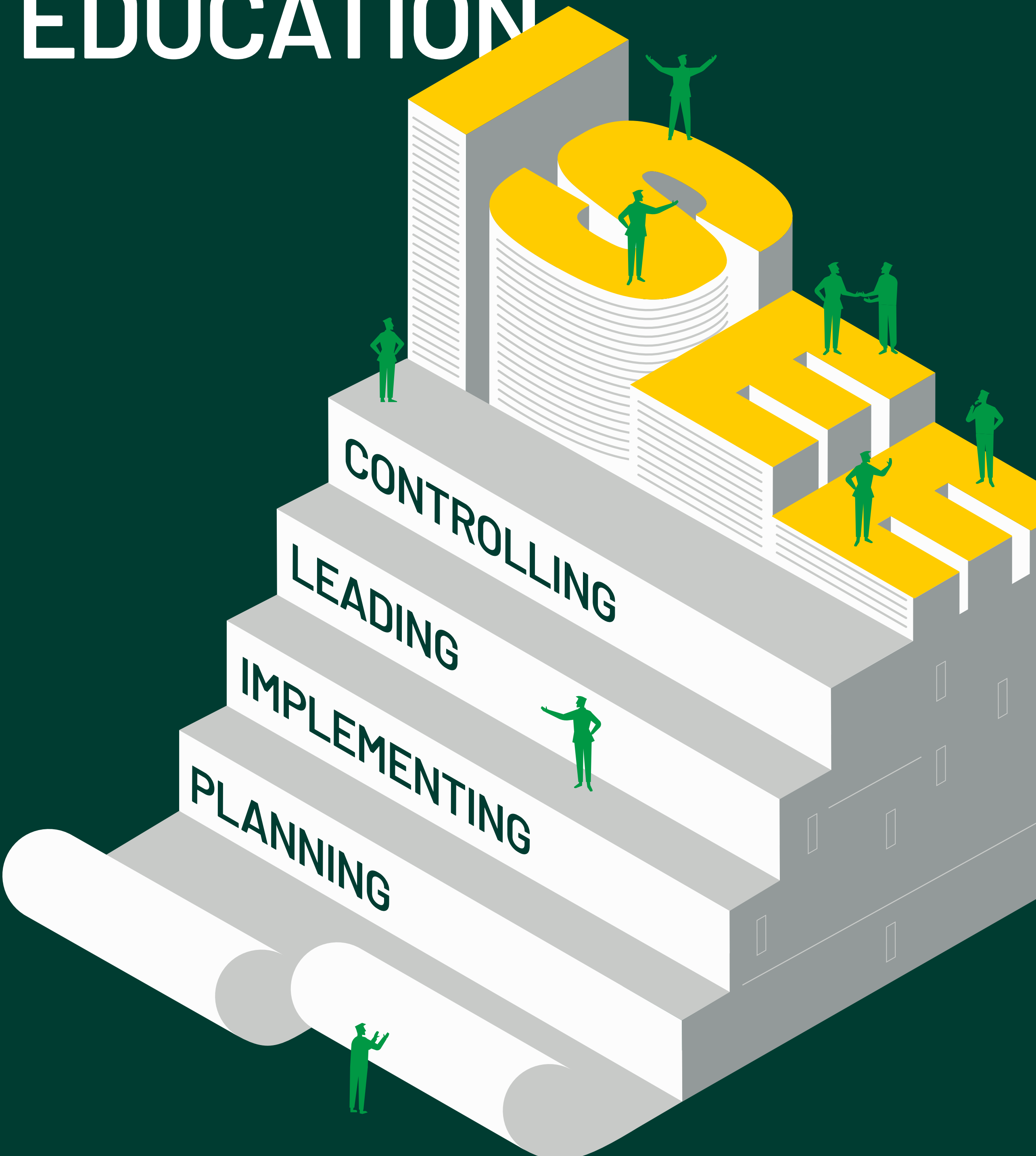
INNOVATIVE SOCIAL ENTREPRENEURSHIP EDUCATION



INNOVATIVE SOCIAL ENTREPRENEURSHIP EDUCATION:

PLANNING, IMPLEMENTING, LEADING AND CONTROLLING

Kee Chi Hing & Susanna Chui

INNOVATIVE SOCIAL ENTREPRENEURSHIP EDUCATION: PLANNING, IMPLEMENTING, LEADING AND CONTROLLING

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CONTENTS

INTRODUCTION

Welcome to *Innovative Social Entrepreneurship Education*. This book has been designed as an introduction to the subject of social entrepreneurship from a skill approach. It is designed to provide the basic skills to plan, implement, lead and control for social enterprise practices that aim to create social change. If you are new to the subject and interested in setting up a social enterprise, this book has been written with you in mind. It is also designed for anyone who is either working in, or is considering to create a social start-up that has to uphold a social mission and to maintain financial viability.

Authors' motivation

While we have a specific audience in mind, we write this book also because of two specific trends appearing in Hong Kong. First, based on the Social Entrepreneur Survey conducted in 2019 by the Fullness Social Enterprise Society (FSES), we have found that social entrepreneurship is attracting the attention and interests amongst the Hong Kong youth communities. Second, social enterprises are associated with various virtue practices that are caring, sharing resources and experiences, upholding justice, showing compassion, and helping the needy, all of which are pursued for promoting social cohesion and active citizenship.

Nevertheless, social entrepreneurship also involves pragmatic practices which require rational and strategic thinking and diverse practical skills in balancing the creation of financial profit and social value. This is called the double bottom line. The pursuit of the paradoxical goals – commercial and social – can trigger new personal development for learners. Why? It creates a disruptive orientation in understanding businesses. Within a highly competitive context driven by market force, Hong Kong has already created a transactional and pragmatic mindset amongst most business and social players. Advocating a double bottom line which embeds a social mission within a business setup is still foreign to most Hong Kong people. Equipped with both business acumen and a strong altruistic orientation, one of our authors (Kee) initiated and offered a 'Management for Social Enterprises' (MSE) programme. Taught by a FSES training team, the programme has been offered at the Hong Kong University (HKU) Space for seven years. The programme has received much popularity. This programme has brought new insights, changed old mindsets for the learners, and even served as a springboard / launch pad for a considerable number of its learners to become new social entrepreneurs. Since the programme has been successfully developed in nurturing new social entrepreneurs of different backgrounds and ages, the authors consider it timely to organise the teaching materials and approaches for a wider audience as they commence their journeys in social change. Moreover, this idea has been further validated by the recognition given by HKU-SPACE to Kee as one of the *Ten Outstanding Part-time Teachers* in 2017 to recognise the teaching quality of the programme teachers. Therefore, we want to share our best training practice in running social enterprises, especially to those who teach social entrepreneurship-related courses in educational institutes, so that more potential social entrepreneurs can be trained to create positive changes for our society.

Chapter description

This book begins in Chapter 1 on discussing how problem-focused learning in social entrepreneurship education can enrich personal development. Then the book is laid out in four parts along the concept of four managerial functions of planning, implementing, leading and controlling. It broadly categorises the abilities, skills and knowledge that self-starters or managers, who initiate, run, grow and sustain social enterprises, would possibly want to develop.

Part One: *Planning* provides an overview of strategic skills including *strategic thinking, strategic decision-making, innovative designs, financial modelling and business plan development*. **Part Two:** *Implementing* provides two specific topics on customer service management issue selling. **Part Three:** *Leading* addresses how an inclusive leadership journey can be created in a social enterprise. **Part Four:** *Controlling* covers two areas of strategic management including monthly business review and social impact measurement.

Each chapter has its learning objectives that guide learners to absorb the materials for practical application. This is an innovative social entrepreneurial education approach that maximises the experiential dimension of learning. Theories are simplified as the fundamental backgrounders for the topics which are highly applicable. In such a way, learners can use their own experience and creatively seek solutions for addressing social issues.

PART ONE: PLANNING

In Part One, there are five chapters. Chapter 2 introduces strategic thinking. Readers can learn about the tools for potential problem analysis, potential opportunity analysis and apply these tools for business planning. Chapter 3 takes readers through the topic of strategic decision-making and decision analysis. Readers can learn about the strategy of countering the decision choice of those who approve funding applications or business transactions. Moreover, three decision criteria of decision makers are explained. Then readers are invited to apply the decision criteria to shape planning, grant application pitching and service delivery. Chapter 4 talks about innovativeness and product design. Readers learn about the way in arriving at innovativeness. Then they can understand the business aspects that innovation can appear in a social business. Moreover, the approaches of coming up with new ideas for bringing about innovation is elaborated for the readers. Chapter 5 is about financial modelling. Readers can learn about how to calculate financial breakeven point and to evaluate customer satisfaction which can lead to the customer acquisition planning. Chapter 6 in Part One is on business plan development. Readers can appreciate an experiential learning process of developing business plans. They can learn about the five stages of writing a business plan and practise presenting the business plan in two minutes.

PART TWO: IMPLEMENTING

In Part Two, there are two chapters. Chapter 7 is about retail selling and customer service management. Readers can learn about the technique of flexing communication styles when interacting with customers. Moreover, they can understand the technique of tailoring customer experience by stages. Furthermore, readers can design service delivery as a theatre performance and influence customers' repeated patronage. In Chapter 8, readers can understand the five types of stakeholders that they need to influence. Then they can apply the direct and indirect ways of issue selling and to develop story hooks.

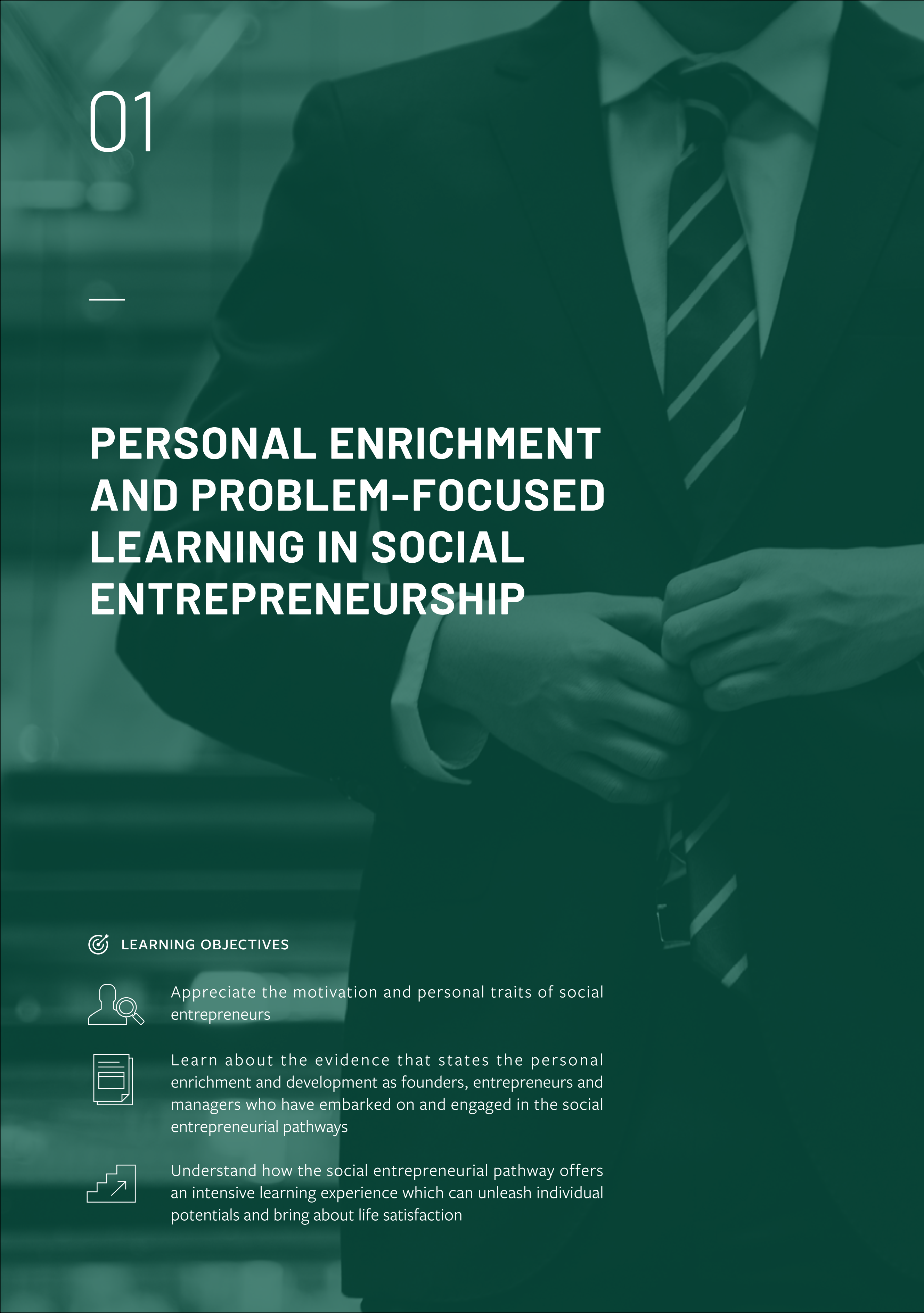
PART THREE: LEADING

In Part Three, there is one chapter. Chapter 9 discusses the nature of leadership in running social enterprises. Readers can learn about three important aspects of inclusive leadership practice. Moreover, they can learn about some possible leadership traps when steering a social enterprise.

PART FOUR: CONTROLLING

In Part Four, there is one chapter. Chapter 10 discusses how to conduct monthly business review and social impact measurement.

We hope that this book can make the first step in providing a systematic learning experience for readers to embark on a social entrepreneurship journey. Smooth sailing!



01

PERSONAL ENRICHMENT AND PROBLEM-FOCUSED LEARNING IN SOCIAL ENTREPRENEURSHIP

LEARNING OBJECTIVES

- Appreciate the motivation and personal traits of social entrepreneurs
- Learn about the evidence that states the personal enrichment and development as founders, entrepreneurs and managers who have embarked on and engaged in the social entrepreneurial pathways
- Understand how the social entrepreneurial pathway offers an intensive learning experience which can unleash individual potentials and bring about life satisfaction

Introduction

Social entrepreneurs and innovators are increasingly perceived as the global change-makers who engage in proactive social problem-solving in a dynamically changing environment. However, there is little discussion that explains the motivation and the traits of these social change-makers. The authors believe that the relentless journey of exploration, experimentation and exploitation of opportunities in social value creation requires the intrinsic learning orientation of social entrepreneurs to sustain the social change.

This chapter aims to provide survey evidence that examined the motivation and traits of social entrepreneurs. Moreover, this chapter also discusses how the satisfaction of social entrepreneurs as a problem-solver of social issues is underpinned by a life-long learning attitude and continuous knowledge acquisition.

