation.

Overall, the SEPPS in the theoretical sample that sustained a collaboration model of stakeholder engagement from initiation to development tended to reach more poor in more geographical areas. This was strongly demonstrated by Lamac MPC and Cordova MPC. Where PWD Fed and Alter Trade only reached hundreds of sugar workers and PWDs, Lamac MPC and Cordova MPC reached thousands. The cases of Lamac MPC and Cordova MPC show that they have been able to provide access to

financial and social services, employment and social protection leading to social inclusion and mobility among significant numbers of the poor. But in terms of qualitative impact on the poverty situation of the poor, PWD Fed and Alter Trade-sugar clearly achieved a much higher level, especially if viewed from a multi-dimensional perspective as well as in terms of participation and capability to improve their means of living.

The Alter Trade case in Negros Island has been especially powerful in demonstrating a comparative qualitative impact between the empowerment and collaboration models. Alter Trade's impact on the banana growers within Negros Island, whom they had engaged as transactional partners, was at most providing them a supplementary source of income. This is in contrast to Alter Trade's dramatic impact on the sugar farmers, from a state of exclusion to a state of empowerment: as individuals with greater self-worth and self-esteem, as leaders and members of their primary cooperatives, and as leaders and members of NOFTA.

The case of Upland Marketing, that pursued a collaboration model of stakeholder engagement, also supports this proposition in a different but interesting way. Among Upland Marketing's organic rice farmer partners, it was the multiple sources of income from their pursuit of sustainable agriculture-related initiatives that moved them out of poverty, not just the trading of organic rice with Upland Marketing. These initiatives in sustainable agriculture resulted from the organic rice farmers' partnership with other non-government organizations or NGOs. These other NGOs had integrated programs to organize farmers into cooperatives practicing sustainable agriculture. Upland Marketing was actually asked by these NGOs and farmers cooperatives to assist specifically with marketing. The outcomes manifested by these organic rice partners therefore may be considered a special case resulting from a combination of the transactional services provided by Upland Marketing and the transformational services provided by other NGOs. But it nevertheless strengthens the proposition we have made about the differentiated qualitative impact of the empowerment and collaboration models.

Given that the poor are considered by SEPPS as primary stakeholders in a normative sense, it is expected that all SEPPS *intend* to positively impact on the quality of life of the poor. However, as shown by our framework for understanding the stakeholder engagement strategies of SEPPS, the control model has even a negative impact on the poor.

At this point, it is important to bring into the discussion a summary of what was documented by the researcher as the intended and realized stakeholder engagement strategies of the SEPPS in the theoretical sample, guided by Mintzberg's (2007) framework of strategy formation.

Table 10.3. shows a comparison of the intended and realized stakeholder engagement strategies of the 6 case subjects across the three stages of initiation,

development and renewal. As shown in the table, the *intended strategy* did not always become the *realized stakeholder engagement strategy*.

As shown in Table 10.3, none of the SEPPS intended a control strategy of stakeholder engagement. The only indication where it became an unintended but realized strategy was in the case of Tahanan during its development stage. As discussed in Chapter 6 Section 7, this was characterized as a period where Tahanan experienced a mission drift. Given this observation, one may argue that only the collaboration and empowerment models deserve to be considered as significant stakeholder engagement strategies among SEPPS.

Table 10.3. Intended and Realized Stakeholder Engagement Strategies among SEPPS across Stages

SEPPS	Intended Stakeholder Engagement Strategy			Realized Stakeholder Engagement Strategy		
	Initiation	Development	Renewal	Initiation	Development	Renewal
<b>Alter Trade (sugar farmers)</b>	Empowerment	Empowerment	Empowerment	Collaboration	Empowerment	Empowerment
<b>Alter Trade- (banana growers)</b>	Empowerment	Empowerment	Empowerment	Collaboration	Collaboration	Empowerment
<b>Upland Marketing</b>	Collaboration	Collaboration		Collaboration	Collaboration	
<b>PWD Fed</b>	Empowerment	Empowerment	Empowerment	Empowerment	Empowerment	Empowerment
<b>Tahanan</b>	Collaboration	Collaboration	Collaboration	Collaboration	Control	Collaboration
<b>Lamac MPC</b>	Empowerment	Empowerment		Collaboration	Collaboration	
<b>Cordova MPC</b>	Empowerment	Empowerment		Collaboration	Collaboration	

However, the researcher believes that the usefulness of including the control model in the framework for understanding stakeholder engagement strategies among SEPPS has 2 dimensions.

- The first dimension has to do with making explicit the risks and potential negative consequences when SEPPS pursue the control model of stakeholder engagement, even if unintentionally; and
- The second dimension has to do with providing a comparative point for engaging scholars and practitioners on business and society. It is important to highlight the risks and potential negative consequences of pursuing the control

model of stakeholder engagement. Such may be extrapolated as similar to the risks and consequences that may be experienced by Base of the Pyramid (BOP) enterprises or corporations, when they wittingly or unwittingly pursue the control model of stakeholder engagement.

Considering its usefulness as a theoretical construct, a proposition on the control model is in order.

*PROPOSITION 3: On the control model of stakeholder engagement among SEPPS*

Social enterprises that engage the poor as passive beneficiaries have a tendency to foster subservience and dependency that may lead to the hardening of social exclusion. This results in a limited or even a negative impact on the poor, associated with mission drift among SEPPS.

Tahanan's mission of providing meaningful employment to PWDs and engaging them as partners in their rehabilitation process was de-prioritized when the control model was pursued, although unintentionally. We do not want to overly draw attention to an experience during a specific period in only one of the theoretical cases, but the occurrence shows how a well-meaning stakeholder engagement strategy of collaboration could deteriorate to a control strategy. Tahanan's experience of such when they brought in a business-oriented professional team to manage the sheltered workshops to meet the requirements of mainstream export markets is particularly informative. As SEPPS scale up impact, well-intentioned efforts to professionalize management are usually a response to the challenge of balancing social and enterprise goals. In this context, the caution provided by the control model in our framework for understanding stakeholder engagement strategies among SEPPS, needs to be complemented by a better understanding of the factors that would define a shift from control to collaboration, or more broadly, how the collaboration model can be effectively pursued. This brings us to Proposition 4.

*Proposition 4: On the effective pursuit of a collaboration model of stakeholder engagement*

SEPPS intending or pursuing a collaboration model of stakeholder engagement tend to be effective when managers view the poor as partners and provide for their effective participation in social enterprise or value chain management.

As indicated in Table 10.3, providing for the effective participation of the poor in social enterprise and value chain management entails capacity development as well as installing structures and systems to make this possible. The experiences of Tahanan and Upland Marketing are informative in demonstrating these. Tahanan's case shows how individually directed transformational services (through scholarships for completing high school and college degrees as well as personality development, management and leadership courses) could develop a critical mass of pro-active workers and staff emanating from the poor. As shown by Tahanan, the best among them could be appointed to supervisory and management positions over time. Coupled with participatory management systems involving the rank and file workers, Tahanan powerfully demonstrates how to effectively make the excluded poor partners in social enterprise management. Upland Marketing on the other hand shows how non-fee based transactional services such as trainings on market trends and production technologies coupled with regular venues for planning and negotiations, could develop suppliers among the poor to become partners in value chain management. The effect of fostering participation in social enterprise and value chain management is improved effectiveness and efficiency of the poor in delivering the quality and quantity of products required by the markets of SEPPS. This is the essence of engaging the poor as transactional partners.

In addition, a synthesis of what the cooperative cases as SEPPS demonstrated is in order: PWD Fed, Lamac MPC and Cordova MPC are SEPPS where the poor are all owners. By design, the poor are formally part of their respective governance systems. However, it was only the poor in PWD Fed who actualized their role as full fledged owners. This demonstrates the dual character of the poor as owners as discussed in Chapter 9: it has a transactional nature but also a transformational potential. The role of the poor as owner remains transactional unless corresponding services are delivered to realize this transformational potential. Formal ownership by the poor of SEPPS is an important but inadequate condition for the pursuit of empowerment.

Moreover, the relative success demonstrated by the primary cooperative members of PWD Fed and the sugar farmer partner cooperatives of Alter Trade are important to note. These may be compared to the failed cooperative and pre-cooperative formations of the poor before the professionals took over in Lamac MPC and Cordova MPC. These substantiate the importance of a combination of transactional and transformational services in cooperatives as SEPPS. Without these services, self-help cooperatives of the poor will mirror their capability deprivation and fail. However, as shown by the cases of PWD Fed and Alter Trade, which dramatically transformed the lives of the assetless and powerless persons with disability (PWDs) and sugar workers, a combination of transactional and transformational services could create success stories. This is actually supported in part, by the more than 80

studies cited by Sibal (1993) in his research on 100 years of the Philippine cooperative movement. Sibal cites the lack of education and training as the main reason for the failure of many cooperatives in the Philippines.

Using Table 10.3. as an aid, we would note that while all three cooperative cases (Lamac MPC, Cordova MPC and PWD Fed) had empowerment as an intended strategy, only the PWD Fed realized it. The three elements that would effect a shift from collaboration to empowerment as realized stakeholder engagement strategy for Lamac MPC and Cordova MPC was already mentioned in the earlier discussion in this chapter on the empowerment model: a shift in managerial orientation towards the poor as transformational partners, the delivery of transformational services in the form of membership and leadership development programs directed at significant segments of the poor, and affirmative mechanisms for self-governance and representation in the cooperative's governing bodies. Appreciating these requirements are important for cooperatives as SEPPS given the reality of capability deprivation among the poor and inequality in developing countries in the South. However, there is an additional dimension about the nature of Lamac and Cordova MPC that needs to be given attention.

The Lamac and Cordova MPC experiences seem to reflect the international trend towards communitarianism among cooperatives observed by Borzaga and Spear (2004) and provide insights on rethinking the traditional cooperative concept of democracy to ensure interest harmonization among various stakeholders while keeping the difficult balance between productive and social aims. As SEPPS in a developing country context where various segments among the poor such as farmers, fishers, workers in the formal and informal sector, and the entrepreneurial poor have become members, the question of workable mechanisms to effectively represent their interests and harness their participation in governance structures, as articulated by Borzaga and Spear (2004) comes to the fore. This is consistent with the question of how to effectively give stakeholders with differing interests a voice and vote in the context of multi-stakeholder governance (Vidal, 2010). This brings us to Proposition 5, specific to cooperatives as SEPPS. This discussion also contributes to Proposition 6 which defines the factors that shape how cooperatives and other forms of SEPPS may realize a stakeholder engagement strategy of empowerment:

*Proposition 5: On cooperatives as SEPPS*

Cooperatives that count among their members various segments of the poor will tend to fail in giving these stakeholders an effective voice and vote unless these various segments of the poor are provided transformational services and mechanisms to practice self-governance as foundation for multi-stakeholder governance.