Motivation and traits of Hong Kong social entrepreneurs

Two studies were conducted by one of the authors, Kee, to understand the motivation and traits of social entrepreneurs in Hong Kong. Using the constructive grounded theory approach, the first study involved interviewing 23 social entrepreneurs to examine the motivation and the dominant traits prevalently found in social leaders in the social enterprise sector. The findings revealed four major motivations of these social leaders. First, most social entrepreneurs set up social enterprises because they wanted to contribute their experience and skills to resolve social issues or injustice faced by the socially disadvantaged. Second, most social entrepreneurs did not only witness the transformation of the socially disadvantaged, they also experienced transformative growth themselves. Third, leveraging on their success, social entrepreneurs were motivated to address more social issues as their personal goals. Following the results of the first study, a follow up research study was conducted using exploratory mixed methods.

In 2019, Fullness Social Enterprises Society (FSES) sent out online surveys to 511 social enterprises. The aim of the survey was to understand the motivation of founding or managing a social enterprise. 110 responses were secured from March to August 2019 with a response rate of 21.5%. The average duration of operating social enterprises was 6.5 years. The median age of the social entrepreneurs was 37.

The motivations of social entrepreneurs vary. Some of their motivations are more prosocial than the others amongst the 51 responses. 67% of these social entrepreneurs are engaged in social entrepreneurship because of their concerns for others. They want to solve social problems and create jobs for the socially disadvantaged. Other prosocial motivations include promoting community cohesion and promoting environmental protection and community development. As for the personal motivations, they include making good use of personal strengths, seeking a purposeful life, being driven by personal experience or faith and finding happiness in the course of helping other people. The table below summarised the results related to the purposes of starting up or running a social enterprise.

	Why starting up a social enterprise	N=51ˆ
A	Solving a social problem	67%
B	Creating jobs for the socially disadvantaged	67%
C	Utilising personal strengths	49%
D	Promoting community cohesion	47%
E	Seeking the meaning of life	43%
F	Related to the personal experience	41%
G	Driven by faith	35%
H	Promoting environmental protection and development	22%
I	Obtaining happiness	16%

ˆ All survey information that reports the number of respondents will be represented by N=x throughout the whole book.

Table 1.1 Results of the 'Why starting up a social enterprise' survey

The role of social entrepreneurs in relation to value creation for a society can be considered in three perspectives (Santos, 2012). First, in terms of the role in the economic system, social entrepreneurs adopt a distributed mechanism through which neglected positive externalities are internalised in the economic system. Second, in terms of the institutional goal, social entrepreneurs deliver sustainable solutions. Third, in terms of the dominant social logic of action, social entrepreneurs predominantly use empowerment. Because of these distinctive ways, social entrepreneurs find more satisfaction in value creation because of the non-traditional and non-conforming methods that they deploy. Compared to other social sector activities which include appealing for charity donation, social activism or offering social support and services by non-profit organisations, social entrepreneurs to some extent are bringing about disruptive changes in addressing social issues. This is a purposeful journey. Therefore, Study 2 also examined the change of life satisfaction of participating social entrepreneurs.

The results of Study 2 evidenced the positive change of life satisfaction in social entrepreneurial pursuits. 81 participating social entrepreneurs expressed positive change in life satisfaction.

Respondents (N=81)	Average Age	Life Satisfaction Average Score before startup	Current Life Satisfaction Average Score	Change
Founders and Managers	37.5	5.86	7.45	+1.65 ; 27% ↑
Founders (N=40)	40.0	5.67	7.95	+2.88 ; 40% ↑
Managers (N=41)	35.5	6.01	7.04	+1.03 ; 17% ↑

Note: The scale for scoring life satisfaction is 0–10 with 0 being the lowest and 10 being the highest.

Table 1.2 Results of 'Life Satisfaction Change' survey

To put into perspective the life satisfaction scores of the Hong Kong social entrepreneurs, their scores have been compared to other average national scores for reference. The social entrepreneurs who founded social enterprises have an average life satisfaction at 7.95, higher than the average score at Finland which is at 7.632, positioned at the top of the ranking list[1]. The average life satisfaction rating of the managers of social enterprises in Hong Kong stood at 7.04. This rating is just higher than the average life satisfaction score in Ireland whose citizens have an average life satisfaction score at 6.977, ranking the 14th in the world. The average life satisfaction score in Hong Kong is at 5.43[2], ranking the 76th out of 156 countries. Burundi was at the bottom, ranking the 156th at 2.905. It is observed that the pursuit of social entrepreneurship can result in life satisfaction for social entrepreneurs.

Study 2 (N=81) revealed the predicting factors that led to the life satisfaction social entrepreneurs. The related results are shown in the Table 1.3 below. One prominent finding is that 76% of the respondents reported that their life satisfaction is predicted by continuous learning and growth. This result showed that life satisfaction is related to the continuous learning and personal growth. There is a strong link between the pursuit of social entrepreneurship, continuous learning and personal growth in social entrepreneurs. To achieve social value creation, social entrepreneurs encounter task-based and strategic problems that they have to resolve in order to solve social issues. Very often solving these problems involves knowledge and experience that are beyond their grasp. Therefore, continuous learning is the only way to fulfil their role as a change-maker.

	Why have your life satisfaction improved?	N=81
1	Opportunities of continuous learning and growth	76%
2	Recognition from others	50%
3	Satisfaction of being part of the transformation of the socially disadvantaged	33%
4	Goal attainment for life	32%
5	Goal attainment of resolving a social problem successfully	28%
6	Sense of fulfilment by overcoming challenges	28%
7	Practice of religious values	26%
8	Financial returns	9%

Table 1.3 Results of the 'Why have your life satisfaction improved?' survey

1 Helliwell, J., Layard, R., & Sachs, J. (2019). *World Happiness Report 2019*, New York: Sustainable Development Solutions Network, p.21. Source: https://s3.amazonaws.com/happiness-report/2019/WHR19_Ch2A_Appendix1.pdf

2 Ho Lok-Sang, 'Just how happy are people in our city', *China Daily* 2019-03-26 http://www.chinadaily.com.cn/hkedition/2019-03/26/content_37451718.htm

Study 2 also examined the value perception of these social entrepreneurs. They included 'care', 'shared value', 'compassion', 'justice', and 'prosocial or helping orientation'. The distribution of the participants' ratings on personal values is provided below:

78% Caring

55% Justice

76% Sharing

49% Helping the Poor

55% Compassionate

The results of the two research studies found that personal outcomes of social entrepreneurial pursuit involve leading a meaningful and fulfilled life. However, social entrepreneurs also have to face the challenge of being confronted by uncertainties and unknown problems as a part of the daily encounter. Therefore, unlike working for an organisation with established systems and well-proven work processes, social entrepreneurs find that alongside the resolution of social issues for the socially disadvantaged, they face a concurrent and intensive learning journey. For newcomers entering the social entrepreneurial pursuit, they have to be prepared for a continuous problem-focused learning process along the process of social change. It also explains why the authors consider it important to compile this skill-oriented book that provides and discusses the key areas of skills and knowledge which are useful for social entrepreneurial pursuits. The table below summarises these two research studies of the motivation, traits and outcomes of social entrepreneurial pursuits.

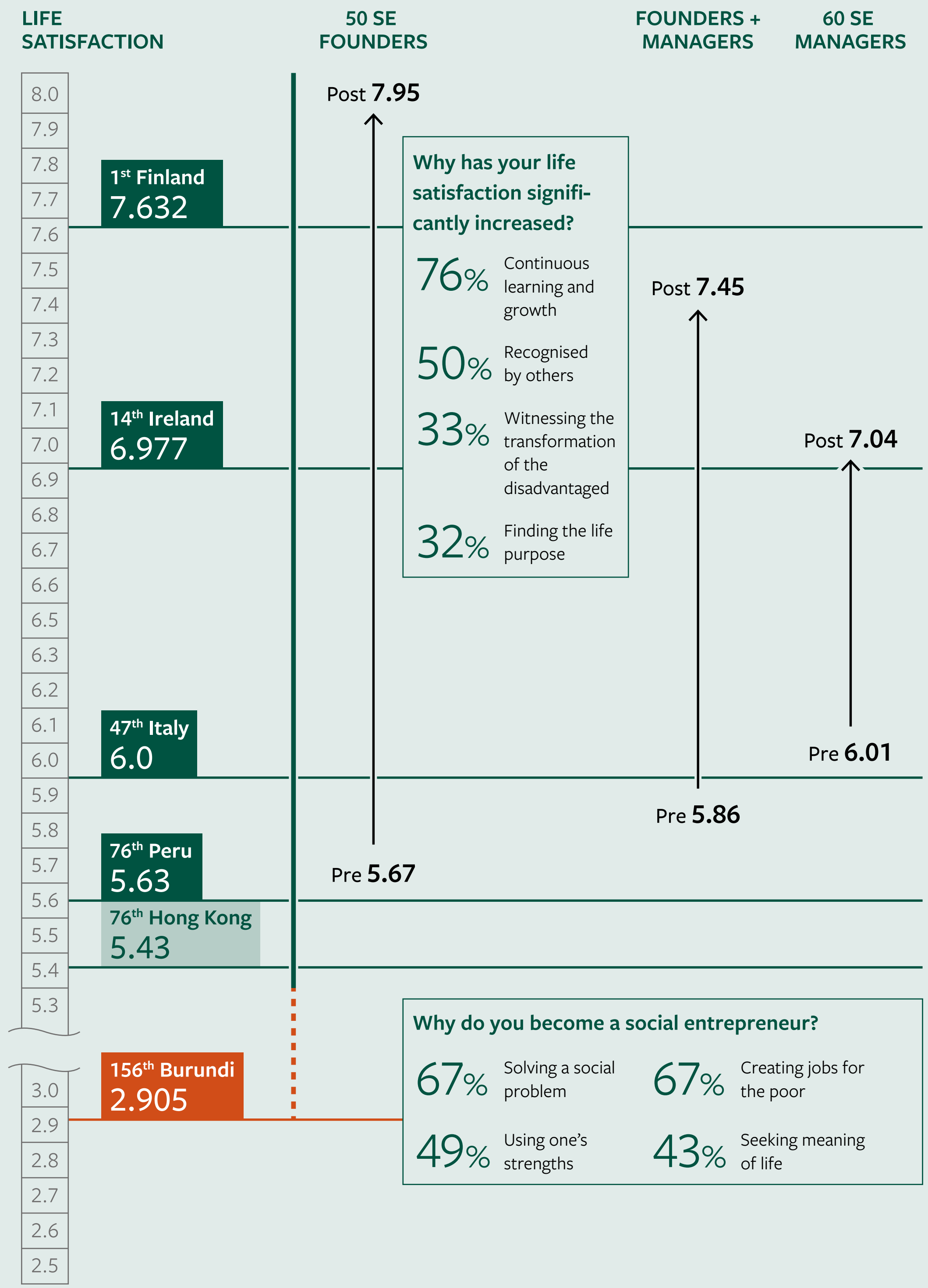


Figure 1.1 Comparison of life satisfaction scores between SE founders and managers

Learning as a component of problem-solving

Learning science literature has discussed the concept of learning as a broad perspective of human meaning making (Sawyer, 2014). This defies the narrow perspective of 'learning within a classroom'. Practices fostering effective learning that enrich personal development typically include project-based and problem-based learning. These learning activities produce generative effect for the mind because they require critical, logical, integrative and creative learning together with dynamic interactions with fellow actors in bringing about completion of goals. This approach of learning is typically exemplified in the social entrepreneurship process. Some of these characteristics are discussed below.

i. *Learning is the process of meaning-making of the external stimulus.* As a learner attends a class of social impact measurement, the external stimulus is the teaching. However, without the learner's active integrated thinking in making sense of concepts of 'social return of investment', 'value creation', 'impact logic' or 'theory of change', the learner would not be able to apply impact measurement for his or her social enterprise.
ii. *New knowledge is created when the mind interacts with external stimuli.* A social entrepreneur that interacts with the disadvantaged beneficiaries is an external stimulus that evokes the empathy of the entrepreneur. This is a problem but also a new learning which can trigger a solution-finding process. When solved, the solution becomes new knowledge of the social entrepreneur.
iii. *Experience is the key to learning.* Experiences are the source of external stimuli. Social entrepreneurs can maximise his learning through direct experience of action learning. One important area of learning is to conduct market research. When obtaining direct data to develop one's business prototype, he or she will have direct learning about the consumers or the social beneficiaries he or she is going to serve. Finding out what the consumers or beneficiaries really need, want or fear will facilitate decision-making. This kind of learning brings about specific data which is most relevant for the prototype. There is no better way in gathering intelligence and insights through direct learning about their customers and beneficiaries.
iv. *Practice and interpretation happen simultaneously.* Social entrepreneurs have plenty of opportunities in pitching their business plans in the process of persuading different audiences to understand, buy in and support the social project idea. This is an issue selling process that can allow a social entrepreneur to legitimise the issues being addressed.
v. *Learning also happens during the interaction within a community or a group.* When a social entrepreneur starts to become more engaged with a community, a gradual sense of social identity will develop because of the collective efforts in problem-solving and bringing about the enhancement of working or living environments. The joined adaptation in the process of collaboration also facilitates learning. Very often, this kind of joined efforts in collaboration will bring solidarity especially if bigger challenges have been faced and overcome. Hence learning is not only about individual learning but can involve collective learning and community building. This is most typical in social entrepreneurial pursuit when working towards the improvement of the welfare for a specific community group.
vi. *Finally, learning is a cross-disciplinary and integrated process.* May be the biggest satisfaction for social entrepreneurs is a continuous challenge of their own knowledge. A social worker who has no knowledge of food and catering decides to open a coffee shop that hires the hearing-impaired would find himself stepping into an unknown territory.

Social entrepreneurship provides an admirable self-exploration opportunity for individuals with developmental outcomes. When a social entrepreneur faces a real problem, he has to apply what has been learned to the new situations or challenges. If there is a knowledge gap, then the entrepreneur has to explore different sources of knowledge, including Wikipedia, YouTube videos, multiple experts or books. He has to design new solutions and create new knowledge continuously. He will have his own points of view based on his frame of reference. His mind also becomes more sophisticated, and will be able to handle complex challenges. As a result, he will have a strong sense of achievement.

Learning practical skills in adult development

Learning new knowledge and skills for application in tackling social issues requires a different approach to suit the needs of learners. Andragogy, according to Knowles (1990), is based on the assumption that learners have the capacity to take on learning actively and independently because the motivation is closely linked to growth and development of the self. When learning is aligned with growth, learning can lead to the fulfilment of the need for self-actualisation (Heylighen, 1992). Therefore, if the right environment is provided, adult learning can trigger the learning motivation of the learners. As the learners take learning proactively into their hands, they will take their experience to heart. This contributes to a more effective and fruitful learning process. Compared to pedagogy, andragogy emphasises on facilitating the learning process in learners rather than directly steering the learning process.

Andragogy also takes into consideration the dynamic cognitive processes happening within an active learning self. Michel and Morf (2003: 23) described the self as 'an organised dynamic cognitive-affective-action system and an interpersonal self-construction system'. Learning is a psycho-dynamic process that is especially important for the development of adulthood. Recognising the individual needs and the dynamic competence of 'cognitive-affective-action system', andragogy is an approach that gives the learner the autonomy and freedom to learn according to his or her own unique personality, personal history and personal and practical needs. What the learning self needs is the immersion into a learning process based on intrinsic motivation more than detailed instructions and didactic imparting of knowledge by teachers. Respecting the self-development of the learner is a core belief in adult education.

The knowing-doing gap

Experience is always linked to human learning and human development. Moreover, learning from experience is seen to have a pragmatic impact on learners. This is confirmed by Elkjaer (2018) who adopted John Dewey's works, an American pragmatist philosopher and educator, and thought that development and learning could be drawn from disruption on habitual routines, especially in difficult and new situations usually causing dissonance. This kind of interference triggers closer examination of situations usually problematic ones, inquiry into problems, search for solutions, application of solutions and evaluation before the dissonance can be finally resolved. This kind of learning is typically found in social entrepreneurship. Social entrepreneurs and their collaborators are actively engaged in frequent adaptation for a common prosocial goal. Therefore, problem-based learning through doing can be a powerful approach in steering social value creation pursued by social entrepreneurs.

Against the problem-based learning is the classroom learning of theories and concepts. The best salesman and marketing gurus do not become a super salesperson after reading textbooks. It is after their successful efforts in making new attempts, repeating and refining practices that they put down their knowledge into books. Pfeffer and Sutton (1999) discussed evidence showing knowledge of how to enhance performance doesn't transfer readily even within firms. They quoted one study reporting that 73 per cent of a surveyed MBA programme graduates admitted that their MBA skills were used 'only marginally or not at all'. This is the knowing-doing gap.

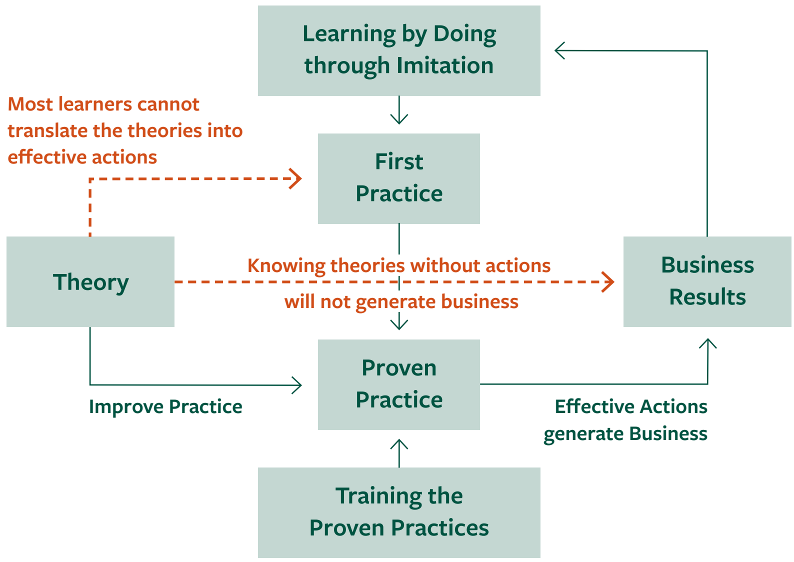


Figure 1.2 The relationship between 'theory', 'practice' and 'business results'

Learning proven-skills vs theoretical knowledge

The controversy of questioning whether theories, knowledge and practical skills can be integrated and applied for routine business operational and strategic management is often raised. This can be resolved through the introduction of intelligent tools for attaining complex task or process outputs including consensus, common goal-setting or solution design. The practice of using these tools can be a shortcut in enhancing strategic management skills.

Multinationals, such as HP or Microsoft, recruit executive training scholars from the Ivy League institutions to provide tools for brainstorming, decision-making, strategic envisioning or goal-setting. The aim is to allow executive learners to pick up effective skills to overcome complex communication and consensus processes of multiple players. In this book, you will be introduced to some of these tools to help you develop strategic management skills.

The three basic building blocks of strategic management skills are potential event analysis, decision analysis, and numerical analysis. The focus of potential event analysis is the ***Future***. The focus of decision analysis is the human ***Mind***, either ours or others. The focus of numerical analysis is the ***Numbers***.

A business plan focuses on how to calculate the projections in the form of numbers for the near future. The 'numeric' calculation of sales revenue involves the effective projection of the marketing and promotional strategies in influencing the targeted customers' 'minds' to purchase in the 'future'. This involves the planning function. To implement the marketing and promotional strategies, it involves motivating the followers' 'minds' to attain the 'numeric' sales target through selling. Hence, motivating employees is a leading function. Therefore, strategic management skills require the handling of planning, leading and selling subsequent to the analyses of potential event occurrences, decision alternatives and necessary numeric projections. The combination of these three basic skills can kick-start an idea by developing a social enterprise business plan and manage problem-solving when running a social enterprise to meet the double bottom line, both financial and social. Figure 1.3 summarises how these essential skills operate for the strategic planning and management in running any enterprises.

Figure 1.3 The three basic components of strategic management skills

Conclusion

This chapter provides an overview of how the life-long learning process adopted by social entrepreneurs can define 'who they are'. Social entrepreneurs can start the pathway of being a change-maker in their 30s, 40s, 50s or even 60s. As change-makers, they engage in a dynamic problem-solving process in building a better world. We believe that the learning journey that paves the way for a positive world is the most enriching life process that all of us can enjoy.

DISCUSSION QUESTIONS

01 What is your motivation in attending a social entrepreneurship programme?

02 Do you think that there is any difference between commercial and social entrepreneurship?

03 Do you think social entrepreneurs obtain more satisfaction than business entrepreneurs? Why?

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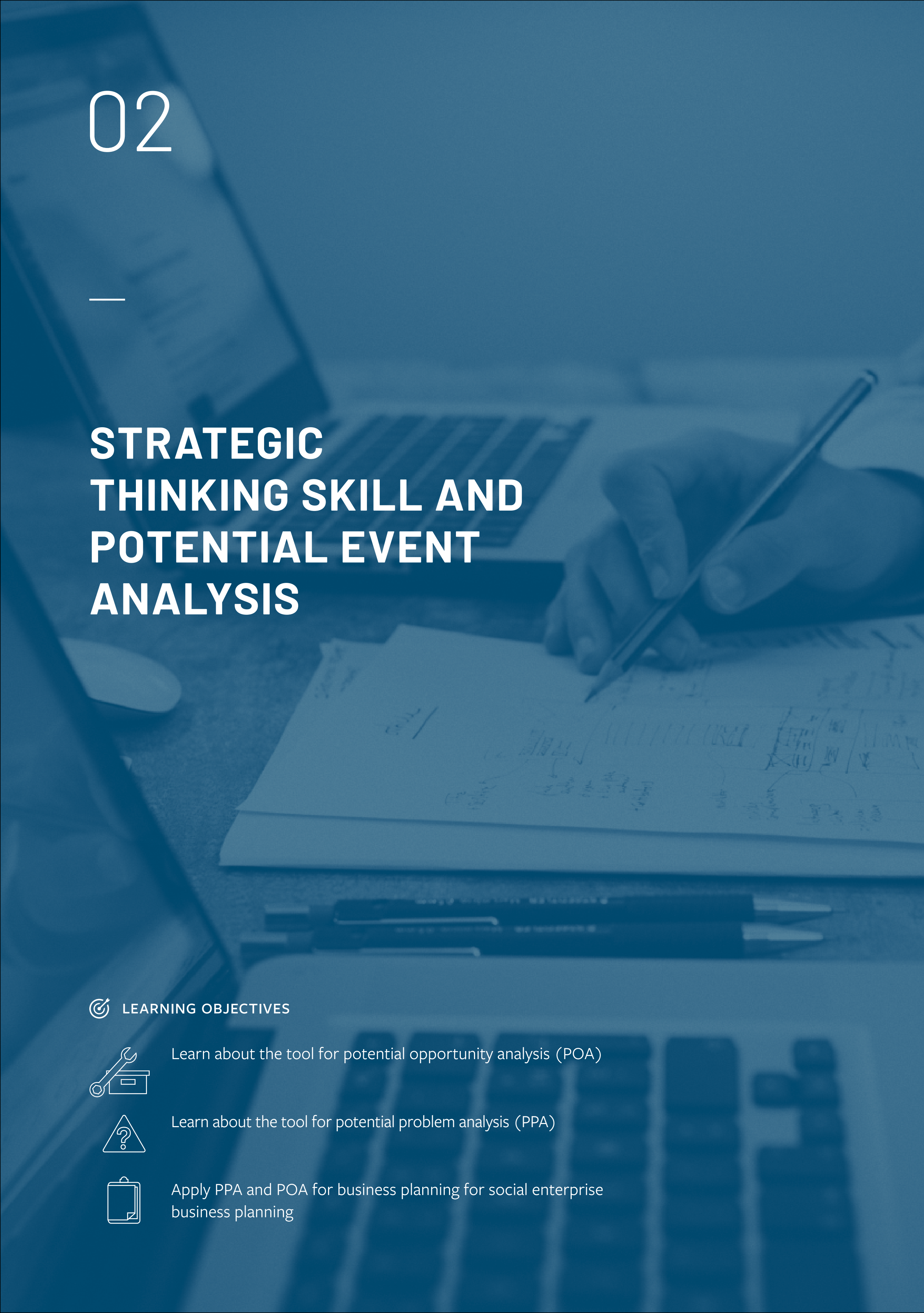
PART 1

PLANNING



02

STRATEGIC THINKING SKILL AND POTENTIAL EVENT ANALYSIS

LEARNING OBJECTIVES

- Learn about the tool for potential opportunity analysis (POA)
- Learn about the tool for potential problem analysis (PPA)
- Apply PPA and POA for business planning for social enterprise business planning

Introduction

Business planning involves strategic thinking which can be viewed as a special kind of planning under uncertainty and for an uncertain future. This kind of thinking involves the formulation of problem and opportunity identification. These processes are crucial in running social enterprises because of the complexity, open-endedness and novelty involved in the production of profits and social impacts at the same time. Social entrepreneurs very often begin with little understanding of the management of the double bottom line. This chapter provides a simplified planning process in handling the complexity of running a social enterprise.

There are two types of potential events – potential opportunity and potential threat. Opportunity is a kind of future event which is associated with possible benefits. Threat is another kind of future event which is associated with possible losses or damages. *Future* means situations that may happen later. Furthermore, both the future opportunity and threat situations can be anticipated by two attributes, namely the magnitude of their impact (I) which refers to the consequences brought along with a situation. Another attribute is the magnitude of probability (P) that refers to the likelihood a situation will happen.

In case of evaluating opportunities, one should list *likely causes* which can create conditions that lead to the advancement of good or positive situations. For each likely cause, one should identify *promoting actions* which can increase the probability of the likely cause. The more these conditions are created, the higher the probability that the good situations can appear, together with the positive impacts which are either benefits or gains. One should also identify exploiting actions which can capitalise on the realisation of good situations to generate more impacts. The results of the *Potential Opportunity Analysis* (POA) are a list of promoting actions, a list of exploiting actions, and a trigger. *Trigger* is a *turning point* mechanism in alerting that potential opportunities can become real. In such a case, one should take actions to maximise the positive impacts.

In case of evaluating threats, one should list *likely causes* which can create conditions that lead to the reduction of bad situations. For each likely cause, one should identify *preventive actions* which can decrease the probability of the likely cause. The more these conditions are created, the lower the probability that the bad situations can appear, together with the negative impacts which are either damages or losses. One should also identify contingent actions which can minimise the loss when the bad situation appears. The results of the *Potential Problem Analysis* (PPA) are a list of preventive actions, a list of contingent actions, and a trigger. *Trigger* is a *turning point* mechanism alerting that potential problems can become real. To prevent the happening of a problem, one should take actions to minimise the negative impacts.

Potential event analysis is a skill that is exercised by using critical and strategic judgment in maximising benefits and minimising losses. By mapping out the potential opportunities and problems, strategic decision-making on resources allocation can be effectively made. This is an important part of business planning that helps anticipate the occurrence of short-, medium- and long-term events.

The purpose of the potential problem analysis is to protect the future. But most people tend to be reactive instead of proactive. The purpose of the potential opportunity analysis is to create the future or to capitalise on the future. Most people tend to focus on negative events or development and ignore the positive events or development.

In our daily life, we will try to realise opportunities and avoid threats through anticipating opportunities and creating these events. But we seldom use likely causes as a handle to generate more promoting actions or preventive actions. With more promoting actions, the probability of the occurrence of potential opportunity increases. With more preventive actions, the probability of the occurrence of potential problem decreases. Similar approach may be adopted when we use the impacts as a handle to generate contingent actions or exploiting actions.

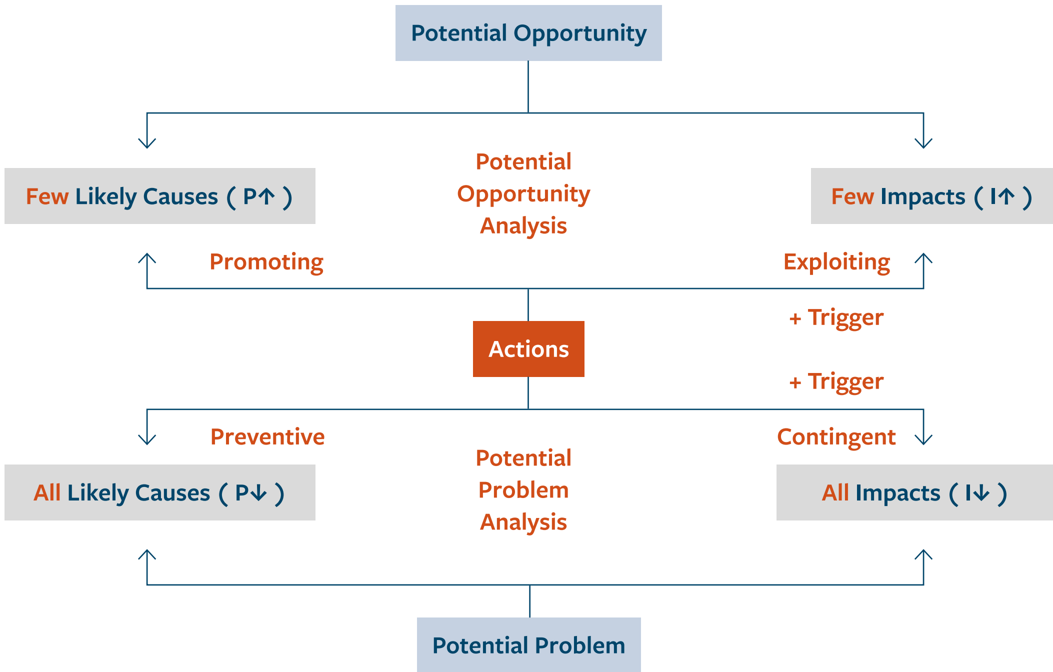


Figure 2.1 The model of potential event analysis

Our mind cannot hold several ideas at the same time. Hence it is important to have a template which allows us to write down our ideas. This is called visualising thinking. Once we can register ideas on a template, we will generate more ideas. Moreover, the usefulness of a template is to allow the logical relationships among the components to be visualised and generated. On the other hand, you can share the ideas with other people who can then provide feedbacks and advice on how to improve the ideas. Using a form, Figure 2.2 shows how to register the relationships among future events, likely causes, impacts, and actions. These four elements form the *Potential Problem Analysis* (PPA) and the *Potential Opportunity Analysis* (POA). The result of the analysis is a set of actions which either influence the probability or the impacts of the future events. All the actions are assumed to be carried out today to create a sense of urgency. Below is a POA template.