Given the capability deprivation of the poor, it is not enough to implement the principle of one person one vote in a cooperative where various segments of the poor are members. As shown by the Lamac and Cordova MPC cases, even as the poor had the right to elect and be elected in their governance bodies, they generally felt they were not in a position to become leaders and to make decisions for the cooperative. A necessary prerequisite is developing their consciousness and capability to articulate and work for their interests as farmers, fishers, entrepreneurial poor and to represent such interests in multi-stakeholder governance bodies. Such entails developing mechanisms for self-governance. A theoretical example of how this could be pursued may be organizing satellite-type cooperatives such as what Cordova MPC initiated at one stage for various segments of the poor, and providing for their representation in the mother cooperative's governance structures. A clear element making the empowerment model distinct is the performance of the poor of transformational roles – the poor themselves become partners in poverty reduction and community/sectoral and societal transformation. However, it is important to reiterate that such is in addition to making the poor perform their transactional roles as workers, clients, suppliers and owners. It goes without saying that the poor as transformational partners, also assumes the effective performance of their transactional roles.

On the whole, Proposition 5 validates the importance of governance as an important element that defines SEPPS. It also shows the affinity of the concept of SEPPS to the social economy school of social entrepreneurship. Among the three schools of thought on social entrepreneurship, it is only the social economy school that highlights multi-stakeholder governance as an important characteristic of social enterprises. This is reflected in the EMES definition that lists the following social dimension in its criteria of an ideal type of social enterprise:

“A participatory nature, which involves the persons affected by the activity: Representation and participation of customers, stakeholder orientation and a democratic management style are important characteristics of social enterprises. In many cases, one of the aims of social enterprises is to further democracy at the local level through economic activity”. (Defourny, 2001, p. 20)

Enabling the poor to enact transactional roles entails enterprise or market-driven, output-oriented services, similar to what are provided by the collaboration models of stakeholder engagement. Empowering the poor to enact transformational roles entails stakeholder-driven, process-oriented services. What insights can be drawn from the experience of SEPPS in simultaneously providing these services? The delivery systems in terms of program components and staffing for these services are quite different and evidence from the cases suggests they cannot be accommodated in the



same organizational structure or unit. This is an important detail related to the effective process of enabling the poor to enact both transactional and transformational roles.

The need for distinct delivery systems for transformational services was clearly shown in the case of Alter Trade which evolved into a multi-organizational system with a foundation and three corporations – one engaged in marketing and distribution, another in manufacturing and the third in organic fertilizer production. The foundation focused on transformational services while the corporations provided different transactional services for the sugar farmer partners. In the case of the banana grower partners, Alter Trade experienced major problems when the corporation delivering transactional services was tasked with the delivery of transformational services. In the end, Alter Trade decided to transfer all transformational services for both sugar farmer and banana grower partners to the foundation.

Interestingly, the case of Upland Marketing also supports the importance of distinct delivery systems for transactional and transformational services. Upland Marketing Foundation Inc., was conceived by the Upland NGO Committee (UNAC) to be mainly a delivery system for transactional services. At the time that UNAC conceived of Upland Marketing, UNAC members were focused on providing transformational services, and saw transactional services as a weak area of their development interventions.

In the case of PWD Fed, a separate structure was not set up to deliver transformational services to its members but a distinct membership development program was put in place, separate from the school chair enterprise operations. The initiation of the Foundation for TheseAbleD however may be an indication that leaders within PWD Fed may be feeling the limitation or difficulty of putting the delivery of both the transactional and transformational services for PWD cooperatives and PWD Fed itself within PWD Fed. This is indicated by the role they articulated for PWD Fed – that of economic empowerment and inclusion of PWDs – focused on creating employment and self-employment opportunities. The foundation on the other hand would focus on supporting PWD Fed in other aspects of PWD empowerment.

The combined insights from the cooperative cases and this discussion on how PWD Fed and Alter Trade may be pursuing or may be closing the gap between their intended and realized stakeholder engagement strategy leads us to Proposition 6.

*Proposition 6: On shifting from a collaboration to an empowerment model of stakeholder engagement*

SEPPS wanting to shift from a collaboration to an empowerment model of stakeholder engagement tend to succeed with managers and programs oriented towards the poor as transformational partners. These programs tend to fail in the absence of dedicated structures and systems to deliver transformational services complemented by dedicated structures and systems to serve as venues for the performance of transformational roles. The establishment of distinct structures to ensure the delivery of transformational services and to provide venues for the poor's performance of transformational roles would tend to result to SEPPS as multi-organizational systems.

Dedicated structures for delivering transformational services may take the form of foundations like in the case of Alter Trade, or adequately staffed departments or units serving as implementing structures for membership development programs for cooperatives. Dedicated structures and systems to serve as venues for the performance of transformational roles may be primary cooperatives or associations of the poor that are linked to the core organization, and at a higher level, federations like PWD Fed (which is the core organization of the SEPPS itself) or NOFTA, that co-exists with the core organization of the SEPPS (in this case Alter Trade).

A review of the theoretical example of the satellite cooperatives as structures indicates that they may also serve as venues for the poor to enact transformational roles, beyond being mechanisms for representation. For example, in the case of Cordova MPC, a satellite cooperative for fishers could serve both to represent fishers in Cordova MPC's board, as well as to provide a venue for the fishers to undertake initiatives important to their poverty group: a coastal resource management program to rehabilitate their municipal fishing grounds may be a possibility. In the case of Lamac MPC, a satellite cooperative for farmers could serve both to purposively represent the farmers in Lamac MPC's board, as well as to provide a venue for the farmers to set up a program to pursue important issues affecting their poverty group: the resolution of lingering land tenure issues or the setting up of an irrigation system to improve the productivity of their lands may be possibilities. These are just illustrative examples. In reality, the cooperatives could develop what may be effective ways of representing poverty groups in their governing boards as well as encouraging them to develop mechanisms for articulating and acting on issues affecting their rights and welfare. This may be systematized into a sectoral agenda for change per poverty group.

So far, the propositions have been about collaboration and empowerment as distinct models of stakeholder engagement. There are indications from the cases of

Upland Marketing and Alter Trade that it may be possible to conceive of combining the depth of impact of the empowerment model and the breadth of reach of the collaboration model. This seems to have been pursued by the Upland NGO Assistance Committee when they set up Upland Marketing to provide transactional services, to complement the transformational services being provided by their members. This seems to have also been pursued by Alter Trade in engaging Balangon banana growers in their efforts to organize and/or partner with regional and local formations to work with them outside of Negros Island.

However, the researcher notes that it was outside of the scope of this research to study in full the interventions of Upland NGO Assistance Committee (UNAC) members or even UNAC itself in partnership with Upland Marketing. We could say the same for Alter Trade's intervention among banana growers involving indigenous and other upland communities in partnership with various groups outside of Negros Occidental. As follow up studies, these cases could potentially provide insights from which to develop propositions on scaling up impact among SEPPS pursuing what seems to be a combination of empowerment and collaboration strategies.

## 10.2. Applicability of Propositions on SEPPS

Chapter 9 provided a detailed discussion about how the cases in the theoretical sample exemplify SEPPS as responses to the failure of state and market institutions to address the needs of the poor. These propositions are therefore suggested to be applicable in countries other than the Philippines where state and market institutions have failed to address various needs of the poor.

Moreover, the researcher also suggests the applicability of these propositions to other countries in the South<sup>104</sup>, where massive poverty has been the result of similar factors causing such in the Philippines. The relevant factors directly causing poverty in the Philippines that were articulated by Schelzig (2005) in an Asian Development Bank-commissioned study are useful reference points:

- Macroeconomic policies that have resulted to economic growth but have not reduced poverty;
- Unemployment and underemployment especially in agriculture, forestry and fishery;
- Unchecked population growth;
- Structural issues in the agricultural sector including a problematic agrarian reform program and ineffective policy and service support to small farmers;

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<sup>104</sup>As discussed in Chapter 1, the South refers to developing economies. The North refers to developed economies. The North-South divide is often used to characterize the inequitable global economic order among nations

- Governance concerns including corruption and an ineffective state that is unable to deliver basic services;
- Armed conflict; and
- Disability caused by malnutrition, unsanitary living conditions, accidents and injuries, with most persons with disabilities living in poverty.

While the researcher suggests the applicability of these propositions to SEPPS as a whole, she clarifies that the current findings based on her theoretical sample of three pairs of SEPPS in the Philippines need to be further tested and replicated among a broader sample of SEPPS not only in the Philippines but in other countries in the South.

While SEPPS are responses to the failure of state and market institutions in the South to meet the needs of the poor, they also find themselves operating in this same context as SEPPS. As shown in Chapter 9, state and mainstream market institutions have often enacted disabling roles, in the process affecting the sustainability of some of the SEPPS. This was reflected in the cases of Upland Marketing in engaging supermarkets and Tahanang Walang Hagdanan in engaging mainstream exporters in the past. To a certain extent, this is also reflected in the difficulties that Tahanan and PWD Fed have had in engaging DepEd as market for educational toys and school chairs. In this regard, there is reason to caution SEPPS about ‘uncritically’ engaging mainstream market channels or government institutions as markets.

The researcher is by no means proposing non-engagement with mainstream market channels or government institutions but is however cautioning SEPPS and proposing the importance of reframing their engagements with mainstream market channels and government institutions. This may be similar to what Tucker (2006) refers to as an agenda for change which he considers critical for fair trade organizations to clarify to effectively engage big companies like transnationals and supermarkets. Such reframing is important so that these SEPPS would not jeopardize or sacrifice their mission to improve the quality of life of the poor or their sustainability in pursuing their mission. To illustrate, Upland Marketing may need to pioneer the pursuit of fair trade as corporate social responsibility (CSR) in dealing with the supermarkets as market channels. As SEPPS, Upland Marketing may be in a position to contribute to the search and development of what Jeppesen and Lund-Thomsen (2010) call locally appropriate solutions to make fair trade as CSR more responsive to the interests of the poor in the South. At the same time, Tahanan and PWD Fed, in partnership with the Foundation for TheseAbleD, may need to enhance their efforts to make government more accountable in closing the gap between policy and action in relation to PWD rights and welfare. In continuing to engage the DepEd as market for educational toys and school chairs, they may need to work with other SEPPS to institute what Sen (1999) calls transparency guarantees to prevent

corruption, financial irresponsibility and underhand dealings. These kinds of critical perspectives in dealing with mainstream market channels and government as market are important for SEPPS not to become mirrors of the institutional failures in society that they were set up to overcome.

In the process of crafting creative ways of reframing engagements with mainstream markets and government institutions, the role of institutions in the North to serve as countervailing institutions have been demonstrated in all cases, without exception. As summarized in Chapter 9, institutions in the North have provided financial, technical and human resources for institution building and to allow SEPPS to deliver various forms of transactional and transformational services to the poor. These range from serving as solidarity markets assisting product and enterprise development to providing program funds and consultants. In some cases, notably PWD Fed and Tahanan, these institutions have directly initiated the setting up of the SEPPS themselves.