Potential Opportunity: ____________________
Trigger: ____________________

Likely Causes	Promoting Actions		Benefits/Gains	Exploiting Actions

Figure 2.2 Potential Opportunity Analysis Template

How to conduct a POA?

There are two levels of analysis. The first level is to prioritise the opportunities. The second level is to analyse the potential opportunities. For example, a young man is going to graduate from a Bachelor of Social Work programme from a local university. His potential opportunities are shown below.

- Take a local MBA programme aiming to become a management trainee in a large corporation.
- Study a Master Degree in Social Work as a stepping stone to getting a PhD and become a professor in a university.
- Set up a social enterprise aiming at becoming a successful social entrepreneur.
- Apply jobs in local NGOs aiming at becoming a professional and passionate social worker.

He can list all the opportunities. The young man can then evaluate the possible options by assessing their potential impacts on his future career and the potential probability of the success rate. By labelling these options with High/Medium/Low projections subjectively together with the priority on a POA template, he will have a much better picture of the likely option he should choose. Then based on this POA analysis, he can prioritise the opportunities as shown in Figure 2.3.

Potential Opportunities after Graduation

Potential Opportunities	Impact	Probability	Priority	Remark
Take a local MBA programme	M	M	2	–
Study Master of Social Work	M	M	2	–
Become a social entrepreneur	H	M	1	Conduct POA
Apply jobs in local NGOs	M	L	4	–

Figure 2.3 Example on how to prioritise potential opportunities

The young man decides to pursue social entrepreneurship because he thinks that it is a meaningful endeavour. The social enterprise can create high impacts in the community as the socially disadvantaged are supported. The success rate of running a social enterprise is around 50–60% (Kee, 2016), which is high comparing it to running a small-medium enterprise (Kee, Kwan & Kan, 2016, p. 66). As a social entrepreneur, to increase the success rate, he may acquire a lot of practical knowledge and skills and develop a social network across the social, public and business sectors.

Based on the priority, a potential opportunity analysis on becoming a successful social entrepreneur can be conducted with the steps shown below.

- Identify the potential opportunity which has substantial benefits and a high success rate.
- List likely causes which can lead to the realisation of a potential opportunity.
- Formulate the promoting actions to increase the probability of each likely cause.
- Set a trigger which alerts that the potential opportunity to be turned into reality.
- Identify the likely benefits or gains caused by the opportunity.
- Plan exploiting actions to maximise the benefits or gains brought by the opportunity.

Potential Opportunity: Become a Successful Social Entrepreneur
Trigger: The business starts to be profitable

Likely Causes	Promoting Actions	Gains	Exploiting Actions
The social enterprise business exceeds breakeven point in less than 3 years	– Take a course on social entrepreneurship – Join an SE platform entity to seek supports and network – Seek incubation fund	Become the key opinion leader of the related social issues	Be active in related conferences to know and to be known. Write articles for print media columns or blogs.
Recognised by others, e.g. media, funders, conference organisers	– Seek exposure by joining competitions, conferences, and apply for different fundings – Compile founder stories and beneficiaries stories (see Ch 8)	Scale-up funding, or funding for new ventures	Get familiar with the different funding schemes managed by the government or corporations (usually offered by their Corporate Social Responsibility Departments) or family foundations
Have significant social impacts	– Hire the socially disadvantaged – Provide training to staff & students – Calculate the equivalent advertisement value[3] from media exposure		

Figure 2.4 Example of a potential opportunity analysis

3 Equivalent advertising value (EAV) is a measurement of the amount of (free) media exposure achieved through public relations efforts such as interviews or press conference by calculating the equivalent (paid) marketing or publicity coverage in those media.

How to conduct a PPA?

Once the young man has decided to pursue his social entrepreneurial career, he is expected to identify the potential problems proactively. The process is like conducting a POA. There are also two levels of analysis. The first level is to prioritise the potential problems. The second level is to analyse the specific potential problems. Below are the steps to prioritise the problems.

- Assess and rate the impacts of the potential problems and the probability of occurrence, by making High/Medium/Low projections.
- Prioritise the potential problems based on the impacts and probabilities.
- Select and conduct the second level of analysis on the potential problems.

Potential problems when running a social enterprise

Potential Problems	Impact	Probability	Priority	Decision
The founder gives up half way	H	H	1	Conduct PPA
Running out of cash	H	H	2	Conduct PPA
Insufficient customers	H	M	3	–
Securing funding sources for the start-up	M	M	4	–

Figure 2.5 Example of how to prioritise potential problems

In this case, the young man knows that his personality is not assertive enough. He has a track record of giving up when put under pressure. Hence, he puts this as the number one priority. The second priority is the short of cash. However, the seed money to set up the social enterprise is not a major concern because the Hong Kong government provides funding to potential social entrepreneurs through different social enterprise funding schemes.

The steps for potential problem analysis are shown below.

- State the potential problem.
- Identify the likely causes which lead to the realisation of the potential problem.
- Formulate the preventive actions against each likely cause.
- Set triggers which alert that the potential problems to be turned into a reality.
- Identify the likely damages or losses caused by the problem.
- Plan contingent actions to minimise the losses or damages brought about by the potential problem.

The potential problem analysis template is shown in Figure 2.6 while PPA examples are shown in Figure 2.7 and Figure 2.8.

Potential Problem: ____________________ **Trigger: ______________________**			
Likely Causes	**Preventive Actions**	**Damages/Losses**	**Exploiting Actions**

Figure 2.6 Potential problem analysis template

Potential Problem: The founder gives up half-way **Trigger: The business is running out of cash**			
Likely Causes	**Preventive Actions**	**Losses**	**Contingent Actions**
No idea on how to run a social enterprise	Take a course on social entre-preneurship	Loss of money	Apply government funding for kicking start the SE
Not sure about my endurance, may drop out	Invite 1-2 friends to be partners for the venture	Loss of time to build job experience	Get a job in daytime. Identify an SE business such as an online shop which can be done at home.
Not sure about my passion on helping the vulnerable	Visit a few social enterprises to obtain first-hand insights		

Figure 2.7 Example 1 of a potential problem analysis

Another PPA on the issue of running out of cash is shown below.

Potential Problem: Running out of cash **Trigger: Cash on hand**			
Likely Causes	**Preventive Actions**	**Losses**	**Contingent Actions**
High fixed cost on salary	Hire retirees with minimum base pay plus stock options	No cash to pay rentals and salaries	Invite new investors
High rental costs	Avoid those businesses which need a shop, such as on-line sales, local or overseas tours, or workshops which can rent space deal-by-deal		Ask for director loans
			Set up a charity organisation to receive donation

Figure 2.8 Example 2 of a potential problem analysis

The analyses of potential opportunities and problems can be integrated in business planning. By doing so, the success rate can be higher than just using one of the two potential event analyses. Figure 2.9 below shows the key elements and their combination in mapping out the opportunities and problems that may happen in your future business or your future operation. The elements, including likely causes, exploiting actions, promoting actions, preventive actions, and contingent actions can be the business drivers which can influence the success rate.

The potential problem analysis handles the threats in the analysis of the key elements of *strength, problems, opportunities and threats* (SPOT)[4]. The potential opportunity analysis handles the opportunities in the SPOT analysis.

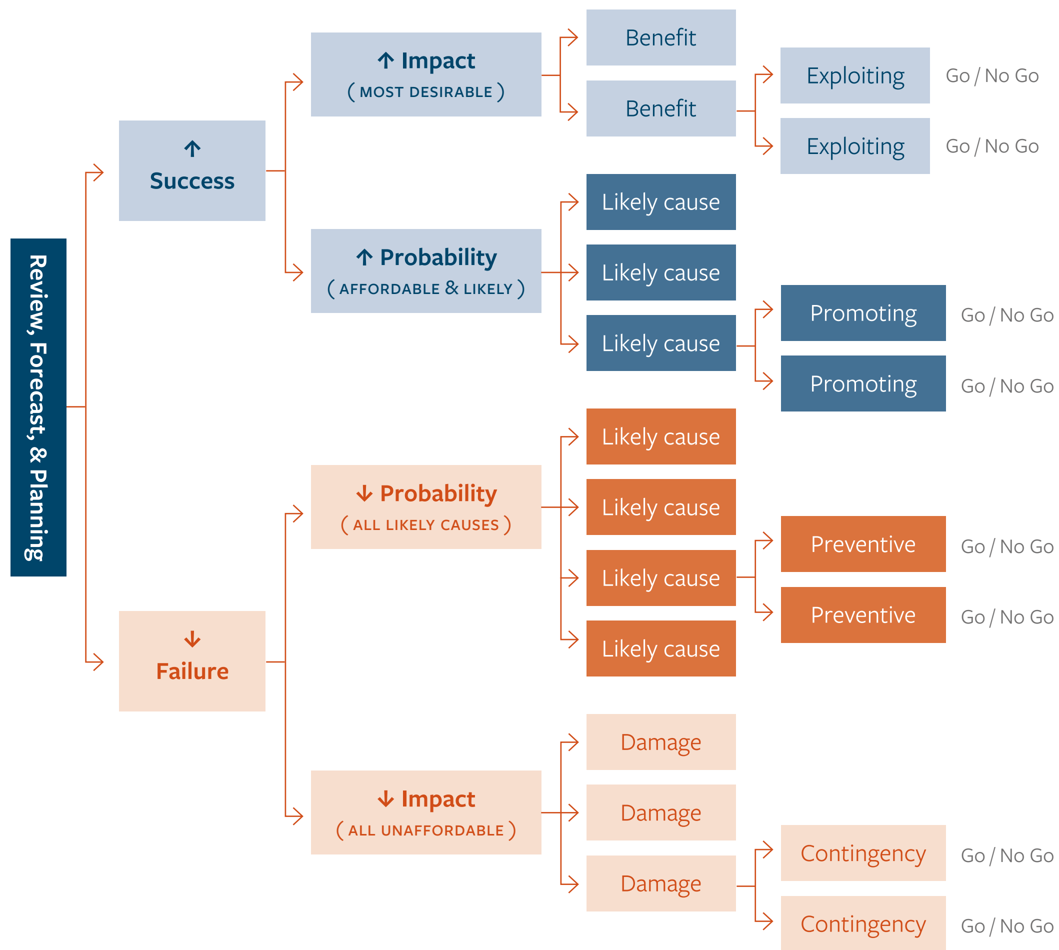


Figure 2.9 A combined model of Potential Opportunity and Problem Analyses

Entrepreneurship scholars (Gompers, Kovner, Lerner, & Scharfstein, 2008) found that the success rate of a first start-up was about 18%. If a first startup is successful, the average success rate of the second startup is 30%. The success rate of subsequent startup is also around 30%. The possible reason is that the entrepreneur can only influence one third of the factors related to success.

4 SPOT Analysis means Strengths, Problems, Opportunities, and Threats. It is the same as SWOT Analysis except that Weakness is replaced by Problem.

On the other hand, 82% of the startups will fail. For those who fail in the first startup, the success rate of the second startup is also 20%. That means the failure experience only increases the success rate by 2% in the second startup. If the second attempt also fails, the success rate of the third startup stays at 20%. If the second startup succeeds, then the success rate of the third startup is 30%. This success rate from the Harvard Business School study may not be fully applicable to social enterprises in Hong Kong. In view of the lack of research on business success rate of social enterprise businesses, this is the most relevant study in providing the best reference.

Below is a diagram showing the eight elements of a social enterprise business plan. All these eight elements are action items derived from potential problem analysis or from potential opportunity analysis. The original list of actions has more than eight items. But only eight are selected because of their impact and probability.

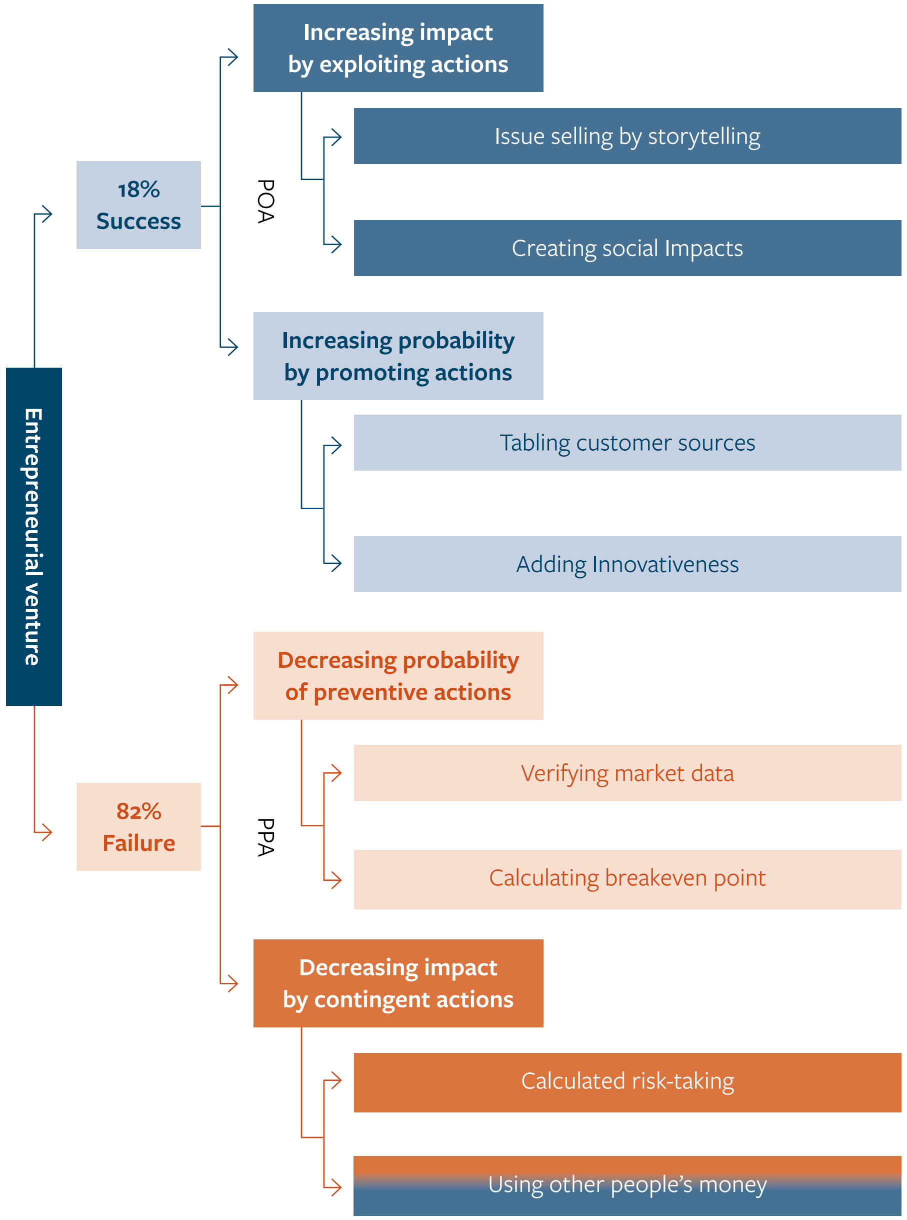


Figure 2.10 Stages of potential event analysis

Using other people's money The greatest loss due to a business failure is attributed by the loss of money. The contingent action is financing the startup business using grants rather than one's savings.