In this process of South-North cooperation, the empowerment of the poor to enact transformational roles in the broad social-political environment of SEPPS has been demonstrated as feasible and critical. The empowerment model of stakeholder engagement among SEPPS is particularly important for the poor to become active stakeholders in overcoming their capability deprivation amidst inequality and the failure of state and market institutions in the South.

SEPPS that pursue an empowerment model of stakeholder engagement may be seen as building blocks for a more equitable economic development process in the South. As mechanisms for South-North cooperation, they could show policy makers, resource institutions and practitioners in government, the business sector and civil society, how the poor and their interests may be put at the center of the economic development process.

### 10.3. Contribution to Stakeholder Theory

The findings of this thesis contribute to the conception of stakeholder theory for social enterprises. This is important considering that stakeholder theory has mainly evolved from the perspective and experience of corporations. Bevan and Werhane (2010) refer to this as the ‘corporate-centricity’ of stakeholder theorizing. In this context, leading scholars of stakeholder theory have called for a ‘richer description’ of stakeholder engagement strategies or models, a ‘redescription’ of organizations other than corporations in stakeholder terms and ‘relating descriptions’ of different types of organizations to stakeholder theory (Freeman, et al., 2010).

This thesis makes a direct contribution to the aforementioned call for a ‘richer description’ of stakeholder engagement strategies or models. Stakeholder

engagement is considered an under-theorized area in stakeholder literature (Greenwood, 2007; Sloan, 2009; Freeman et al., 2010).

This study shares the normative approach that most stakeholder literature in public and environmental policy as well as natural resource management has adopted. From the perspective of Freeman et al., (2010), such emphasizes stakeholder engagement as a process of stakeholder dialogue with larger normative goals. In this non-corporate context, issues of poverty, under representation, and the need for critical stakeholders who are often underappreciated to represent organized constituencies, are given importance (Grimble and Wellard, 1997; Beutler, 2005). This thesis validated the importance of organizing and capacitating the poor as primary stakeholders of SEPPS to give them a voice and vote. This perspective goes beyond stakeholder dialogue towards larger normative goals described by Freeman et al., (2010). It has greater affinity to the concept of stakeholder engagement that social entrepreneurship scholars in the social economy school refer to as multi-stakeholder governance (Spear et al., 2010; Vidal, 2010).

While sharing these normative perspectives spanning stakeholder dialogue and multi-stakeholder governance, this thesis adds value to stakeholder engagement literature in two ways

- Its focus on tracking the dynamic process of how social enterprises in a developing country context have engaged the poor as stakeholders; and
- How changes in the way social enterprises engaged the poor affected their impact on the poor as stakeholders.

As has been discussed, this thesis develops a framework for understanding stakeholder engagement models among SEPPS. It explored the application of the elements of Sloan's (2009) conception of the control and collaboration models of stakeholder engagement among corporations as a starting point. But the elements used by Sloan (2009) could not adequately characterize much of what the cases brought to life, except in one aspect. The control and collaboration model of stakeholder engagement among SEPPS are similar to Sloan's (2009) conception only in terms of key engagement processes: monitoring, listening, and telling for the control model and collaborating, partnering, and learning for the collaboration model. The researcher then evolved a distinct set of elements to characterize the stakeholder engagement models among SEPPS, redefining much of what the control and collaboration models meant in social enterprise terms, beyond these key engagement processes. In the process, a third model evolved whose key engagement processes were enabling and empowering. The distinct elements characterizing and differentiating these three models of stakeholder engagement among the poor, beyond key engagement processes are: managerial orientation towards the poor; roles

and capabilities developed among the poor; nature of programs/services and structures/delivery systems involving the poor; and social impact vis-à-vis the poor. While social impact was an element in the Sloan (2009) model, the conception of social impact was very specific to the poor in this study, unlike the general and broad conception of corporate social performance among corporations in the study where Sloan based her paper (Zollo et al., 2007). Unlike the corporate models that exhibited an arms length engagement (for the control model) and inclusive engagement (for the collaboration model), the focus of the social enterprises, no matter the model of stakeholder engagement pursued, was purposive engagement with the poor to improve their quality of life. This follows from their consideration of the poor as primary stakeholders in a normative sense.

In the corporate context of stakeholder management, the control and collaboration models are similar to what Daft (1992) and Harrison and St. John (1994) referred to as the two basic postures for managing stakeholders: buffering and bridging. Buffering is described as a low-interaction stakeholder management approach. It involves monitoring activities with the purpose of containing the effects of stakeholders on a firm. Bridging lowers organizational barriers, builds on interdependencies, recognizes common goals, and includes the formation of longer term relationships (Freeman et al., 2010). In a limited way, aspects of the empowerment model of stakeholder engagement developed by this thesis has similarities with the empowerment and constructive engagement perspective proposed by Mena et al., (2010) in their study about businesses playing an active role in the protection of human rights.

The empowerment model of stakeholder engagement in SEPPS may be seen as focusing on assisting the poor as primary stakeholders to overcome capability deprivation so they may have an effective voice and vote in the context of a multi-stakeholder governance system. Framed this way, the affinity of the empowerment model of stakeholder engagement is clear with the multi-stakeholder governance perspective of the social economy school of social entrepreneurship. While not explicitly locating their studies in stakeholder theory, social entrepreneurship scholars from the social economy school have provided a perspective on stakeholder engagement that goes beyond stakeholder dialogue: they have theorized that social enterprises are multi-stakeholder organizations (Spear et al., 2010) that at their best employ multi-stakeholder governance, defined as a state where commitments approved by different stakeholder groups define organizational direction (Vidal, 2010).

An interesting research agenda is whether the three models of stakeholder engagement among SEPPS developed by this thesis would be relevant among other enterprises, such as small and medium enterprises (SMEs) and corporations, which engage the poor as customers, suppliers and employees. These have been called base

of the pyramid (BOP) enterprises by some scholars (Kandachar and Halme, 2007; Singer, 2008; Davidson, 2009, Habib and Zurawacki, 2010). Certainly, a more immediate research agenda is to test the propositions of the thesis about SEPPS and stakeholder engagement models in different countries in the South.

In the process of the cross-case analysis, the researcher considered some of the analytical tools developed by scholars that use the stakeholder approach in the more established field of strategic management: the conception of primary stakeholders (Carrol, 1993; Clarkson, 1998; Gibson, 2000; Freeman, et al., 2010) as well as the management of stakeholder types and their location in regions of the stakeholder environment (Harrison and St. John, 1994; Post et al., 2002a,b; Freeman et al., 2010).

The consideration of the poor as primary stakeholders by this study takes on a normative approach as articulated by Donaldson and Preston (1995). The poor as primary stakeholders are the reason for being of the social enterprise, with the explicit intent to improve their quality of life, pursuing such using a distributive enterprise philosophy and guided by a broader normative goal of poverty reduction.

This study on the poor as primary stakeholders goes beyond what Donaldson and Preston (1995) characterized as the descriptive and instrumental approaches of stakeholder theorizing. Beyond describing the poor as performing the roles of worker, supplier, client or owner, this thesis showed how SEPPS enable the poor to play these transactional roles more effectively. Beyond showing how the poor enact transactional roles to ensure their contribution to enterprise performance, this thesis shows how SEPPS engage the poor to play transactional and transformational roles to assist them overcome what Sen (1999, 2009) calls ‘capability deprivation’.

Locating the poor and the roles they play over time in the various regions of the stakeholder environment defined by Harrison and St. John (1994, 1998) proved useful. However, this thesis went beyond locating and managing the poor as stakeholders in the internal environment as owners and workers; or as stakeholders in the operating environment as suppliers and customers. The thesis showed that among SEPPS, there are stakeholder engagement processes that consciously aim to influence components of the broader environment. This goes beyond corporate models of stakeholder management that characterize ‘the firm’ as having ‘little or no influence over components of the broader environment’ (Freeman et al., 2010). However, these findings on SEPPS engaging the broader social-political environment are consistent with studies involving social enterprises. Social enterprises have been characterized by some scholars as being distinct from business enterprises in pursuing broader political goals particularly when they are confronted with and need to change the unfavorable context within which they operate (Huybrechts and Defourny, 2008; Nyssens, 2006; Martin and Osberg, 2007; Austin et al., 2006).

The empowerment model of stakeholder engagement defined a dynamic process of enabling the poor to enact transformational roles as partners of SEPPS in the broad



environment. The purpose of such is to harness local and global social, economic and political forces to serve as enabling institutions and markets to assist SEPPS, and to pressure or serve as countervailing forces to state and market institutions that are causing and exacerbating poverty in the South. In this sense, SEPPS pursuing the empowerment model of stakeholder engagement are important catalysts for mobilizing North-South cooperation for global poverty reduction.

## 10.4. Contribution to Social Entrepreneurship Theory

This thesis is a contribution to social entrepreneurship theorizing, characterized as embryonic as a topic of academic inquiry by Short, et al., (2009). By developing a framework for understanding stakeholder engagement models among social enterprises with the poor as primary stakeholders or SEPPS, it made a first step towards extending stakeholder theory in a prominent type of social enterprise in countries in the South. In doing so, it also contributed to social entrepreneurship as a topic of academic inquiry by undertaking an empirical study involving a theoretical sample and applying the rigorous method of case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

While this thesis shares similar contextual starting points to Mair and Marti's (2009) exploration of the concept of institutional voids in the South<sup>105</sup> that have created fertile grounds for social enterprises, it differs in its focus on extending stakeholder theory. While this thesis also studies types of social entrepreneurship that transform sectors (Hockerts, 2010), it differs in its focus on stakeholder engagement strategies and their impact on the poor.

SEPPS may be appreciated as counterparts in the South, in terms of prominence and importance, of work integration social enterprises or WISE. WISE became prominent in the context of rising unemployment and the crisis of welfare states in Europe and elsewhere in the North (Defourny and Nyssens, 2008). SEPPS are responses to the systemic and widespread poverty, inequality and the continuing failure of state and market institutions to address poverty in the South.

The reality that state institutions of the South, as demonstrated in the cases, are part of the problem causing and exacerbating poverty, could tempt one to locate SEPPS as having affinity to the social innovation and social enterprise schools of social entrepreneurship (Dees and Anderson, 2006). Notwithstanding the potential enrichment to the concept of SEPPS that these two schools could offer, which could be the subject of future research, Hoogendoorn (2009) notes important concerns related to these two schools. The social innovation and social enterprise schools,

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<sup>105</sup> The South refers to underdeveloped economies within which the propositions on SEPPS are situated. The North refers to developed economies. The North-South divide is often used to characterize the inequitable global economic order among nations.

respectively, emphasize the application of business tools to pursue innovative solutions to social problems by extraordinary individuals and focus on market-based solutions to social problems without much involvement from the state (Hoogendoorn, 2009). As demonstrated by the cases, state institutions are as important, or may even be more important, relative to market institutions, for SEPPS to engage.

In this sense, the concept of SEPPS has a stronger affinity to the social economy school of social entrepreneurship that developed in Europe through the EMES Research Network (Defourny and Nyssens, 2010). This is especially so given its multi-stakeholder character (Vidal, 2010), its conceptual linkage to the issue of democracy and participation, and the location of social enterprises in the intersection of the civil society, public and private sectors (Hulgaard, 2008). Studies made by scholars of the social economy school that explored governance issues among social enterprises notably Spear, et al., (2010) and exploring cooperatives as social enterprises (Borzaga and Spear, 2004) have also yielded important insights useful for understanding SEPPS. The difference in context between the North and South may necessitate that the conception and theorizing about SEPPS is pursued as a distinct stream within or even beyond the social economy school of social entrepreneurship. The possibility of a distinct stream or school of social entrepreneurship to house further theorizing about SEPPS is an interesting area of further research.

Robinson, et al., (2009) have noted that context matters in social entrepreneurship research, showing how the phenomenon has unfolded in different ways in Asia, Spain, Latin America and the Middle East. Some scholars of social economy such as Defourny, et al., (2009) have also recognized the contextual differences in the North and South even as they advance the concept of a global social economy.

Social entrepreneurship theorizing that appreciates the contextual difference between the North and South would make interesting collaborative North-South or Asia-Europe research projects. This thesis shows how social enterprises serving PWDs and cooperatives as SEPPS have evolved quite differently in the Philippines, compared to their counterparts in Europe or in the North. For one, the thesis showed how the context in the South necessitates structures for self-governance and transformational services to address the capability deprivation of the poor for multi-stakeholder systems of governance to work.

This thesis therefore shows interesting starting points and suggests directions on how such collaborative research across country contexts could enrich theory building on social entrepreneurship.

The aforementioned North-South, Asia-Europe collaborative research is made more relevant by the indication in this thesis about the role of development agencies in the North in nurturing SEPPS. Without exception, all cases in the theoretical sample showed a major role of development agencies from the North supporting the initiation, development and renewal of SEPPS. This indicates that SEPPS may be

conceptually appreciated, not only as a social enterprise model in a Southern country context. As part of the contribution of this research to social entrepreneurship discourse, SEPPS may be conceived as a global social enterprise model that could catalyze South-North cooperation for poverty reduction. In this context, SEPPS deserve the attention of social entrepreneurship practitioners, policy makers and scholars alike, in the North and in the South.

## CHAPTER 11 – CONCLUSIONS

This thesis is a first step to applying and extending stakeholder theory to a specific type of social enterprise that has gained prominence in developing countries in the South: social enterprises with the poor as primary stakeholders or SEPPS. In doing so, it has developed a framework for understanding how social enterprises engage the poor and address poverty, a pressing social problem of the 21<sup>st</sup> century. Notwithstanding the value of such framework for practitioners, policy makers and academics, the propositions still need to be tested among a broader sample of SEPPS.

With social enterprises and the poor as focus, the following research question was pursued:

*In those cases where social enterprises serve the poor as stakeholders in a developing country context, how have they engaged the poor, and why have they been effective in terms of their impact?*

To answer this question, the researcher used case-based theory building (Eisenhardt, 1989; Eisenhardt and Graebner, 2007) as main methodology. The thesis studied a theoretical sample of six Philippine-based social enterprises, where the poor were suppliers (Alter Trade and Upland Marketing), workers (Tahanan and PWD Fed), and customers (Lamac MPC and Cordova MPC). In three of the cases, the poor were also owners (PWD Fed, Lamac MPC and Cordova MPC). It tracked the roles and role changes of the poor in these social enterprises, how and why they changed, or did not change, and the impact of the roles and role changes, if any, on the social enterprises and the poor.

Chapter 1 discusses the background and review of literature that provided the context and theoretical framing of the research. Chapter 2 discusses the research problem and methodology. Chapters 3-8 contain the results of the research on the six cases in the theoretical sample. Chapter 9 contains the results of the overall cross case analysis. Chapter 10 contains the propositions and contributions of this thesis to social entrepreneurship and stakeholder theory.

This thesis develops propositions on social enterprises with the poor as primary stakeholders or SEPPS. SEPPS are wealth-creating organizations that have at least a double bottom line (social and financial), explicitly have as principal objective, poverty reduction/alleviation or improving the quality of life of specific segments of the poor, and have a distributive enterprise philosophy.

This thesis takes off from Sen's (1999; 2009) definition of poverty, that it is not just about low incomes but is more about the deprivation of basic capabilities to improve well being.

This thesis introduces two types of roles that the poor enact as stakeholders of SEPPS: transactional and transformational roles (Please see Table 11.1.).

Table 11.1. Transactional and Transformational Roles and Services

<i>Transactional roles</i> are enterprise-based functions performed by the poor that involve an exchange of goods or services for money. They include being workers, suppliers, clients or owners.	<i>Transformational roles</i> are functions performed by the poor as conscious agents of change to lift them from poverty and to participate in group efforts to improve the quality of life of their community, sector or society as a whole.
<i>To effectively perform these roles, SEPPS provide transactional and transformational services.</i>	
<i>Transactional services</i> pertain to enterprise or market-driven activities that are necessary for the poor in the social enterprise system to effectively and efficiently perform their roles as workers, suppliers, clients, and owners.	<i>Transformational services</i> pertain to sustained capacity development efforts that empower the poor as change agents to overcome their poverty situation, and contribute to community, sectoral and societal development.
<i>Transactional services</i> may be fee-based or non-fee based.	<i>Transformational services</i> may be directed at individuals or groups.

The researcher builds on earlier literature on managing stakeholders (Daft, 1992; Harrison and St. John, 1994), forms of stakeholder engagement (Beutler, 2005), models of stakeholder engagement (Sloan, 2009), and social enterprises as multi-stakeholder organizations that further democracy at the grassroots (Defourny, 2001; Vidal, 2010). The researcher defines three models of stakeholder engagement among SEPPS: control, collaboration, and empowerment.

- Control models engage the poor as passive beneficiaries, unlike the two other models that engage the poor as partners.
- Collaboration models engage the poor as transactional partners: they provide transactional services for the poor to effectively perform transactional roles as workers, suppliers, clients and/or owners and as partners in social enterprise and value chain management.
- Empowerment models engage the poor as transformational partners: they provide transactional and transformational services for the poor to undertake not only transactional but also transformational roles as participants in social enterprise governance and change agents in their community, sector and society.

This thesis puts forth six propositions on SEPPS.

The first one is on the empowerment model of stakeholder engagement among SEPPS:

*Social enterprises that empower the poor as transformational partners tend to have a significant qualitative impact on poverty reduction.*

Alter Trade and PWD Fed demonstrated how assetless, powerless, sugar workers and unemployed persons with disability were transformed into leaders and members of self-governing cooperatives. These cooperatives not only served as vehicles for the poor's participation as suppliers and workers in economic value chains, but they also served as vehicles for the poor to achieve food security, increase their self-esteem, overcome income poverty and contribute to the development of their respective communities and sectors.

A second proposition is on the collaboration model of stakeholder engagement among SEPPS:

*Relative to social enterprises that engage the poor as transformational partners, social enterprises that engage the poor as transactional partners tend to reach a bigger number but with less qualitative impact on their poverty situation.*

As demonstrated by Lamac MPC and Cordova MPC, the access of the poor to financial services and social protection did not lead to a significant percentage of the poor overcoming income poverty and capability deprivation. At the same time, Upland Marketing's transactional engagement with their producer partners translated to market access and increased incomes but could not account for the diversified sources of income that their organic rice farmer suppliers had spoken proudly about, to overcome income poverty. Whilst Alter Trade and PWD Fed reached hundreds of sugar farmers and PWDs, Lamac MPC and Cordova MPC reached thousands of poor.

A third proposition is on the control model of stakeholder engagement among SEPPS:

*Social enterprises that engage the poor as passive beneficiaries have a tendency to foster subservience and dependency that may lead to a hardening of social exclusion. This results in a limited or even a negative impact on the poor, associated with mission drift among SEPPS.*

This cautions SEPPS about unintentionally pursuing the control model of stakeholder engagement given its risks of hardening social exclusion among the poor. This was demonstrated by a well-intentioned effort to expand and make sheltered workshops of Tahanan efficient in serving the mainstream export market 'just to give work to people'. PWDs were engaged as passive workers serving long hours with little pay. Tahanan's mission of providing meaningful employment to PWDs and engaging them as partners in their rehabilitation process clearly took a back seat during this period of crisis and mission drift.

A fourth proposition is on the effective pursuit of a collaboration model of stakeholder engagement among SEPPS:

*SEPPS intending or pursuing a collaboration model of stakeholder engagement tend to be effective when managers view the poor as partners and provide for their effective participation in social enterprise or value chain management.*

Tahanan and Upland Marketing showed the way in terms of providing non-fee based transactional services and individually directed transformational services to encourage the effective participation of the poor in social enterprise and value chain management. This was coupled with instituting structures and systems for participation in planning and decision-making. Tahanan's recovery from a period of mission drift was particularly noteworthy as a critical mass of PWDs among the poor were given scholarships and provided with trainings and learning opportunities. At their renewal stage, the majority of the supervisors and their managers/directors were PWDs emerging from this capacity development process.

A fifth proposition concerns cooperatives as SEPPS

*Cooperatives that count among their members various segments of the poor will tend to fail in giving these stakeholders an effective voice and vote unless these various segments of the poor are provided transformational services and mechanisms to practice self-governance as foundation for multi-stakeholder governance.*

While Lamac MPC and Cordova MPC promoted social inclusion among the poor, their governance structures reflected a lack of representation by the poor. The poor also saw their membership more as a means of providing them access to financial services and social protection. These were unlike the PWD Fed that empowered PWDs to govern themselves in their primary cooperatives and the PWD Fed itself.

From the perspective of cooperatives as SEPPS, this thesis theorizes the possibility for cooperatives like Lamac MPC and Cordova MPC, to shift from a stakeholder engagement strategy of collaboration to a stakeholder engagement strategy of empowerment. This entails a combination of transformational services, putting in place multi-stakeholder governance policies as well as self-governance structures that would provide the poor with an effective voice and vote.

This proposition validates the nature of social enterprises as multi-stakeholder organizations, consistent with how they are defined by scholars from the social economy school (Defourny, 2001; Vidal, 2010). It also validates, this time in a developing country context, the relevance of Borzaga and Spear's (2004) findings on the need for more effective mechanisms of multi-stakeholder governance as cooperatives become more communitarian and take on broader social goals.