Calculating risks This is applying decision analyses before committing to fixed costs like rental, wages, or expansion of the business. One of the considerations is whether the damage or loss caused by the risks is affordable or not. Another consideration is whether there are other affordable alternatives. For example, instead of paying employees' fixed wages, it is better to pay basic wages plus commission based on the turnover generated by the employees.

Estimating breakeven point Most business plans fail because they just make a fuzzy guess on the breakeven time and are usually suggested without any supporting evidence. Hence the vetting committee does not have any confidence on such kind of claims. A calculation of the breakeven time based on data collected from market research will be an unexpected good 'surprise' for vetting committee members.

Collecting market data Another likely cause that leads to the funding application failure is the wrong guesses for product pricing and the number of customers. Any pricing or customer claims or projections require market data to validate.

Introducing innovativeness Innovativeness is always welcome in any funding application proposals. One of the reasons is that the innovative elements can attract media coverage which in turn is a sign of approval. Disruptive innovation is rare. But incremental innovation is not difficult. For example, the total customer experience from entering the shop to departing from the shop can be improved by identifying the added values in the touch points (See definition in Chapter 6, p. 61) so that customer has a good impression formed. However, the challenge is that the improvement may not be huge. Hence instead of explaining the innovative idea, it is better to support the innovative claim by presenting the data collected from the prototyping event.

Tracking customer sources This is an application of the potential opportunity analysis on attracting new customers from different sources, such as personal social network, referrals from friends of friends, promotion in social media, distribution of leaflets, and other means. Then the rate of repeated customers should be calculated to check whether the total number of new customers and repeated customers is sufficient to meet the operation breakeven.

Creating social impacts Most applications for social enterprise funding do not forecast their social impacts. One of the possible reasons is that they do not know how to calculate social impacts. As a reference, applicants may want to know that the aggregated social return on investment (SROI) ratio. The SROI ratio of both the Enhancing Self-Reliance through District Partnership and the Enhancing Employability of people with disability through Small Enterprise grants is about 1:4.5. That means for every \$1 invested, the aggregated impacts generated for the beneficiaries is HK\$4.5, mainly in the form of wages.

Issue selling by storytelling Generating and telling stories of the social impacts created by a social entrepreneur is the best way to arouse attention towards the issue the enterprise is addressing. Moreover, it is the best way to evidence the success of the solutions. Storytelling together with the social impact evidence speak for the socially disadvantaged to show that their needs can be addressed if concerted efforts could be dedicated to fulfill their needs. Stories of business model prototypes can also be good stories although social impact evidence may not be readily available yet. The pilot tests launched during the prototype stage by social entrepreneurs can be compiled into stories to show the receptiveness of the beneficiaries towards the interventions being applied.

The eight suggested actions discussed above are able to promote opportunities or prevent problems. To sum, the three stages of potential event analysis are repeated as a reminder:

- The first stage is the potential opportunity analysis of how to get sufficient number of customers willing to pay for the price of the product so that the business can reach operation breakeven within a reasonably expected period.
- The second stage is the analysis of the potential problems encountered when running the business.
- The third stage is the analysis of the contingent actions in case of business failure. Moreover, the analysis of the possible exploiting actions for securing potential business opportunities.

Conclusion

In Sunzi's 'The Art of War', there is a famous strategy of 'know your enemy just as well as you know yourself'（知己知彼）. If we could apply this strategy in preparing your business plan, it involves knowing the funders and matching their expectation with the way you present your business plan structure. Funders respect the social mission in addressing social issues which answers the 'what' question. However, their attention and interest dwell a lot in 'how' and 'how long' will your business model be able to break even. This is important because they are eager to know whether your business plan can be pragmatic enough or financially viable enough to tackle the social issue in a sustainable manner.

All funders prefer to fund sustainable projects to show that they are funding projects which show viability and worthwhile efforts. Therefore, prepare the business plan in such a way that optimises all opportunities and minimises all risks so that your business model can persuade all funders, community volunteers, professionals and corporate sponsors to be drawn to your social enterprise idea.

DISCUSSION QUESTIONS

01 What potential problems may happen if you pursue social entrepreneurship? What preventive actions will you take? What contingent actions will you plan?

02 What potential opportunities may happen if you pursue social entrepreneurship? What promoting actions will you take? What exploiting actions will you plan?

03 Why do most people tend to be reactive instead of being proactive?

Reference

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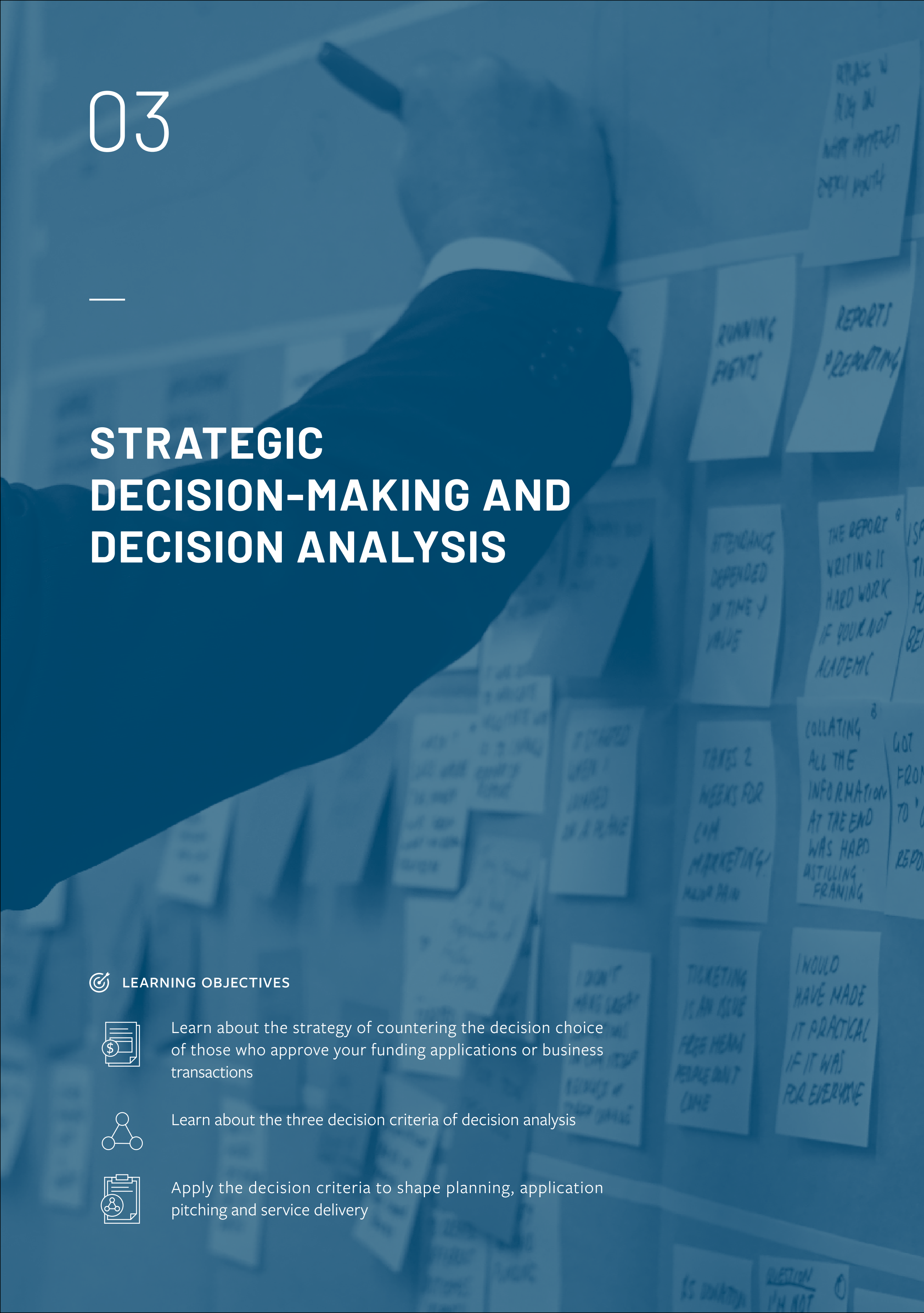

03

STRATEGIC DECISION-MAKING AND DECISION ANALYSIS

LEARNING OBJECTIVES

- Learn about the strategy of countering the decision choice of those who approve your funding applications or business transactions
- Learn about the three decision criteria of decision analysis
- Apply the decision criteria to shape planning, application pitching and service delivery

Introduction

The decision-making process is a mind game. It is also a game of rationality. This game very often involves knowing the minds of one's significant others, such as supervisors, funders, customers, or competitors. The purpose of decision analysis is to analyse the situation to find out alternatives and values. It involves problem structuring and evaluation. If the analysis can be visualised as a diagram on a slide, then the solution can be operationalised using visualised thinking. Sometimes, the processes can become more apparent using visualised thinking. Once visualised, the thinking process can be examined and improved. When compiling a social enterprise business plan, many decisions can be better made through visualised thinking. This is a thinking skill that this chapter will cover. An illustration will be provided after the concept and the decision criteria have been explained.

Countering the thinking or strategy of the significant other(s)

If the decision-making process of person is analysed and presented as a visual graphic, then one can identify the *handles* to influence the decision. These visual handles can be the key drivers that lead to possible outcomes or consequences. The application of visualised thinking is an alternative way of exercising rationality. It is quite common when one wants to:

i. win in a competition by influencing the panel judges' impression on one's business plan,
ii. succeed in asking for funding by addressing the donor's purpose and the corresponding social impacts to be created,
iii. succeed in selling shares to investors that expect a high probability to earn an attractive return on investment, or
iv. convince a consumer to buy the product or service by addressing their needs, desires, and fears.

The three types of criteria in decision analysis

Exercising rationality in decision analysis is a conscious and slow information processing process. Before one can construct a good business plan to apply for funding approval or seek investors' funding commitment, one speculates the decision criteria and processes of the other parties. When one knows the criteria and processes, one may then formulate actions to influence the mind(s) of the other party(ies). This approach is similar to the Sunzi's 'enemy strategy' as quoted in Chapter 2. If you want to win, you counter your enemy's strategy by knowing in advance what he or she thinks. However, in this case, the funders, investors and customers are not your enemies but your supporters. Yet, you need to explain the measurable social impacts and the sustainable financial approaches that you will deploy.

The decision criteria can be grouped into three types. The first criterion is the *Must* which is the minimum necessary requirements that the ultimate decision choice must have. To fulfil this *must* criterion, one should do some groundwork by talking to previous applicants, relevant administrators or investors. For example, the typical basic expectation of funding panel looks for sustainability and feasibility of the proposed business model.

The second criterion involves those requirements that are nice to have. These are called the *Want*. The *want* criterion can be *innovativeness* in the social solution or the product offering. The more the alternatives are offered to fulfil the want consideration, the more that reflects an entrepreneur's creativity which is highly valued in a product or a service offering that surprises a customer.

The third criterion is the *Fear* or the *Regret* that a decision maker prefers to avoid.

This is because the experience of regret is generally a consequence of poor judgment which reflects negatively on the image of the decision maker.

Using a daily decision-making situation by integrating the three criteria, let's take the sample of choosing a restaurant. As an example, when one chooses a restaurant for dinner, one would like to fill up one's stomach. This is a *Must*. But it will be nice to have a comfortable and quiet environment, with delicious food, good services and very affordable price. The *fear* is that the hygiene is not up to standard.

The steps of decision analysis shown on the corresponding template is given below in Table 3.1.

- State the decision, which needs to be concise, such as *Action + Qualifier + Object*. Put it in the top box called *Decision Statement*
- List all the objectives in the column named *Criteria*. Then classify them into *Must* and *Want* in the column called *Weight*.
- Generate alternative options.
- Screen the options by the *Must* criterion and decide whether the option should be kept or not.
- Rate the performance of the options against the *Want* criterion
- Develop the potential problems of the options in the row called *Fear*. After putting in the keywords for the potential problems, rate the potential problems with *High, Medium, Low*.
- Balance performance and potential problem in order to make the best choice.

The output of the decision analysis is a table, or a matrix, which externalise the thinking process on how the decision is being made.

Decision Statement					
Criteria	**Weight**	**Option A**	**Option B**	**Option C**	**Option D**
Objective	Must	Go / No Go	Go / No Go	Go / No Go	Go / No Go
Objective	Must	Go / No Go	Go / No Go	Go / No Go	Go / No Go
Objective	Want (H)	Score	Score	Score	
Objective	Want (M)	Score	Score	Score	
		Weight Score	Weight Score	Weight Score	
Fear		H / M / L	H / M / L	H / M / L	
Choice					

Table 3.1 Decision Analysis Template

Application of the decision analysis skill in business planning

The business planning process involves the entrepreneur to choose the right alternative for different aspects of the business. These include the type of business, marketing position, customer segment or the financing method. The decision analysis skill might help social entrepreneurs, at different stages of the business planning, in making sensible choices.

At the initial stage, an entrepreneur may face decision points for the following business aspects:

- What is the social problem to be addressed?
- Who is the beneficiary group of the social enterprise?
- What type of business will be launched in solving the problem?
- Who will be the shareholders?
- Where is the location of the business?
- What is the size of the business in terms of the financial investment?

Decision Statement: Select the type of business					
Factors to be considered for deciding the type of social enterprise business	**Maximum Score for the factor**	**Option A Auto Service Centre**		**Option B Hair Salon**	
		Description	**Score**	**Description**	**Score**
Initial setup cost	20	$2,000,000	6	$600,000	20
Number of apprentices	10	4	10	4	10
Wage of the apprentice	10	$8,000	8	$11,000	10
Training duration	10	42 months	3	18 months	10
Wage after graduation	10	$15,000	8	$20,000-$30,000	10
Annual revenue	10	$4,000,000	10	$3,000,000	10
Annual profit dollar	30	$200,000	30	$100,000	10
Total Scores			75		80
Risk		Sunset business		Good stylist will leave	
Decision		This is not the best choice		**This is the choice**	

Figure 3.1 Decision analysis for selecting the type of business

After deciding on the basic parameters, a market research should be conducted to collect data and to conduct analysis to make the business plan more solid. This is the second round of decisions.

Based the market survey on consumers, suppliers, and competitors, there should be decisions on the product design and positioning.

The targeted market segment, value proposition, and promotion strategies should also be designed.

The third round of decision analysis would be conducted for securing funding. Some of the possible avenues for finding seed money include self-financing, finding investors, or applying for government grants.

When applying for funding and grants, the different alternatives include 3E[5], ESR[6], SIE Fund[7], or the Funding Scheme for Youth Entrepreneurship in the Guangdong-Hong Kong-Macao Greater Bay Area[8].

5 Enhancing Employment of People with Disabilities through Small Enterprise
6 Enhancing Self-Reliance Through District Partnership Programme
7 Social Innovation and Entrepreneurship Development Fund
8 The Funding Scheme for Youth Entrepreneurship in the Guangdong-Hong Kong-Macao Greater Bay Area is under the Youth Development Fund

Decision Statement: Select the funding source							
Factors to be consid-ered for deciding on the type of SE business	**Maximum Score for the factor**	**Option A Stock subscription**		**Option B ESR**		**Option C 3E**	
		Description	**Score**	**Description**	**Score**	**Description**	**Score**
Only employ non-disabled	Must	Can be either disabled or not	6	Can be either disabled or not	Yes	Must be disabled	No
Can raise $1,000,000	30	6-7 investors	10	$1.5M	30		
Funders' added value	20	Business skill	8	Government brand	20		
Report to funders	20	Annual	3	Quarterly	7		
Workload to raise fund	20	medium	8	bureaucratic	10		
How will the fund be paid	10	upfront	10	Within 3 years	5		
Total Scores			90		72		
Risk		Dispute among funders		Too many reports			
Decision		**This is the choice**					

Figure 3.2 Decision analysis for selecting the source of funding

Conclusion

First, decision analysis is different from decision making. The latter is an action in choosing from alternatives, which may be conducted by a lot of conscious thinking, or by automatic decision driven by personal feeling or preference. The analysis process needs to consider prudently different meaningful components such as decision statement, objectives, options or alternatives, weighting, must, want, fear, screening, scoring, and balance. This list of ten components is to ensure that the consideration is comprehensive. For example, most people will not differentiate objectively which should be *must* and which should be *want*. Another factor which is often ignored is the *fear* that is related to the risk.

Second, novice learners who applies decision analysis will find that they are better informed before their decision-making. Or if it is a group decision, that means, there are many decision makers, then a rational approach is even more useful. Moreover, experienced users can apply decision analysis to analyse their significant others, including customers, supervisors, and funders. What is the must, want, and fear of the other? How will they rate the available options? That means an experienced user will analyse other people's minds in order to offer the matching solutions. This approach will bring about a better success rate. The result of decision analysis is a matrix as shown in Figure 3.2.

Third, the result of potential opportunity/problem analysis is a list of actions. During the process of selling products or ideas, the experienced user of these two analytical tools will formulate an action plan to change. Using the same ten components to analyse the minds of the significant others will help structure preparation and presentation to these stakeholders successfully.

Finally, all these tools on decision analysis and potential opportunity/problem analysis require the users to exercise flexibility. The users, especially experienced users, can substitute some of the components of the tools, combine the tools, adapt the way in using them in different situations, modify the steps, the templates, or the labels, put the tools in selling, negotiation, competition, or eliminate some of the components. Users should use these tools in a clever and adaptive manner.

DISCUSSION QUESTIONS

01 In Figure 3.1, what is the annual social return on investment of the Auto Service Centre and the Hair Salon? What is the financial return on investment of Auto Service Centre and the Hair Salon?

02 If you were a socially disadvantaged youth, which social enterprise will you join? Why?

03 If you are one of the potential shareholders of the two social enterprises, where will you place your investment? Why?

04 In Figure 3.3, if you will employ the physically disabled or mentally disabled, what kind of extra efforts do you anticipate you will have to give?

04

INNOVATIVENESS AND PRODUCT DESIGN

LEARNING OBJECTIVES

- Learn about how corporations arrive at innovativeness
- Understand the business aspects that innovation can be integrated
- Apply and practise coming up with new ideas as an innovation

Introduction

Innovativeness is the ability to create the impression of being new, effective, and out-of-the-box. When Professor Peter Swann, the author of the book *The Economics of Innovation,* described that 'innovation is the successful exploitation of new ideas' [9], he meant only those new ideas which could reap financial benefits were regarded as innovative. Along that logic, those new ideas which lead to financial loss are regarded as innovation dump. In other words, if the results can bring financial returns, the newly implemented ideas are profitably innovative. In the commercial world, companies are looking for innovations so that they can gain higher returns. As business executives, the authors have witnessed different approaches in seeking improvement or innovative solutions for a corporation's strategic development. These approaches are briefly discussed in the following section.

How do corporations arrive at innovativeness?

In the 1970's, the Japanese total quality management (TQM) movement developed a 'plan-do-check-act' cycle with the aim to achieve continuous improvement. The *planning* stage consists of several steps including stating the problem; understanding the problem through developing the process flow chart, brainstorming, creating fish-bone cart, pareto diagram and other TQM tools; identifying the most probable causes; and developing the improvement plan. TQM is problem-driven. It aims at arriving at the best solution. The subsequent series of *'doing' 'checking' and 'improving'* are connected steps in providing a *trial-and-error* mechanism which facilitates continuous improvement. This was an early mechanism of arriving at the best outcomes for complicated work processes. However, as business problems become more complex, design thinking emerges as a systemic way that starts off with deeper understanding to serve human needs better.

Herbert A. Simon in his 1969 book The *Sciences of the Artificial* put forth the three stages of rational decision-making: Intelligence, Design, Choice (IDC). The IDC model inspired the gradual development of the *design thinking* concept that appeared later. According to Simon, the first stage is called for the cognitive ability of imagination. Then with the design creation and finding of the best choice based on testing, the right product can be formulated to meet the need of clients or stakeholders.

Imagination refers to a sense of reality, which is not currently present, constituted and expressed through textual or visual presentation. There are different ways that can foster imagination. One way is to gather insights through conducting market studies, understanding user experiences, and ideas generating through techniques like *SCAMPER* [10]. Market studies include surveying and benchmarking customer service standards, prices or operation conditions of competitors or similar suppliers. Another type of study is to use 'mysterious customers' to acquire the actual experience of users. The third type of study is to deploy user surveys. If the market leader (leading operator) can be identified, then any solution which is better than this market leader is innovation. In the next section, the four areas of innovation applied in social enterprise operation will be discussed.

9 Swann, Peter, (2009), *The Economics of Innovation*, MA: Edward Elgar. p. 25
10 SCAMPER, https://www.designorate.com/a-guide-to-the-scamper-technique-for-creative-thinking/

The *design thinking* model presented by Kembel (2009) has an explicit focus on the understanding of the stakeholder needs with empathy. His model is a five-step cyclic model consisting of empathy, problem definition, ideation, prototyping, and testing. The *empathy* stage commences with a stakeholder perspective in seeking for a solution to answer the stakeholder need(s). The last two steps of *prototyping* and *testing* are similar to a trial-and-error approach for fine-tuning. Both the *empathy* and *testing* steps aim at soliciting the stakeholder's requirements and make sure that the stakeholders will like the final product or service design.

The following table summarises the evolution of the innovative solution development adopted and adapted by corporate practices.

Evolution of Innovative Solution Development

Domain of Application	New name of Method	Object	STEPS			
			Plan	Do	Check	Act
Total Quality Management	Continuous Improvement	Process	Fish-bone chart Pareto diagram Solution plan	Implement	Check	Improve
Customisation	Design Thinking	Product /Service	Empathy Define Ideate	Prototyping	Testing	
Business	Innovation	Product Process Promotion Profit-Zone	Imagination Market study User experience SCAMPER	Creation	Testing	Commer-cialisation

Figure 4.1 Evolution of innovative solution development

The four business aspects that need innovation

Deliberate problem-solving is an inevitable process in running a social enterprise. One is constantly and consciously aware of paying attention to a certain issue, evoking and utilising relevant knowledge. In situations that call for heuristic problem-solving, exercising conscious effort in creating innovative solutions plays a major role. Innovativeness very often is required in the problem-solving because social enterprises are not following the traditional business pathways. This is because social enterprises have to face different types of business challenges, e.g. employing marginalised beneficiaries as employees, lean management and lack of funding.

Innovativeness can be exhibited in different aspects of a social enterprise business – product design, production process, promotion message, and building a business model, such that each of those listed above can be a story of its own. When solved, each can be an attractive story for the media. Very often, it takes a conscious understanding of a social enterprise operation or the human needs before a solution could be imagined. Imagination is the starting point of innovation but itself is not an innovation. It is only when the innovative idea becomes a product or an artifact, then it can be judged whether it can reap additional benefits or impacts. If yes, then it is an innovation. If not, then it

is only a useless new idea. Therefore, an innovative business model should be tested. An innovative product or an innovative promotion message should be tried by a group of potential users to validate its value. An innovative production process should also be tested on its cost-effectiveness.

An innovative product Fantastic Dream, as a social enterprise that provides event management services, it offers an innovative service offering that can attract teens' participation and online enrolment in a few hours' time. Their events take the form of a seminar which can assemble hundreds of teenagers who like to play electronic games. The teens are attracted to participate because the seminar speakers are *key opinion leaders* (KOL). Fantastic Dream has created an innovative platform with events for teens. It accommodates the crossover interests in electronic gaming and education. While nowadays teens will not join the integrated children and youth services centres (ICYSCs) in their own residential districts, Fantastic Dream can attract hundreds of teens to enroll for its seminars within a few hours. Fantastic Dreams are able to provide an innovative approach in reaching teens and young people effectively while educators and professors find it hard to do so. The latest development is that Fantastic Dream has extended its business to Taiwan and Malaysia.

An innovative production process This example is based on a customer service process design created at the Fullness Hair Salon which provides apprenticeship for deviant youth. The innovation is created in total customer experience (TCE) with salon juniors who are the beneficiary employees. The TCE created at Fullness is a designed customer journey from entering the salon to departure. Along the journey, there are touch points that a customer will form a memorable experience. First, a magazine about the hair salon, in which all the models showing the hair styles are in fact the salon customers. This creates a good impression and prompts an identification in the customers' minds because of the professional demonstrations, with customer models, shown in the magazine. Second, coffee and tea are served with a paper cup with a cover, instead of a porcelain cup to avoid hair dropping into the cup. This gives customer an impression that this is a considerate salon giving attention to details. Third, during the hair rinsing, the junior will discuss the enneagram style of the customer. The customers are surprised at this touch point. It is because for those who are familiar with the enneagram, they know that it is quite complex. They do not expect the junior to know about it. For those customers who are not familiar with enneagram, the junior will explain briefly what it is. Fourth, after the customer pay the service charge, the staff at the salon reception will ask the customer about his satisfaction level and brief reasons for having their experience. The purpose is to let the customer have a rehearsal for referring the salon to their friends. More discussion on customer service management is covered in Chapter 7.

An innovative way in building a prosocial culture An example is the development of Fullness' prosocial culture. The Fullness Social Enterprise Society (FSES) was founded in 2011 and in its first eight years, it had been operating with the mere efforts of volunteers. In order to gather funding and to build an altruistic culture, executive committee members at the FSES were recruited as knowledge volunteer but they had to contribute HK$20,000 as a voting member. This practice creates a *giver* culture and a prosocial orientation.

Innovative business model An example is the Sharing Kitchen. It is a crossover of social innovation and sharing economy. At the beginning, the social entrepreneur could not find any funding. It was because the idea of asking restaurant owners to lend their kitchens to grassroot women to prepare desserts and drinks was too out-of-the-box, funding organisations did not believe that it could be realised and therefore rejected the idea.

Fortunately, the founder decided to conduct a pilot test so that a prototype was built and tested. The test results were very positive. Hence the founder went back to the funders with the data collected and convinced the funder to grant the seed money. The development is that Sharing Kitchen has scaled up its operation to creating a co-cooking space of 6,000 sq ft.

Each of the four cases above creates a crossover of two different or even paradoxical concepts:

- Teenager education × Electronic gaming;
- Total customer experience × Deviant youth;
- Volunteering × Engagement fee;
- Social innovation × Sharing economy;

A paradox consists of two contradicting elements co-existing and if it is successfully tested, it can be a way to create innovation. Initially it looks absurd, impossible, and strange. The contradiction attracts attention, curiosity, and motivation to understand it. But actually, the two contradicting elements exist in different times or spaces or domains. Coming up with an innovative idea using a paradox approach is a challenge to those with a simple mind and linear thinking. With further study, one may discover that there is a hidden wisdom. Former innovation guru, Charles Hampden-Turner has a Dilemma Theory [11] which states that innovation is the resolution of dilemma.

11 Dilemma Theory https://thesystemsthinker.com/learning-through-differences-dilemma-theory-in-action/

SCAMPER [12]

SCAMPER is a technique of creative thinking. It is considered as one of the easiest and most direct methods. The SCAMPER technique is a cognitive integration of new and existing ideas or experiences to recreate a new concept. The table below is adapted from https://www.mindtools.com/pages/article/newCT_02.htm to explain how the technique works.

Imagination through SCAMPER						
Substitute	**Combine**	**Adapt**	**Modify**	**Put to other use**	**Eliminate**	**Reverse**
What materials or resources can you substitute or swap to improve the product?	What would happen if you combined this product with another, to create something new?	How could you adapt or readjust this product to serve another purpose or use?	How could you change the shape, look, or feel of your product?	Can you use this product somewhere else, perhaps in another industry?	How could you streamline or simplify this products?	What would happen if you reversed this process or sequenced things differently?
What other product or process could you use?	What if you combined purposes or objectives?	What else is the product like?	What could you add to modify this product?	Who else could use this product?	What features, parts, or rules could you eliminate?	What if you try to do the exact opposite of what you're trying to do now?
What rules could you substitute?	What could you combine to maximise the uses of this product?	Who or what could you emulate to adapt this product?	What could you emphasise or highlight to create more value?	How would this product behave differently in another selling?	What could you understate or tone down?	What components could you substitute to change the order of this product?
Can you use this product somewhere else, or as a substitute for something else?	How could you combine talent and resources to create a new approach to this product?	What other context could you put your product into?	What element of this product could you strengthen to create something new?	Could you recycle the waste from this product to make something new?	How could you make it smaller, faster, lighter, or more fun?	What roles could you reverse or swap?
What will happen if you change your feelings or attitude toward this products?		What other products or ideas could you use for inspiration?			What would happen if you took away part of this product? What would you have in its place?	How could you reorganise this product?

Table 4.1 Checklists for imagination through SCAMPER

12 SCAMPER Method https://litemind.com/scamper

SCAMPER have seven techniques, including (S) substitute, (C) combine, (A) adapt, (M) modify, (P) put to other use, (E) eliminate, and (R) reverse. Each technique has two examples. The second examples as illustrations are related to social enterprises.

Substitute: come up with another solution that is equivalent to or better than the current one.

- Apple developed the Graphical User Interface (GUI) to replace the MS-DOS computer commands. From then on, PC users do not need to learn computer command language.
- Hong Kong Champion Bear sells teddy bear toys to university graduates for taking their graduation photos. The teddy bear toys have substituted flowers at graduation ceremonies.