A sixth proposition is a more general one on shifting from a collaboration to an empowerment model of stakeholder engagement

*SEPPS wanting to shift from a collaboration to an empowerment model of stakeholder engagement tend to succeed with managers and programs oriented towards the poor as transformational partners. These programs tend to fail in the absence of dedicated structures and systems to deliver transformational services complemented by dedicated structures and systems to serve as venues for the performance of transformational roles. The establishment of distinct structures to ensure the delivery of transformational services and to provide venues for the poor's performance of transformational roles would tend to result to SEPPS as multi-organizational systems.*

Alter Trade's creation of a foundation to deliver transformational services and their assistance in organizing and developing not only the cooperatives of their sugar farmer partners but also of helping to federate them into NOFTA are illustrative of the essence of this proposition. Dedicated structures and systems for delivering transformational services and for the poor to enact transformational roles are particularly important for the empowerment strategy of stakeholder engagement. This is because transformational services are stakeholder and process-oriented, and the effective delivery of such entail a very different set of competencies compared to the delivery of market-driven, output-oriented transactional services. At the same time, the performance of transformational roles by the poor usually entail collective action among their ranks that are best expressed beyond the usual structures of SEPPS.

These propositions are suggested to be applicable in countries in the South other than the Philippines where systemic poverty and inequality is exacerbated by the failure of state and market institutions to address the needs of the poor. However,



these propositions still need to be tested in a broader sample of SEPPS both within the Philippines and also within other countries in the South.

While SEPPS are responses to the failure of state and market institutions in the South to meet the needs of the poor, they also find themselves operating in this same context. As indicated by the study, state and mainstream market institutions have often enacted disabling roles, in the process affecting the sustainability of SEPPS. In this regard, the researcher cautions SEPPS against uncritically engaging mainstream market channels or government institutions as markets.

This entails clarifying an agenda for change in its engagements with mainstream market channels and government institutions. Such reframing is important so that SEPPS would not jeopardize or sacrifice their mission to improve the quality of life of the poor or their sustainability in pursuing their mission.

In the process of crafting creative ways of reframing engagements with mainstream markets and government agencies, the role of institutions in the North to serve as countervailing forces have been demonstrated in all cases, without exception. Institutions in the North have provided financial, technical and human resources for institution building and various forms of transactional and transformational services.

In this process of South-North cooperation, the empowerment of the poor to enact transformational roles in the broad social-political environment of SEPPS has been demonstrated as feasible and critical. The empowerment model of stakeholder engagement among SEPPS is particularly important for the poor to overcome their capability deprivation amidst inequality and the failure of state and market institutions in the South.

By sharing a perspective from the South and giving a voice to the poor as stakeholders in SEPPS, this thesis makes a contribution to both stakeholder theory and social entrepreneurship discourse.

In developing a framework for understanding stakeholder engagement models involving the poor in social enterprises in a developing country context, this thesis makes a first step towards applying and extending stakeholder theory in SEPPS. This directly responds to the call by leading scholars of stakeholder theory for a “richer description” of stakeholder engagement strategies and models, a “redescription” of organizations other than corporations in stakeholder terms and “relating descriptions” or contributing to the conception of stakeholder theory for different types of organizations (Freeman, et al., 2010, p. 286).

This thesis makes a contribution to social entrepreneurship theory by articulating a framework for understanding and effectively supporting SEPPS as a global social enterprise model addressing poverty, a pressing social problem of the 21<sup>st</sup> century. The thesis builds on a normative definition of social enterprise adapted from the author’s earlier research (Dacanay, 2004; Dacanay, 2009) and shows that SEPPS are

responses to pervasive state and market failures to serve the needs of the poor in a developing country context. As such, and summarizing the six propositions discussed earlier, SEPPS provide a combination of services (transactional and transformational) aimed at assisting the poor overcome capability deprivation to enact both transactional and transformational roles. On one hand, the poor are assisted to enact transactional roles as workers, suppliers and clients, as well as partners in social enterprise or value chain management. On the other hand, the poor are assisted to enact transformational roles as full fledged owners of social enterprises and as organized partners practicing democracy not only in social enterprise governance but also in the pursuit of community, sectoral, and societal change.

The capability deprivation of the poor, the relatively insignificant to negative role of the state and the important role of enabling Northern institutions are critical elements shown by the study to be giving SEPPS a distinct character in comparison to their social enterprise counterparts specially in the North. Drawing from the review of literature in Chapter 1, market-based social enterprise models in the United States were pursued by extraordinary individuals with the support of social investors in response to cut-backs by federal government for community development programs. In Europe, social enterprise models such as Work Integration Social Enterprises or WISE evolved as a response to the crisis of welfare states and structural unemployment, but with the state providing resources and a favorable policy environment. As the cases in the theoretical sample indicated, development-oriented Northern institutions have served as important countervailing forces to the continuing failure of state and market institutions, and the minimal to even negative roles these institutions have had towards the development of SEPPS in the South.

Indeed, both state and market institutions in the South are part of the problem of poverty and inequality. However, they also need to be part of the solution. Such necessitates innovative strategies for poverty reduction in the South. This thesis proposes a multi-stakeholder approach where SEPPS, as a global social enterprise model, could play a major catalytic role. As catalysts in mobilizing South-North cooperation for global poverty reduction, SEPPS deserve the attention of policy makers, practitioners and scholars not only in the fields of social entrepreneurship and business and society, but of everyone problematizing on a more equitable and sustainable future for humanity.

## *CHAPTER 12 – APPENDIX*

### 12.1. Panel of Experts

#### **Fair Trade Cluster**

Agustin, Rommel. Executive Director, Advocate of Philippine Fair Trade (APFTI). Interviewed 15 February 2008, Quezon City, Philippines.

David, Claribel. Convenor, Asia Fair Trade Forum (AFTF). Interviewed 11 February 2008, Quezon City, Philippines.

Lagazo, Ronald. Coordinator, Philippine Fair Trade Forum (PFTF). Interviewed 15 February 2008/ 31 March 2009, Quezon City, Philippines.

#### **Cooperatives Cluster**

Castillo, Mercedes. Chief Executive Officer, VICTO National. Interviewed 20 July 2009, 3 August 2009 and 25 August 2009, Cebu City, Philippines.

Detablan, Jose. Sector Network Building Head, VICTO National. Interviewed 3 August 2009, Cebu City, Philippines.

Flores, Dennis. Executive Officer for Region 7, VICTO National. Interviewed 3 August 2009, Cebu City, Philippines.

Samson, Audie Joseph. Senior Consultant, Office of the CEO, VICTO National. Interviewed 3 August 2009, Cebu City, Philippines.

Tilbe, Jacinto. Social Development and Advocacy Head, VICTO National. Interviewed 3 August 2009, Cebu City, Philippines.

#### **PWD Social Enterprise Cluster**

Labanon, Florida. Regional Program Coordinator, National Council on Disability Affairs (NCDA). Interviewed 16 July 2009, Quezon City, Philippines.

Pangan, Angela. Chairperson, NORFIL Foundation. Interviewed 28 July 2009, Quezon City, Philippines.

Ravelo, Andy. National Program Coordinator, NCDA. Interviewed 16 July 2009, Quezon City, Philippines

## 12.2. Guidelines for Field Research

### Guide Questions for Field Interviews

1. Who do you consider to be the main stakeholders of your social enterprise (SE)? What roles do they play? How have these roles changed over time? What caused these changes in roles? What impact did these changes have on the financial and social performance of your SE?
2. Has your SE experienced any major changes in:
  - a. Products, services rendered
  - b. Customers and markets served
  - c. Operations and operating systems
  - d. Organizational structure and systems
  - e. Leadership and management
  - f. Owners and ownership
  - g. Partners and partnerships
  - h. Members recruited and/or employees hired
3. Describe these changes. What caused these changes? Who among the SE stakeholders played a role in putting in place and implementing these changes? How did these stakeholders participate? What impact did these changes have on the financial and social performance of your SE?
4. Have you experienced any changes or shifts in your external environment? Describe these changes? How did your SE respond to these changes?
5. How would you assess the performance of your SE in terms of meeting its social and financial objectives over time? What is your basis for this performance assessment? What periods would you consider high or low points of your SE in terms of financial and social performance? Why do you say so? What do you think were the causes or major factors that contributed to these high and low points?
6. Does your SE have or are you aware of a vision and mission statement? How would you assess the level of achievement of such vision and mission statement since you were established? Rate from 1-10 (1 lowest and 10 highest) Explain your rating.
7. For management: What is your concept of strategy? Does your SE undertake strategic planning processes or strategy formulation sessions?

Why or why not? If so, how often or when did such happen? Who led or participated in these processes? How did the main stakeholders participate or influence these processes or sessions? Do you think these processes were useful? (Rate from 1-10) Explain your answer. To what extent have the outcomes of these processes been implemented? (Rate from 1-10) Explain.

8. For other stakeholders: What is your concept of strategy? Are you aware of strategic planning processes or strategy sessions being conducted by the enterprise? How often did these take place? Have you participated in these processes? Why or why not? How? How much influence do you think you have had in these processes and their outcomes? Rate from 1 to 10 (1 lowest, 10 highest). Explain your rating. Have the final results of these processes been shared with you? How? How useful has your participation in these processes been to you? (Rate from 1-10) Explain. To the SE? (Rate from 1-10). Explain.

**Documents to be requested and reviewed:**

1. Annual and other reports since founding (external and internal)
2. Financial statements since founding (preferably audited)
3. Documentation of strategic, medium term, annual plans
4. Documentation of strategic planning workshops or major decision making sessions
5. Evaluation and assessment documents (internal and external)
6. Strategy papers
7. Major studies made by and on the SE
8. Minutes of board meetings and documents circulated in board meetings
9. Minutes of management committee meetings
10. Minutes of meetings with stakeholders
11. Other documents useful for answering or explaining answers to questions discovered on field

## 12.3. Sample MOU between Case Subject and Researcher

### MEMORANDUM OF UNDERSTANDING

between

Lamac Multi Purpose Cooperative (Lamac MPC), represented by Ms. Ellen Limocon, General Manager, hereafter referred to as the CASE SUBJECT

and

Marie Lisa M. Dacanay, PhD Fellow, Copenhagen Business School and President of the Institute for Social Entrepreneurship in Asia (ISEA), hereafter referred to as the PhD FELLOW

agree to collaborate in the Strategy Configurations in Social Enterprises Research Project under the following terms and conditions:

1. That the research has the mutually beneficial objective of contributing to the evolving body of knowledge on social entrepreneurship useful for education and training programs on social entrepreneurship and social enterprises like cooperatives;
2. That the research is not an evaluation of the case subject's performance, or does not seek to illustrate effective and ineffective management of social enterprises but is meant to generate insights for practitioners and academics on the role of the poor and other stakeholders in strategy content and formation in social enterprises, and how such affects social and financial performance.
3. Toward these ends, the case subject agrees to:
  - a. Provide the PhD fellow access to organizational documents, including historical accounts, assessment and annual reports, evaluation and market studies, annual financial statements, minutes of meetings, resolutions and other relevant materials that would shed light on the strategies adopted and implemented, the role of stakeholders and its effects on the fulfillment of the case subject's vision, mission and objectives over time;
  - b. Provide the PhD fellow access to its board, officers, management, staff, workers and partners as key informants in pre-arranged interviews that are mutually agreed upon during the period November 2009-January 2010, and in follow-up interviews as necessary. The questions shall revolve around the following:

- i. How has the content of the case subject's strategies evolved since its inception? (strategies may involve products and markets intended or actually served; major partnerships planned or actually forged; segments of the poor chosen or actually served; major financial, human, technological, physical investments, sources of investments and organizational decisions or actions that have had an effect/impact on the case subject's operations and financial/social performance)
- ii. What role did the poor and other stakeholders have in evolving or shifting these strategies?
- iii. What effects have these various strategies and shift in strategies had on the social and financial performance of the case subject?
- c. Allow the PhD fellow to tape interviews
- d. Allow the PhD fellow to attend and observe its workplaces and activities during periods that are mutually agreed upon
- e. Allow the inclusion of the case study in the PhD fellow's dissertation report and other publications as mutually agreed upon;
4. Toward these ends, the PhD fellow agrees to:
  - a. Pre-arrange all research activities with the designated officer or staff at times and places that are mutually agreed upon
  - b. Give due care in handling internal data and reports that the case subject shares, and commit to respect the confidentiality of sensitive information and documents identified as such;
  - c. Get the clearance of the designated officer for all research outputs emanating from the research on the case subject to be included in the dissertation report and other publications
  - d. Allow the case subject use of any research findings and outputs for its internal and organizational purposes
  - e. Give the case subject and key informants the option to be anonymous, or their identities confidential as may be agreed upon.
  - f. Utilize the findings of the case research only for education, publication and other purposes consistent with the aforementioned objectives of the research. That the case subject and PhD fellow may revise this agreement or discontinue the research, based on legitimate but unforeseen circumstances, that may be mutually recognized and agreed upon by both parties.