Combine: add functions to the original functions.

- An example is HP combined printer, scanner, and fax to become a new product called "All-in-one".
- The social enterprise Bully Escape (密 室 欺 凌) founded by four F.5 students who use bullying activities in an Escape Room environment to provide direct experiences of the harming effects of bullying with the aim to raise public awareness towards the issue.

Adapt: identify ways to make the product to fit customer needs.

- Teach for Hong Kong localises Teach for America approach to adapt it in the Hong Kong environment.
- In the social enterprise iEnterprise (大同企業), the disabled-on-wheelchair are trained to be call-centre agents.

Modify: magnify and minify creatively the changes of the products' size, shape, look and feel.

- Hoshin Kanri, a strategy and action matrix, is modified by adding more operation handles to increase its success rate.
- Woodrite (木一番) uses discarded wooden floor to make wooden furniture.

Put to other uses: use a previous product in another setting or industry.

- Pfizer's Viagra was originally a treatment for heart-related chest pain.
- Sharing Kitchen (共 廚 家 作) convinces the restaurant owners to let its grass-root women to use the idle licensed kitchen to prepare their hand-made desserts which were sold in restaurants as consignments.

Eliminate: remove elements from the product that are not valuable.

- Apple's iPods are so popular and successful because the simplified interface is very easy to use.
- Bijas Vegetarian Restaurant (一念素食) is a vegetarian buffet restaurant. It eliminates food waste by charging the customers not a fixed price but by the weight of the food they take.

Reverse: try to do the exact opposite of what you're doing now.

- Potential Opportunity Analysis is doing the exact opposite of Potential Problem Analysis. But both the analysis tools aim at creating a better future.
- Christian Concern for Homeless Association (基督教關懷無家者協會) trains the homeless to be guides to lead visitors to tour around the district which has many homeless people. During each tour, the homeless as the guide is in a privileged position as compared to the visitors. The power dynamic between the visitors and the homeless guides is reversed.

CONCLUSION: A FINAL REMINDER

A good product should have a value proposition. It is a brief argument on the added value to attract customers to buy the product. The value is either cheaper for the same quality, or at the same price but with more values, or it is unique and there is no alternative. Consumers will buy your product if the benefits from the product is worth more than the costs paid. The benefits should satisfy the consumer's needs and desires. The costs should consider both the financial and time costs. This is called the ABC equation:

Added Value = Benefits perceived minus Costs perceived

DISCUSSION QUESTIONS

01 Do you have any experience of using a new method to solve a problem successfully? If yes, describe your experience and the essential steps in creating a new method.

02 Do you have any experience in using a new method to solve a problem but failed? What was your lesson learned?

03 What have you learned from the successful and the failure experiences in creating innovative solutions?

Reference

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05

FINANCIAL MODELING AND CUSTOMER ACQUISITION

LEARNING OBJECTIVES

- Learn about how to calculate the financial breakeven point
- Practise how to evaluate customer satisfaction for enhancing customer repeated patronage
- Understand how to plan for new customer acquisition

Introduction

Building a financially sustainable future for your social enterprise is a crucial consideration before you start your social business. However, very few people who become social entrepreneurs are good at managing money. While money is not the end of setting up a social enterprise, it is crucial for supporting and sustaining the social impacts to be created. This chapter looks at two crucial aspects of financial modelling in running a social enterprise. They are the calculation of the financial breakeven point and the planning for customer acquisition. The linkage between customers and financial planning is the revenue generated by customers' purchases. That explains why a good customer acquisition strategy is essential for realising your financial plan and in meeting the projected breakeven point.

How to calculate the financial breakeven point?

The main problem of new social enterprises is how quickly they can breakeven. The key to breakeven is the number of deals or customers your business can secure.

First, the entrepreneur will calculate the projected number of deals or customers needed per year. To do so, you need to consider four parameters:

The total annual fixed costs and expenses, such as rental and salaries.

The average price (or revenue) per transaction you can gain from a customer. If there are different products with different prices, such as breakfast, lunch, afternoon tea, and dinner, then calculate the average price per deal for all the four types of products. After that, allocate the costs and expenses into the four product types.

The average variable costs related to the deals include material costs and commission to the shopkeepers. The gross profit of each deal is calculated by subtracting price from the related variable costs.

The equation: needed to breakeven

$$\textit{Total annual number of deals} = \frac{\textit{Annual costs and expenses}}{\textit{Average gross profit}}$$

How to evaluate customer satisfaction for enhancing customer repeated patronage?

Then, the entrepreneur who has commenced the launch of a business has to gauge the customer satisfaction. Customer repeated purchase hinges on their satisfaction. Therefore, a customer satisfaction survey has to be designed to collect and analyse the customer feedbacks. Below is a survey example for reference.

Customer Survey

1	Are you a new customer?	No			Yes	
		Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
2	If you are a new customer, why do you come?					
	a. Referred by friends					
	b. Learn from the media / social media					
	c. Support the social mission					
	d. Like the location					
	e. Like the shop environment					
3	Will you come again?	No			Yes	
4	Will you refer our shop to your friends?	No			Yes	
5	If you are a repeated customer, why are you returning?					
	a. Location					
	a. Environment					
	b. Service					
	c. Pricing					
	d. Social mission					
6	How many times have you come over the last 12 months?					
7	How many friends have you referred to come to our shop?					
8	Do you live in this area?	No			Yes	
9	Do you work in this area?	No			Yes	
10	Comments					

Figure 5.1 A customer survey sample

There are a few considerations in conducting customer satisfaction surveys.

Based on the data collected, the entrepreneur will calculate the average duration that customers will come back again. This is called *Repetition Period*. For example, for customers visiting a hair salon, the repetition period is two months. For clients of audit firms, the repetition period is one year.

Then the entrepreneur will calculate the number of new customers in a repetition period. Finally, the percentage of repeated customers in the repetition period could be worked out for financial projection. The number of new customers would be a good reference of the potential growth of the business.

From the survey data collection and analysis, the entrepreneur now has an idea of the repetition period, number of new customers during a repetition period, and the repeated rate of customers. He can use these data to build a financial model on when his shop can accumulate the sufficient number of customers to reach operation breakeven.

Below is a table showing the relationship among the number of new customers in the repetition period, percent of customers who will come again in the next repetition period, the number of repetition period, and the total number of new and repeated customers. Table 5.1 provides an illustration of two businesses and their number of new customers in the sequential repetition periods.

	R=5%		R=10%		R=20%			R=5%		R=10%		R=20%	
P	**N+R**	**R%**	**N+R**	**R%**	**N+R**	**R%**	**P**	**N+R**	**R%**	**N+R**	**R%**	**N+R**	**R%**
1	100	0%	100	0%	100	0%	1	252	0%	252	0%	252	0%
2	105	5%	110	9%	120	17%	2	265	5%	277	9%	302	17%
3	110	9%	121	17%	144	31%	3	278	9%	305	17%	363	31%
4	116	14%	133	25%	173	42%	4	292	14%	335	25%	435	42%
5	122	18%	146	32%	207	52%	5	306	18%	369	32%	523	52%
6	128	22%	161	38%	249	60%	6	322	22%	406	38%	627	60%
7	134	25%	177	44%	299	67%	7	338	25%	446	44%	752	67%
8	141	29%	195	49%	358	72%	8	355	29%	491	49%	903	72%
9	148	32%	214	53%	430	77%	9	372	32%	540	53%	1084	77%
10	155	36%	236	58%	516	81%	10	391	36%	594	58%	1300	81%
11	163	39%	259	61%	619	84%	11	410	39%	654	61%	1560	84%
12	171	42%	285	65%	743	87%	12	431	42%	719	65%	1872	87%
13	180	44%	314	68%	892	89%	13	453	44%	791	68%	2247	89%
14	189	47%	345	71%	1070	91%	14	475	47%	870	71%	2696	91%
15	198	49%	380	7%	1284	92%	15	499	49%	957	7%	3235	92%
16	208	52%	418	76%	1541	94%	16	524	52%	1053	76%	3883	94%

N The number of new customers in a Repetition Period
P The number of Repetition Period
R The percentage of repeated customers
N+R The sum of new and repeated customers. The formula: [N* ((1+R)^P)]
R% The number of repeated customers over the total number of new and repeated customers

Table 5.1 An illustration of two businesses and their number of new customers in the sequential repetition periods

On the left-hand side of Table 5.1, it assumes that there are 100 new customers in each repetition period. There are three scenarios of repeated purchase rate, 5%, 10%, and 20%. If the total number of customers needed to breakeven is 1,000, then according to the table it can find that the breakeven point will happen between Period 13 and 14.

As a reference, Fullness Hair Salon has on average 126 new customers per month. The repetition period is two months. Hence the number of new customers in the repetition period is 252. If the total number of customers needed is 1,000, then according to Table 5.1, it can find that the breakeven point will happen in Period 16 if the repeated purchase rate is 10%, or between Period 8 and 9 if the repeated purchase rate is 20%.

There are many assumptions taken in this exercise, including the reliability of the customer survey data, the repeated customer will repeat forever, the number of new customers will not fluctuate. Please take heed of these assumptions. Though the final calculated result is rough, it is probably already the best available guess.

How to plan for new customer acquisition?

The entrepreneurs should plan to maximise the sources of new customers in the first year. Below is an example of a fair-trade coffee shop. The total annual costs and expenses are about HK$2,000,000. The average price per cup is HK$30, and the gross profit is HK$27. It needs to sell 202 cups per day in order to reach operation breakeven. The forecasted number of 280 cups is higher than the threshold of 202 cups. That is to build a buffer for potential problems like typhoon or rainy days. The operating hours are from 7 am to 10 pm, that means, 15 hours. Therefore, if it means that the shop needs 14 customers per hour (202 cups/15 hours) including those sit-in and take-away customers.

Source of Customer	Promotional Activities	Forecasted number of customers
Those live or work in nearby areas	Distribute leaflets into the post box of 7,500 families	200 (200 / 7,500 = 2.7%)
Fair Trade's 10,000 supporters	Advertise the coffee shop to those following fair trade pages	50 (50 / 10,000 = 0.5%)
One-time promotion	Distribute free coupons	20
Personal friends, and friends of friends	Organise events to spread the promotion within close networks	10
		280 customer/month

Figure 5.2 Calculation of customer acquisition based on customers reached by promotional activities

Another example is a young ex-offender who sells Korean fashion. She sources from the local wholesalers. This is a sole proprietorship online shop. She just wants to earn HK$20,000 per month to cover her living costs and expenses. She advertises on Facebook and Google. The average price per item is about HK$250 and the gross profit is about HK$150. The number of customers she needs to realise her goal is 133 pieces per month. That is equivalent to attaining four to five transactions per day.

On-line Korean fashion store: Initial forecast on the number of pieces of clothes sold per month

Source of Customer	No. of people covered	Probability	Forecasted no. of piece of clothes	Promotional Activities
Friends, and friends of friends	100	20%	20	Arrange gatherings to exchange ideas
Facebook page	2,000 Facebook friends	5%	100	Advertise on Facebook
Google search			50	Advertise on Google Search
		0.67%	**250 pieces/month**	

Figure 5.3 Calculation of expected sales based on customer acquisition forecast

Finally, we will use Fullness Hair Salon as an illustration for discussion. It was set up in 2004 and has a stable business. The annual revenue is around HK$3,400,000. The average revenue reaped from each haircut is about HK$280. There are about 1,000 customer visits per month, 87% of them are repeated customers. They come from three sources: 30% of the customers are Christians, 30% are supporters of social enterprise, and 40% are those live or work in nearby areas. If an entrepreneur wants to breakeven earlier, then he will find ways to increase the number of new customers or increase the repeated rate. Both of these business directions need innovativeness discussed in the previous chapter to be injected in finding new promotion strategies and customer management.

Conclusion

Money is only a tool for attaining the ends of the social enterprise. It is not the ultimate social end. However, without effective and conscious financial management, the social goal will not be sustainable. This is especially the case in work integration social enterprises because the salary of the beneficiary employees will not be paid. Social entrepreneurs, just like commercial entrepreneurs require timely, accurate and useful financial information in hand if they want to manage their activities successfully. The inability to secure sufficient income through customer retention and acquisition will surely fail not only in the social business but also let down the beneficiaries. This chapter has provided a basic description of the relationship between two practical aspects – financial breakeven and customer acquisition – of financial planning and modelling.

DISCUSSION QUESTIONS

01 How do you acquire intelligence of your potential competitors?

02 How do you gather information about the needs, wants and fears of your potential customers?

03 How can you calculate the number of customers in order to achieve the operation breakeven?

04 How can you estimate the breakeven time to achieve operation breakeven and then investment breakeven?

06

FIVE STAGES OF BUSINESS PLAN DEVELOPMENT

LEARNING OBJECTIVES

- Appreciate an experiential learning process of developing business plans
- Learn about the five stages of writing a business plan
- Practice presenting the business plan in ten minutes

Introduction

A business plan is a written document that contains the current state and the assumed future of an organisation or a future organisation. This is an important document for two reasons. First, it systematically contains and organises the business complexity of the key business offerings, key activities, key stakeholders and the revenue and cost models. Second, its systemic view of explaining the future business rationale and operation can help you start to attract resources from funding, expertise, personnel, networks for you to reach the markets (both commercial and social). It provides the content and logic for you to pitch for funding in front of investors and grant panels. Therefore, this chapter will take you through the five stages of developing a business plan and the steps of delivering the elevator pitch version of your business plan.

An experiential learning process of developing business plans

In many ways, starting a new business is similar to going into a battle, whereby the entrepreneur must allocate sufficient resources and a viable strategy capable of overcoming competitive and hostile challenges. Much of what an entrepreneur does is the product of tacit knowledge, which means knowledge-by-learning or learning by experience. It is a kind of informal education which in fact is a life-long process by which every person acquires and accumulates from knowledge, skills, attitudes and insights taken from daily experiences and exposure to the environment – at home, at work, and at play.

Entrepreneurship, like leading and exercising military strategies, is a matter of action learning that involves re-evaluation, adaptation, and revision of activities in a resourceful manner to suit a new environmental contingency. Entrepreneurs are experimenters who make improvement by gathering as many feedbacks as possible. Outcomes very often are difficult to predict and represent decisions that are impossible to be precise. But in Chapter 3, we have suggested that you can create your future by mapping out a scope of events and assess the probability of occurrence. For entrepreneurs who are more experienced, your hunches or wise guesses seem to be easy yet reliable because you can connect all the likely outcomes as you have gone through similar pathways. More importantly, your networks and the connected expertise are the keys to turning your hunches into realities.

To sum, as you accumulate your experience and insights in the field, your ability to produce an effective business plan will be within your grasp. The following section will provide you with a model of how to start from scratch, re-evaluate, adapt and revise your business plan elements until they align with your mission and the market gap you want to fill.

Five stages of business plan development

We are proposing a model of five-stage business plan writing. It includes the (1) outlining of the business plan, (2) organising market research, (3) conducting product design and development, (4) creating social impacts, and (5) improving success rate.