(Original Signed)  
 ELLEN LIMOCON  
 GENERAL MANAGER  
 LAMAC MULTI PURPOSE COOPERATIVE  
 DATE: 1 Dec 2009

(Original Signed)  
 MARIE LISA M.DACANAY  
 PHD FELLOW  
 COPENHAGEN BUSINESS SCH.  
 DATE: 1 Dec 2009

## 12.4 Development Index For Alter Trade's Partner People's Organizations<sup>106</sup>

Aspect	Level 1	Points	Level 2	Points	Level 3	Points
<b>A. Organizational cohesion and development (20)</b>						
1. Basis of unity (4)	Only as farmers/ growers of a common crop in the same area, and as individual suppliers of produce to Alter Trade	1	Strong basis of unity on income-generating projects (i.e. group-managed projects/ marketing systems); Emerging unity on directions for PO and sustainable community/ sector development	2 – 3	Collective vision and joint activities for community/ sector development anchored on a sustainable development framework	4
2. Member participation (4)	Less than 30% of members are participating in meetings and other group activities	1	More than 1/3 to around 2/3 of members participate regularly in group activities	2 – 3	More than 2/3 of members actively participate in activities	4
3. Leadership development (4)	Dependent on one to two leaders (set of officers); no second-liners	1	Leaders (e.g. set of officers) are capable of steering the organization; with second-liners	2 – 3	Complement of capable first and second-liners in place	4

<sup>106</sup> Version as of July 2008. Changes were made later by Alter Trade to reflect the following: inclusion of 'capacity for networking and advocacy' under 'Organizational Cohesion and Development', 'Practice of Organic Farming' as a distinct major aspect, and expansion of the aspect 'Income Diversification' to include 'Food Security' (i.e. capacity to produce food for the household). Descriptors for some levels were also enhanced.



<b>Aspect</b>	<b>Level 1</b>	<b>Points</b>	<b>Level 2</b>	<b>Points</b>	<b>Level 3</b>	<b>Points</b>
4. Installation of management systems (4)	Organizational management systems are still in process of installation	1	Organizational management systems installed and generally functional	2 – 3	Organizational management systems are fully functional	4
5. Capacity for self-management (4)	Highly dependent on external intervention agent (e.g. community organizer) for conduct of meetings and other group activities; self-initiation of activities is rare	1	Can already initiate and manage activities without external intervenor	2 – 3	Can manage organizational concerns without external intervenor	4
<b>B. Capacity to engage the market (20)</b>						
1. Consistency in meeting volume requirements for tradeable product/s (7)	On the average (in terms of membership), inconsistent in meeting agreed-on volume requirements	1 – 2	Generally consistent in meeting volume requirements	3-5	High degree of reliability in meeting agreed-on volumes	6-7
2. Consistency in meeting quality requirements for tradeable product/s (7)	Average quality of produce (based on total membership) is generally below standard	1-2	Average quality of produce (based on total membership) meets quality standards	3-5	Consistently high level of product quality	6-7

Aspect	Level 1	Points	Level 2	Points	Level 3	Points
3. Participation in marketing system (6)	Members deal with Alter Trade/ other buyers still mainly as individual growers/ suppliers, or as a group with little bargaining power	1-2	Organization is able to engage in trading relationship with Alter Trade/ other buyers as an equal partner; other products starting to be traded	3-4	Organization's participation in marketing system goes beyond supplier role (e.g. it has shares/ decision-making participation to other layers in the marketing channel/s)	5-6
<b>C. Income diversification among members (20)</b>						
1. Range of agricultural production (10)	Still largely mono-cropping; practice of sustainable agriculture just beginning	1 – 4	Most of the members have crops aside from the main product; main product (i.e. sugar, banana) is almost fully (more than 50%) under sustainable agriculture; sustainable agriculture practices starting to be applied to other crops	5 – 6	High level of crop diversification and practice of sustainable agriculture among members	7 – 10
2. Range of off-farm/ non-farm enterprises (10)	No, to minimal, off-farm livelihood activities	1 – 4	Most of the members have off-farm/ non-farm enterprises	5 – 6	All/ almost all of the members are engaged in a variety of off-farm/ non-farm enterprises	7 – 10

Aspect	Level 1	Points	Level 2	Points	Level 3	Points
<b>D. Contribution to community/ sector development (20)</b>						
1. Nature of concerns/ issues/ projects that the organization is involved in (6)	Projects/ concerns are mainly limited to improvement of welfare of members	1 – 2	With thematic projects (e.g. on sustainable agriculture, fair trade, environment, social services) that benefit the larger community (area) or sector	3 – 4	Projects/ concerns are linked to comprehensive agenda concerning sustainable agriculture, fair trade and sustainable development	5 – 6
2. Extent of impact, role of organization, and level of recognition by other stakeholders in the community/ sector/ area (14)	Impact extends mainly to organization's membership, with minimal impact on immediate community	1 – 5	Impact extends to larger community (area) or sector; Organization is recognized by local stakeholders as contributing to community/ sector development	6 – 9	With substantial impact on larger community/ sector; Organization is recognized as a key actor in area/ sector development by local to national/ international stakeholders	10 - 14
<b>E. Financial growth and sustainability (20)</b>						
1. Asset level and asset growth (5)	Inadequate assets to sustain association	1 – 2	Assets are growing at a steady rate and are at a level sufficient for organization's core operations	3	Assets are growing at a significant rate, providing a stable resource base for organization	4 – 5

Aspect	Level 1	Points	Level 2	Points	Level 3	Points
2. Revenues or financial resources to cover operations and projects/ extent of surplus (5)	No surplus; insufficient financial resources (whether internally or externally-generated) to fund operations and projects; dependent on subsidies	1 – 2	Break-even operations to positive surplus; Income/ resources generated are sufficient to cover core operations and key projects	3	Significant to substantial surplus adequate for enterprise growth, investments and generation of earnings for members	4 – 5
3. Capital build-up/ investment funds (5)	Irregular/ inadequate capital build-up by members; no investment funds	1 – 2	Regular capital build-up by members though still at low levels; minimal funds for investments	3	Regular/ substantial capital build-up among members; Portion of assets/ resources allocated for investments	4 – 5
4. Dividends and other benefits derived by members (5)	Not yet regularly providing dividends or other financial benefits to members	1 – 2	Regularly providing dividends/ financial benefits to members but still at low levels	3	Regularly providing dividends and other financial benefits to members; such financial benefits comprise major income source for members' households	4 – 5
<b>TOTAL</b>		Below 40		40 – 70		Above 70

#### General Levels of Development:

Level 1: Self Help Group (Score below 40)

Level 2: Entrepreneurial Farmers' Organization (Score 40-70)

Level 3: Organization Practicing Social Entrepreneurship (Score above 70)

## 12.5. Exchange Rates:

### US Dollars to Philippine Peso (PhP)

#### Selected Years, 1970-2012

The following provides an indication of the exchange rate for one U.S. Dollar to Philippine peso (PhP), for selected years from 1970-2012, compiled from various sources. Data before 2005 are based mainly on the prevailing exchange rate as of December 31 of the indicated year. Data from 2005-2011 are based on monthly average exchange rates while data for 2012 is the actual exchange rate as of January 18, 2012.

1970: PhP	6.44
1975: PhP	7.51
1980: PhP	7.60
1985: PhP	19.03
1990: PhP	28.00
1995: PhP	26.21
2000: PhP	44.14
2001: PhP	51.00
2002: PhP	51.58
2003: PhP	54.20
2004: PhP	56.04
2005: PhP	55.09
2006: PhP	51.31
2007: PhP	46.15
2008: PhP	44.48
2009: PhP	47.64
2010: PhP	45.11
2011: PhP	43.28
2012: PhP	43.69

Sources of Data:

[http://intl.econ.cuhk.edu.hk/exchange\\_rate\\_regime/index.php?cid=1\(1970-95\);](http://intl.econ.cuhk.edu.hk/exchange_rate_regime/index.php?cid=1(1970-95);)

[http://eofw.net/stats-and-facts/philippine-peso-us-dollar-exchange-rates-through-the-years/\(2000-2004\);](http://eofw.net/stats-and-facts/philippine-peso-us-dollar-exchange-rates-through-the-years/(2000-2004);)

[http://learninterestrates.com/monthly-average-exchange-rate-of-philippine-peso-and-us-dollar/\(2005-2011\);](http://learninterestrates.com/monthly-average-exchange-rate-of-philippine-peso-and-us-dollar/(2005-2011);)

<http://www.bsp.gov.ph/statistics/sdds/exchrate.htm> (Jan 18, 2012)

## 12.6. Key Informants for Case Research

### 12.6.1. Alter Trade Group

- Agustin, Rommel. 15 February 2008, Quezon City, Philippines. Agustin was Executive Director of Advocate of Philippine Fair Trade (APFTI).
- Atienza, Nike Rose. 27 January 2010, Bacolod City, Philippines. Atienza was formerly the Finance Manager and currently Chief of Finance and Administration of Alter Trade Corporation (ATC).
- Bendicio, Natividad. 26 January 2010, Bacolod City, Philippines. Bendicio was the Chairman of PARBMPC, an Alter Trade Group (ATG) Partner in Bago City, Negros Occidental.
- Bennet, Timothy. 6 March 2008, Bacolod City, Philippines. Bennet was President of the Hawaiian Philippine Corporation.
- Borje, Elvira. 11 March 2008, Pasay City, Philippines. Borje was Officer-in-Charge of the Natural Products Division of the Center for International Trade and Exposition Mission (CITEM).
- Caduya, Gilda. 8 March 2008, Bacolod City, Philippines. Caduya was the Past General Manager and currently Chief Executive Officer of ATC.
- Canoy, Reynaldo. 26 January 2010, Bacolod City, Philippines. Canoy was the Chairman of Celina-92, an ATG Partner in La Castellana, Negros Occidental.
- Ceralbo, Dolores. 26 January 2010, Bacolod City, Philippines. Ceralbo was President of PIBFA, an ATG Partner in Don Salvador Benedicto, Negros Occidental.
- David, Claribel. 11 February 2008, Quezon City, Philippines. David was Convenor of the Asia Fair Trade Forum.
- Demaisip, Virginia. 27 January 2010, Bacolod City, Philippines. Demaisip was formerly Treasurer and member of the Board of Directors and currently Production Manager of Alter Trade Manufacturing Corporation (ATMC), Bacolod City, 27 January 2010
- Diamante, Daniel. 26 January 2010, Bacolod City, Philippines. Diamante was Chairman of DAFWARBA, ATG Partner in La Castellana, Negros Occidental.

Estama, Lito. 26 January 2010, Bacolod City, Philippines. Estama was Manager of NARBA-MPC, ATG Partner in La Carlota City, Negros Occidental.

Hilarbo, Jaime. 26 January 2010, Bacolod City, Philippines. Hilarbo was Chairman of STCMPC, ATG Partner in Murcia, Negros Occidental.

Hotta, Masahiko. 23 February 2008, Makati City, Philippines. Hotta was Founder of Alter Trade Japan.

Jakosalem, Amy. 6 March 2008, Bacolod City, Philippines. Jakosalem was former Executive Director of Alter Trade Foundation, Inc. (ATFI).

Jugue, Nelson. 26 January 2010, Bacolod City, Philippines. Jugue was Chairman of HCARBOI, ATG partner in Talisay, Negros Occidental.

Labrador, Nimfa. 26 January 2010, Bacolod City, Philippines. Labrador was Chairperson of CAMFAWA, ATG Partner in La Castellana, Negros Occidental.

Lagazo, Ronald. 31 March 2009, Quezon City, Philippines. Lagazo was Coordinator of the Philippine Fair Trade Forum (PFTF).

Lopez, Edwin. 27 January 2010/20 May 2011, Bacolod City/Quezon City, Philippines. Lopez was Executive Director of Alter Trade Foundation, Inc.

Mondejar, Elizabeth. 27 January 2010, Bacolod City, Philippines. Mondejar was Marketing and Sales Manager of the ATC.

Noble, Romualdo. 26 January 2010, Bacolod City, Philippines. Noble was Chairman of AMANO, ATG Partner in La Castellana, Negros Occidental.

Nuriel, Vegaste. 26 January 2010, Bacolod City, Philippines. Nuriel was President of MAGOFAWA, ATG Partner in La Castellana, Negros Occidental.

Ohashi-Bodios, Seiko. 23 March 2008, Bacolod City, Philippines. Ohashi-Bodios was Acting Secretary General of the Japan Committee for Negros Campaign (JCNC).

Parreno, Earl. 8 February 2008/ 25 August 2009/20 May 2011, Quezon City, Philippines. Parreno was Board Member and Coordinator of Alter Trade Group, and later became President of the Alter Trade Foundation Inc.

Patricio, Mario. 26 January 2010, Bacolod City, Philippines. Patricio was President of MIARBA, ATG Partner in La Castellana, Negros Occidental.

Sandrico, Cornelio. 26 January 2010, Bacolod City, Philippines. Sandrico was Chairman of NARFWA, ATG Partner in Bago City, Negros Occidental.

Serrano, Isagani. 30 May 2011. Quezon City. Serrano was President of the Philippine Rural Reconstruction Movement.

Tenefrancia, Ray. 27 January 2010, Bacolod City, Philippines. Tenefrancia was former Production Manager and currently Chief of Corporate Planning of the Alter Trade Group.

Tomaro, Torjeco. 27 January 2010, Bacolod City, Philippines. Tomaro was Chairman of STARFA, ATG Partner in Bago City, Negros Occidental.

Torio, Alipio. 26 January 2010, Bacolod City, Philippines. Torio was Vice Chairman of HHACATRIFWO, ATG Partner in La Castellana, Negros Occidental.

### 12.6.2. Upland Marketing Foundation Inc.

Agustin, Rommel. 15 February 2008, Quezon City, Philippines. Agustin was Executive Director of the Advocate of Philippine Fair Trade, Inc. (APFTI).

Albo, Angel. 8 February 2010, Quezon City, Philippines. Albo was Vice President of SALIKA, a UMFI Partner in Calapan City, Oriental Mindoro.

Bicaldo, Miller. 8 February 2010, Quezon City, Philippines. Bicaldo was General Manager of Pecuaría Development Cooperative, a UMFI partner in Camarines Sur.

Capunan, Jathiel. 8 February 2010, Quezon City, Philippines. Capunan was Chairman of Sto. Nino Cooperative, a UMFI partner in South Cotabato.

Castaneda, Jun. 9 February 2010, Quezon City, Philippines. Castaneda was President of SKMFMC, a UMFI Partner in Sultan Kudarat.

David, Claribel. 11 February 2008, Quezon City, Philippines. David was Convenor of the Asia Fair Trade Forum.

Derige, Ramon. 23 September 2010, Quezon City, Philippines. Derige was President of Upland Marketing Foundation Inc.



Evangelista, Ruben. March 4, 2011, Pasig City, Philippines. (Interview with Rosalinda Roy). Evangelista was the Executive Director of the Upland Marketing Foundation, Inc.

Fonollera, Mel. March 4, 2011, Pasig City, Philippines. (Interview with Rosalinda Roy). Fonollera was the Operations Manager of the Upland Marketing Foundation, Inc.

Guarin, Rene. 28 July 2009, Quezon City, Philippines. Guarin was Executive Director of Upland Marketing Foundation Inc. at the time of the interview.

Ibanez, Norlito. 9 February 2010, Quezon City, Philippines. Ibanez was Program Coordinator of Task Force Mapalad, a UMFI partner in La Castellana, Negros Occidental.

Lagazo, Ronald. 31 March 2009, Quezon City, Philippines. Lagazo was Coordinator of the Philippine Fair Trade Forum (PFTF).

Palomo, Marlon (2011). February 11, 2011, Quezon City, Philippines. (Interview with Rosalinda Roy). Palomo was the Chair of the KOOL-Nueva Ecija, a partner community-based enterprise of the Upland Marketing Foundation, Inc.

Tacuyog, Grace. 23 February 2010, Quezon City, Philippines. Tacuyog was Deputy Executive Director of Upland Marketing Foundation Inc. at the time of the interview.

### 12.6.3. National Federation of Cooperatives of Persons with Disability (PWD Fed)

Aranas, Pablo. 10 November 2009, Taytay, Rizal, Philippines. Aranas was Officer in Charge of the PWD Fed.

Banday, Mayta. 8 February 2010, Quezon City, Philippines. Banday was Marketing/ Project Development Officer of the PWD Fed.

Bayano, Acquilles. 25 February 2010, Quezon City, Philippines. Acquilles was Vice Chair of the Board of Directors of SAFRA ADAP MPC, a PWD Fed member from Agusan del Sur.

Dulay, Christopher. 25 February 2010, Quezon City, Philippines. Dulay was Manager of the MAPALAD MPC, a PWD Fed member from Negros Occidental.

Hammerle, Peter. 23 February 2010/ 1 June 2011, Quezon City, Philippines. Hammerle was Consultant of the PWD Fed and Executive Director of the Foundation for These Able Persons Inc.

Labanon, Florida. 16 July 2009, Quezon City, Philippines. Labanon was Regional Program Coordinator of the National Council on Disability Affairs (NCDA).

Maguigad, Lolita. 8 February 2010, Quezon City, Philippines. Maguigad was HRD/ Planning Officer of the PWD Fed.

Mendoza, Rodolfo. 25 February 2010, Quezon City, Philippines. Mendoza was Manager of the NEAPWD, a PWD Fed member from Nueva Ecija.

Pangan, Angela. 28 July 2009, Quezon City, Philippines. Pangan was Chairperson of the NORFIL Foundation.

Ravelo, Andy. 16 July 2009, Quezon City, Philippines. Ravelo was National Program Coordinator of the NCDA.

#### 12.6.4. Tahanang Walang Hagdanan (Tahanan)

Baerts, Valeriana. 26 May 2011, Cainta, Rizal, Philippines. Baerts was Founder and Chairperson of the Board of Trustees, Tahanan.

Caranog, Leon. 18 January 2010, Cainta, Rizal, Philippines. Caranog was a worker of Tahanan.

Celso, Vanessa. 18 January 2010, Cainta, Rizal, Philippines. Celso was a worker of Tahanan.

Garcia, Joy Cevallos. 6 November 2009; 18 January 2010; 26 May 2011, Cainta, Rizal, Philippines. Garcia was Executive Vice President-Chief Operations Officer of Tahanan.

Evangelista, Lita. 8 December 2009, Cainta, Rizal, Philippines. Evangelista was Director of the Sheltered Workshop Operations of Tahanan.

Labanon, Florida. 16 July 2009, Quezon City, Philippines. Labanon was Regional Program Coordinator of the National Council on Disability Affairs (NCDA).

Lagunero, Riza. 8 December 2009, Cainta, Rizal, Philippines. Lagunero was Accounting Manager of Tahanan

- Llenares, Claire. 8 December 2009, Cainta, Rizal, Philippines. Llenares was Human Resource Manager of Tahanan
- Lloren, Tess. 8 December 2009, Cainta, Rizal, Philippines. Lloren was Executive Assistant and Head, Special Projects of Tahanan
- Maekel, Lita. 18 January 2010, Cainta, Rizal, Philippines. Maekel was a worker of Tahanan
- Montilla, Virgie. 12 November 2009, Cainta, Rizal, Philippines. Montilla was Social Director of Tahanan.
- Narciza, Rolando. 18 January 2010, Cainta, Rizal, Philippines. Narciza was a metal craft worker at Tahanan .18 January 2010
- Pangan, Angela. 28 July 2009, Quezon City, Philippines. Pangan was Chairperson of the NORFIL Foundation.
- Ravelo, Andy. 16 July 2009, Quezon City, Philippines. Ravelo was National Program Coordinator of the NCDA.
- Sta Ana, Loretta. 8 December 2009, Cainta, Rizal, Philippines. Sta. Ana was Secretary to the Founding Chairperson of the TWH.
- Somayao, Obet. 6 November 2009, Cainta, Rizal, Philippines. Somayao was a worker (silk screening) of Tahanan.
- Tuazon, Lolita. 18 January 2010, Cainta, Rizal, Philippines. Tuazon was Marketing Director of the TWH.
- Villafuerte, Angel. 12 November 2009, Cainta, Rizal, Philippines. Villafuerte was PR and Resource Mobilization Director of the TWH.

### 12.6.5. Lamac MPC

- Alegado, Elizabeth. 1 December 2009, Pinamungajan, Cebu, Philippines. Alegado was a housewife, married to a construction worker, who was a member of the Lamac MPC.
- Alfeche, Bernardita. 1 December 2009, Pinamungajan, Cebu, Philippines. Alfeche was a micro-entrepreneur who was a member of the Lamac MPC.

- Arcadio. 1 December 2009, Pinamungajan, Cebu, Philippines. Arcadio was a driver who was a member of the Lamac MPC.
- Canillar, Emilio. 1 December 2009, Pinamungajan, Cebu, Philippines. Canillar was a farmer/ livestock raiser who was a member of the Lamac MPC.
- Canlaon, Merlinda. 1 December 2009, Pinamungajan, Cebu, Philippines. Canlaon was a casual worker at the Lamac MPC's Hidden Valley Resort and livestock raiser/ farmer who was a member of the Lamac MPC.
- Castillo, Mercedes. 3 August 2009 and 25 August 2009, Cebu City, Philippines. Castillo was CEO of VICTO National.
- De Guzman, Mario. 30 November 2009, Pinamungajan, Cebu, Philippines. De Guzman was Internal Audit Head of Lamac MPC.
- Detablan, Jose. 3 August 2009, Cebu City, Philippines. Detablan was SNB Head of VICTO National.
- Ferrer, Rosa. 1 December 2009, Pinamungajan, Cebu, Philippines. Ferrer was a fish vendor/ micro-entrepreneur who was a member of Lamac MPC.
- Flores, Denis. 3 August 2009, Cebu City, Philippines. Flores was Executive Officer for Region 7 of VICTO National.
- Geyrozaga, Milagros. 30 November 2009, Pinamungajan, Cebu, Philippines. Geyrozaga was Head of the Accounting Department of Lamac MPC.
- Libay, Rose. 1 December 2009, Pinamungajan, Cebu, Philippines. Libay was a micro-entrepreneur who was a member of Lamac MPC.
- Limocon, Ellen. 2 December 2009, Pinamungajan, Cebu, Philippines. Limocon was General Manager of Lamac MPC.
- Lucero, Pablito. 2 December 2009, Pinamungajan, Cebu, Philippines. Lucero was a Member of the Lamac MPC Board of Directors.
- Pantino, Edu. 30 November 2009, Pinamungajan, Cebu, Philippines. Pantino was Head of the Institutional Development Department of Lamac MPC.
- Rosario, Danilo. 1 December 2009, Pinamungajan, Cebu, Philippines. Rosario was a carpenter/ construction worker who was a member of the Lamac MPC.

Samson, Audie Joseph. 3 August 2009, Cebu City, Philippines. Samson was Senior Consultant of the Office of the CEO of VICTO National.

Tanodra, Digna. 1 December 2009, Pinamungajan, Cebu, Philippines. Tanodra was a farmer/ handicraft maker who was a member of the Lamac MPC and Lamac MPC Coordinator.

Tapales, Teofilo. 1 December 2009, Pinamungajan, Cebu, Philippines. Tapales was a farmer and micro entrepreneur who was a member of the Lamac MPC.

Tilbe, Jacinto. 3 August 2009, Cebu City, Philippines. Tilbe was SDA Head of VICTO National.

Tuquib, Delfin. 30 November 2009, Pinamungajan, Cebu, Philippines. Tuquib was Chairman of the Board of Directors of Lamac MPC.

Tuquib, Maribeth. 30 November 2009, Pinamungajan, Cebu, Philippines. Tuquib was Area Manager of Lamac MPC.

Ubaob, Teresita. 1 December 2009, Pinamungajan, Cebu, Philippines. Ubaob was a livestock raiser and micro-entrepreneur who was a member of Lamac MPC.

#### 12.6.6. Cordova MPC

Baguio, Rosalia. 3 December 2009, Cebu, Philippines. Baguio was a *sari-sari* (variety) store owner who was a member of the Cordova MPC.

Biongkog, Maribel. 3 December 2009, Cebu, Philippines. Biongkog was a dried fish dealer who was a member of the Cordova MPC.

Castillo, Mercedes. 3 August 2009 and 25 August 2009, Cebu City, Philippines. Castillo was CEO of VICTO National.

Detablan, Jose. 3 August 2009, Cebu City, Philippines. Detablan was SNB Head of VICTO National.

De Ramayo, Aurea. 2 December 2009, Cebu, Philippines. De Ramayo was General Manager of the Cordova MPC.

Flores, Denis. 3 August 2009, Cebu City, Philippines. Flores was Executive Officer for Region 7 of VICTO National.

- Fuentes, Miriam. 3 December 2009, Cebu, Philippines. Fuentes was a small entrepreneur who was a member of the Cordova MPC.
- Jumao-as, Rodrigo. 3 December 2009, Cebu, Philippines. Jumao-as was Vice Mayor of the Municipality of Cordova, Cebu.
- Ompad, Nemeth. 3 December 2004, Cebu, Philippines. Ompad was Administrative and Finance Officer of the Cordova MPC.
- Samson, Audie Joseph. 3 August 2009, Cebu City, Philippines. Samson was Senior Consultant of the Office of the CEO of VICTO National.
- Sentillas, Fe Gloria. 3 December 2004, Cebu, Philippines. Sentillas was a shell picker/ micro entrepreneur who was a member of the Cordova MPC.
- Tajanlangit, Glenn Revalde. 3 December 2009, Cebu, Philippines. Tajanlangit was Chief Operations Officer of the Cordova MPC.
- Tajanlangit, Marissa. 3 December 2009, Cebu, Philippines. Tajanlangit was Secretary of the Board of Directors of the Cordova MPC.
- Tampus, Delia. 3 December 2009, Cebu, Philippines. Tampus was Branch Manager of the Cordova MPC.
- Tilbe, Jacinto. 3 August 2009, Cebu City, Philippines. Tilbe was SDA Head of VICTO National.

## 12.7. References

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- Alegado, E. (2009). Interview with Author. 1 December. Housewife and member, Lamac MPC: Pinamungajan, Cebu, Philippines.
- Alfeche, B. (2009). Interview with the Author. 1 December. Micro-entrepreneur and member, Lamac MPC: Pinamungajan, Cebu, Philippines.
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- Atienza, N.R. (2010). Interview with the Author. 27 January. Former Finance Manager and currently Chief of Finance and Administration, Alter Trade Corporation (ATC): Bacolod City, Philippines.
- Agustin, R. (2008). Interview with Author. 15 February. Executive Director, Advocate of Philippine Fair Trade, Inc. (APFTI): Quezon City, Philippines.
- Albo, A. (2010). Interview with the Author. 8 February. Vice President, SALIKA, UMFI Partner, Calapan City, Oriental Mindoro: Quezon City, Philippines.
- Aranas, P. (2009). Interview with the Author. 10 November. Officer in Charge, PWD Fed: Taytay, Rizal, Philippines.
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- Baguio, R. (2009). Interview with the Author. 3 December. Variety store owner and member, Cordova MPC: Cebu, Philippines.
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## 12.8. About the Researcher



Marie Lisa M. Dacanay is the founding President of the Institute for Social Entrepreneurship in Asia (ISEA) and is a pioneer in social entrepreneurship education and research in the region. Set up in 2008, ISEA is a consortium of academic and practitioner institutions engaged in research, education, management consulting and advocacy towards building a learning community and enabling environment for social entrepreneurship to flourish in the Asian region.

Among the executive courses offered by ISEA which Ms. Dacanay has led in designing and delivering are: Introduction to Social Entrepreneurship; Social Entrepreneurship and the Market; Social Enterprise Development for NGO Managers; Social Enterprise Performance Measurement; and Strategic Management Course for Social Enterprises. Ms. Dacanay was also editor and principal author of *Measuring Social Enterprise: A Resource Book on Social Enterprise Performance Measurement* (2009) co-published by ISEA and Oikocredit International.

Ms. Dacanay is the Lead Faculty for the Master in Public Management (Social Entrepreneurship Track) at the Ateneo de Manila University's School of Government (Philippines) which was launched in March 2011. She is the Case Supervisor for an ongoing research project involving 10 social enterprises in the Philippines co-sponsored by Ateneo de Manila University, National University of Singapore and Temasek Foundation.

Ms. Dacanay was Associate Professor and Faculty Champion for Social Entrepreneurship at the Asian Institute of Management (AIM) from 2001-2008. As such, she led case research projects to develop teaching materials for social entrepreneurship courses, taught social entrepreneurship courses for business and development management students, facilitated learning exchanges under the Social Entrepreneurship in Asia and Europe Project, and organized the 2006 International Workshop on Social Entrepreneurship in Asia. In 2004, the Conference of Asian Foundations and Organizations (CAFO) and the Asian Institute of Management co-published the book *Creating a Space in the Market: Social Enterprise Stories in Asia*. The book, where Ms. Dacanay was editor and principal author, featured 12 social entrepreneurship cases in the Philippines, Thailand, India and Indonesia. At AIM, she was also Program Director and Guru of the Master in Entrepreneurship for Social and Development Entrepreneurs (MESODEV). As such, she mentored 4 batches of

social entrepreneurs and managers of government and nongovernment organizations engaged in social enterprise development, in crafting their 5-year strategic plans.

Ms. Dacanay has delivered several keynote addresses and presentations, sharing her expertise on social entrepreneurship in Asia with the international community. Among these engagements are the 2005 Asian Social Entrepreneurship Forum in Taiwan, the 2006 International Social Entrepreneurship Research Conference in New York, the 2007 Skoll World Forum on Social Entrepreneurship in Oxford, the 2007 Social Entrepreneurship Forum in Singapore, the 2008 Asian Social Entrepreneurs' Summit in Korea, the 2009 UNESCO Asia Youth Forum in Korea, The First Global Social Venture Research Conference in China in 2009 and the 2011 Taiwan Social Entrepreneurship Forum.

Ms. Dacanay has more than 25 years of experience in development management and consulting, social entrepreneurship and international development cooperation. Before she joined academe, she was Consultant for Countryside Development for the Philippine Department of Agrarian Reform (ADB) and Project Manager of the Asian Development Bank-funded Agrarian Reform Communities Project. Before joining government, she was Vice President and Field Operations Department Manager of the Philippine Rural Reconstruction Movement (PRRM). PRRM is a pioneering non-government organization engaged in model building and advocacy for community empowerment and sustainable development, where she worked for over a decade.

Ms. Dacanay has a Bachelor of Science (Statistics) from the University of the Philippines (1984), a Master in Development Management (With Distinction) from the Asian Institute of Management (1996) and is a PhD Fellow at the Copenhagen Business School in Denmark (2007-present). Her PhD Thesis is on Social Enterprises and the Poor: Enhancing Stakeholder and Social Entrepreneurship Theory.



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