As the five-stage model of the business plan writing is discussed, the sample social issues and its related solutions are presented.

Stage 1: Considering different business offering options

Social problem to be addressed

The social problem to be addressed is the rehabilitation of teenager ex-offenders. The solution is to help them develop job skills so that eventually they can earn more than HK$20,000[13] per month which is the median household monthly income. Moreover, there is an aim to nurture their development of a positive character.

Decision on the type of business

Most teenage offenders are jailed in Cape Collinson Correctional Institution. There are four vocational training programmes within the Institution, including auto services, hair cutting, electrical appliance repair, plumbing, and baking. The purpose of these vocational trainings is to equip the offenders with practical skills so that when they are released, they can enter the job market and to re-integrate into the society.

Figure 6.1 shows the decision analyses of the business offerings before selecting the hair salon in helping the young offenders to rehabilitate. The decision statement is to choose the business offering for a social enterprise. The three most important considerations are social return on investment (SROI), initial setup cost, and the annual total profit. If only counting the social impact of the first six years[14], the accumulative social impact in operating an auto service centre will be HK$2,304,000, and the corresponding accumulative SROI will be 115%[15]. The social impact in operating a hair salon will be HK$3,168,000, and the corresponding SROI will be 528%[16]. In Hong Kong, the average accumulative SROI is 300%.

However, the accumulative profit attained in operating an auto service centre will be HK$1,200,000. The blended financial and social impact will be HK$2,304,000 and HK$1,200,000 = HK$3,504,000. The blended impact in operating a hair salon is HK$3,168,000 and HK$600,000 = HK$3,768,000. In considering the trade-off between the financial profit and social impact, an authentic and morally responsible social enterprise will prioritise social impact above profits. Those who are biased toward Creating Shared Value[17] will prioritise profit above social impact creation. In this case the option of the hair salon is chosen because social value creation is prioritised.

13 Average individual monthly income in Hong Kong https://www.scmp.com/business/article/2160554/nearly-half-hk-flats-rent-us2550-month-70-cent-median-household-income

14 The Hong Kong Government only counts the social impact in the initial six years, though the median life span of social enterprise in Hong Kong is 9.3 years.

15 Auto Service Centre's accumulative SROI is $2,304,000 (4 apprentices × $8,000/month × 12 months × 6 years) / $2,000,000 = 115%

16 Hair Salon's accumulative SROI is $3,168,000 (4 apprentices × $11,000/month × 12 months × 6 years) / $600,000 = 528%

17 'Creating Shared Value' is the name of a Harvard Business Review article published in January 2011. This concept is put forth as a link connecting competitive advantage and corporate social responsibility (CSR) in justifying the CSR practice.

Decision Statement: Select the type of business					
Factors to be considered for deciding the type of social enterprise business	Maximum Score for the factor	Option A Auto Service Centre		Option B Hair Salon	
		Description	Score	Description	Score
Initial setup cost	20	$2,000,000	6	$600,000	20
Number of apprentices	10	4	10	4	10
Wage of apprentices	10	$8,000	8	$11,000	10
Training duration	10	42 months	3	18 months	10
Increased wage after graduation	10	$15,000	8	$20,000-$30,000	10
Annual revenue	10	$4,000,000	10	$3,000,000	10
Annual profit	30	$200,000	30	$100,000	10
Total Scores			75		80
Risk		Sunset business		Good stylists will leave	
Decision		**This is dropped**		**This is chosen**	

Figure 6.1 Decision analysis on choosing the type of business

Stage 2: Conducting market research

Market research involves four exercises including landscape survey on the competitors, mysterious customer survey, existing customer survey, new customer count, and interviewing subject matter experts. The hair salon business continues to be used for discussion as an illustration.

Market Study: Landscape survey on competitors

A market study involves finding out as much as possible about your competitors and searching for any market gaps, which are opportunities. In Figure 6.2, in the column Score, it contains the overall customer satisfaction in a scale of 1-5. There are only two salons scoring 4 and none scoring 5. Therefore, in Sai Wan Ho, there is no salon which can provide excellent user experience.

Market Study: Landscape Survey of hair salons in Sai Wan Ho district

	Salon Name	Address	Operating hour	Price	Seat	Score
1	Zero Salon	Tai Fu Street 50-54, shop 6-7	10:00am – 8:00pm Tue Close	$196	6	4
2	Arts Salon	Shaukeiwan Road 166, 2/F	10:00am – 8:00pm	$135	16	3
3	Hair Club	Tai On Building	11:00am – 9:00pm Wed Close	$130	4	2
4	May Salon	Shaukeiwan Road 168, shop B	9:00am – 6:00am	$118	9	3
5	100% Salon	Hoi Ling Street 8, G/F	10:00am – 8:00pm Tue Close	$98	12	4
6	T Salon	Shaukeiwan Road 108	10:00am – 8:00pm	$92	8	2
7	Change Salon	Shaukeiwan Road	1:00pm – 9:00pm	$88	2	2
8	Cyber Hair	Shaukeiwan Road 170A	10:00am – 9:00pm	$88	2	2
9	My Salon	Saiwanho Street 110	8:30am – 8:30pm	$88	7	3
10	Hair 1 Salon	St Cross Path	9:00am – 8:00pm	$88	8	3
11	I S Hair Salon	Hoi Lee Street 8	10:00am – 8:00pm	$88	7	3
12	Hair Point	Saiwanho Street 137	10:00am – 8:00pm	$85	4	3
13	KHC	Saiwanho Street 100-104 B2	10:00am – 6:30pm	$80	8	3
14	Jenny Salon	Saiwanho Street 135	9:00am – 8:00pm	$68	3	3
15	S 118 Salon	Shing On Street 1-3	9:30am – 9:00pm	$68	10	3
16	Bofu Salon	Tai On Building A33	9:00am – 8:00pm	$65	5	2
17	Beauty Salon	Tai Lok Street 5A	9:00am – 9:00pm	$48	5	2

Figure 6.2 Market Study: Landscape survey of hair salons in Sai Wan Ho

Market Study: Obtain direct user experience as a mystery customer

Another kind of market study is to collect information of the best practices from the best competitors to stimulate ideas for designing customer touchpoints as part of the total customer experience. A touch point is a message or a way a brand impresses its customers who will then choose a particular brand over other options.

Market Study: Going through the User Experience as a Mystery Customer

	User experience	Touch Point	Best competitor / alternative
1	Window Display		
2	Interior Design		
3	Waiting Time		
4	Receptionist's Greeting		
5	Storage		
6	Magazine	**Display Fullness' original hairstyle publication**	Business magazine
7	Drink	**Serve coffee in paper cups**	Choices of coffee/cup
8	Environment	Christian hymns and signs	
9	Hair Rinse		
10	Junior's Interaction	**Talk about Enneagram**	
11	Hair Cut		
12	Dry Hair	**The power plug on the ground**	
13	Stylist's interaction	Record customer's stories in phone book	A good dialogue partner
14	Quality	Tipping individual stylist or junior	
15	Pricing	$180 for Rinse/Cut/Dry	$400 for Rinse/Cut/Dry
16	Payment		
17	Receptionist's Interaction	**Invite comments to prompt possible referral**	

Figure 6.3 Market Study: Mystery customer

The touch points in bold fonts in Figure 6.3 are only applicable to new customers. The practice of recalling customers' stories would exceed customer expectation. A customer would be surprised when the stylist could remember what the customer had said before. This kind of casual talk is one of the ways to maintain good relationship with customers.

Stage 3: Conducting or renewing service design and development

The technical skills of the stylists can be similar because most of them learn the skills from the same academy. The main difference is their communication skills when serving customers. Hence the strategy is to upgrade their interpersonal skills.

Photo (1) is the Fullness Magazine. Photo (2) is the material on how to communicate based on the customer's social style (See Chapter 7 in covering how to use social styles in social interaction). Photo (3) is the training material on Enneagram. Photo (4) is the training material on casual chats.

(1)


(2)

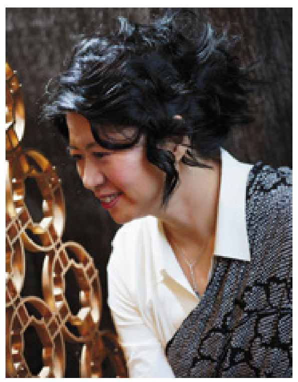

(3)


(4)

Photo (5) is a model who is the salon's repeated customer. Photo (6) are the juniors. Photo (7) is a new customer. Photo (8) is a family who are the salon's customers.


(5)


(6)


(7)


(8)

Stage 4: Creating social impacts

This stage covers the design of the empowerment mechanism and the forecast of the social impacts. We will continue to use the hair salon social enterprise as an illustration.

Empowerment mechanism

To recruit teenager ex-offenders, there are two sources. The first source is through referrals from social workers. The second source is through referrals by the teenage employees.

These teenager ex-offenders are employed as juniors, i.e., apprentices. The apprentice programme lasts for 18 months. Each junior is assigned a mentor who is a hair stylist. They will learn technical skills including washing a customer's hair, applying chemicals for hair treatments, and hair cutting. They will also learn soft skills like how to handle customers. As Fullness Hair Salon is a Christian organisation, there is a bible study class every Tuesday morning and a fellowship every two weeks on Thursday evening.

The whole salon is open from Monday to Sunday except Wednesday so that the employees can participate in group activities on Wednesday. The salon does not open on Sunday mornings so that the employees can go to church or spend time with their families.

The juniors' monthly salary is around HK$10,000 depending on their competence. The hair stylists' monthly salary is within the range of HK$20,000 to HK$30,000 depending on the number of customers they have. Usually the hair stylists are not an ex-offender.

Forecast on social impacts

As stated above, the mission of the Fullness hair salon is to help the teenager ex-offenders to be reintegrated back to the society. Hence the income of the juniors is counted as the social impact.

The social impact ratio is worked out as each dollar spent by the customers, the percentage of that dollar which will become the income of the socially disadvantaged. There are four juniors. Assuming all of them have a monthly income of HK$10,000, so the total income of 4 juniors × 12 months × HK$10,000 = HK$480,000/year.

Social Value Revenue (SVOR) is calculated by dividing the income received by the socially disadvantaged employees with the total amount of revenue. In this case, it is assumed that the annual revenue is HK$ 2 million, and the annual income received by the juniors is HK$480,000. Hence the SVIR is HK$480,000 / HK$2,000,000 = 24%.

If the total investment to set up the hair salon is HK$1 million, then the social return on investment (SROI) is HK$480,000 / HK$1,000,000 = 48%/year.

Stage 5: Success rate improvement

In order to increase the success rate of a social enterprise, a potential opportunity analysis should be conducted to gain more insights, and to conduct a potential problem analysis to reduce the failure rate and minimise loss. Below is an example of a potential opportunity analysis on 'Becoming a Successful Social entrepreneur' covered in Chapter 2.

Potential Opportunity: Becoming a Successful Social Entrepreneur
Trigger: Business starts to be profitable

Likely Causes	Promotional Activities	Gain	Exploiting Actions
The social enterprise business exceeds breakeven point in less than 3 years	– Take a course on social entrepreneurship – Join an SE platform entity to seek supports and network – Seek incubation fund	Become the key opinion leader of the related social issues	Be active in related conferences to know and to be known. Write articles for print media columns or blogs.
Recognised by others, e.g. media, funders, conference organisers	– Seek exposure by joining competitions, conferences, and apply different funding – Compile founder stories and beneficiaries stories (see Ch 8)	Scale-up funding, or funding for new ventures	Get familiar with the different funding schemes managed by the government or corporations (usually offered by their Corporate Social Responsibility Departments) or family foundations
Have significant social impacts	– Hire the socially disadvantaged – Provide training to staff & students – Collect and calculate the equivalent advertisement value from media exposure		

Figure 6.4 Potential opportunity analysis on 'Becoming a successful social entrepreneur'

Below is an example of potential problem analysis on 'Running out of Cash' which has been covered in Chapter 2.

Potential Problem: The founder gives up half-way
Trigger: The business is running out of cash

Likely Causes	Preventive Actions	Losses	Contingent Actions
No idea on how to run a social enterprise	Take a course on social entrepreneurship	Loss of money	Apply government funding for kicking start the SE
Not sure about my endurance, may drop out	Invite 1-2 friends to be partners for the venture	Loss of time to build job experience	Get a job in daytime. Identify an SE business such as an online shop which can be done at home.
Not sure about my passion on helping the vulnerable	Visit a few social enterprises to obtain first-hand insights		

Figure 6.5 Potential problem analysis on 'Running out of cash'

Practise presenting the business plan in ten minutes

You should be well prepared to present your idea to investors in less than 10 minutes – because that may be all you get to convince an investor.

This ten-minute elevator pitch should very succinctly summarise your value proposition and business model in not more than 5–10 sentences.

If the investor gets interested, he/she would probably ask you more questions and invite you for a meeting.

ELEVATOR PITCH PRESENTATION

If you are lucky enough to be called for a boardroom meeting, be prepared to present your idea within 10–15 minutes using a crisp presentation.

Do not use more than 10 slides, not more than 10 minutes of presentation and no font less than 30 in the presentation.

We recommend using the following flow for your business plan presentation.

Slide 1 – Company Purpose

- Introduce your own name and the name of the company.
- Define the company/business in a single declarative sentence.

Slide 2 – Problem

- Describe the pain of a social issue.
- Describe the pain of the customer (or the customer's customer).
- Outline how you address the issue today.
- Outline how you integrate the business offering to solve the social issue.

Slide 3 – Solution
- Demonstrate your company's value proposition will make the customer's life better.
- Show where your product physically sits.
- Provide users' cases.

Slide 4 – Why Now
- Set-up the historical evolution of your product category in the market.
- Define recent trends that make your solution possible.

Slide 5 – Market Size
- Identify/profile the customer you cater to.
- Calculate the total available market, served market size and market share.

Slide 6 – Competition
- List competitors.
- List competitive advantages.

Slide 7 – Product
- Introduce product line-up (form, functionality, features, architecture, intellectual property).
- Introduce development roadmap.

Slide 8 – Business Model
- Explain the revenue model.
- State product pricing strategy.
- Explain the average account size and/or customer lifetime value.
- Explain the sales and distribution model.
- Explain the customer/pipeline list.

Slide 9 – Team
- Introduce founders & management team.
- Introduce the board of directors / advisory board.

Slide 10 – Financials
- Show profit & loss projection.
- Show projected balance sheet.
- Show cash flow.

It is very important to rehearse the presentation very well before you make a presentation. Try to get someone to rehearse with you and give you some feedbacks before you pitch with any potential funders.

Conclusion

This chapter brings you a brutal reality that you need to be the master mind and also the salesperson of your own business plan. Writing a business plan requires a lot of efforts and your strategic mind, passion and compassion. Presenting your business plan requires your practice, energy and persistence to legitimise the issue you want to solve. If you could handle both the writing and presenting well, be prepared that you will have to repeat similar processes down the road as you move from the stages of prototype, start-up to many further scale-up stages. May your experiential journey be a rewarding one.

DISCUSSION QUESTIONS

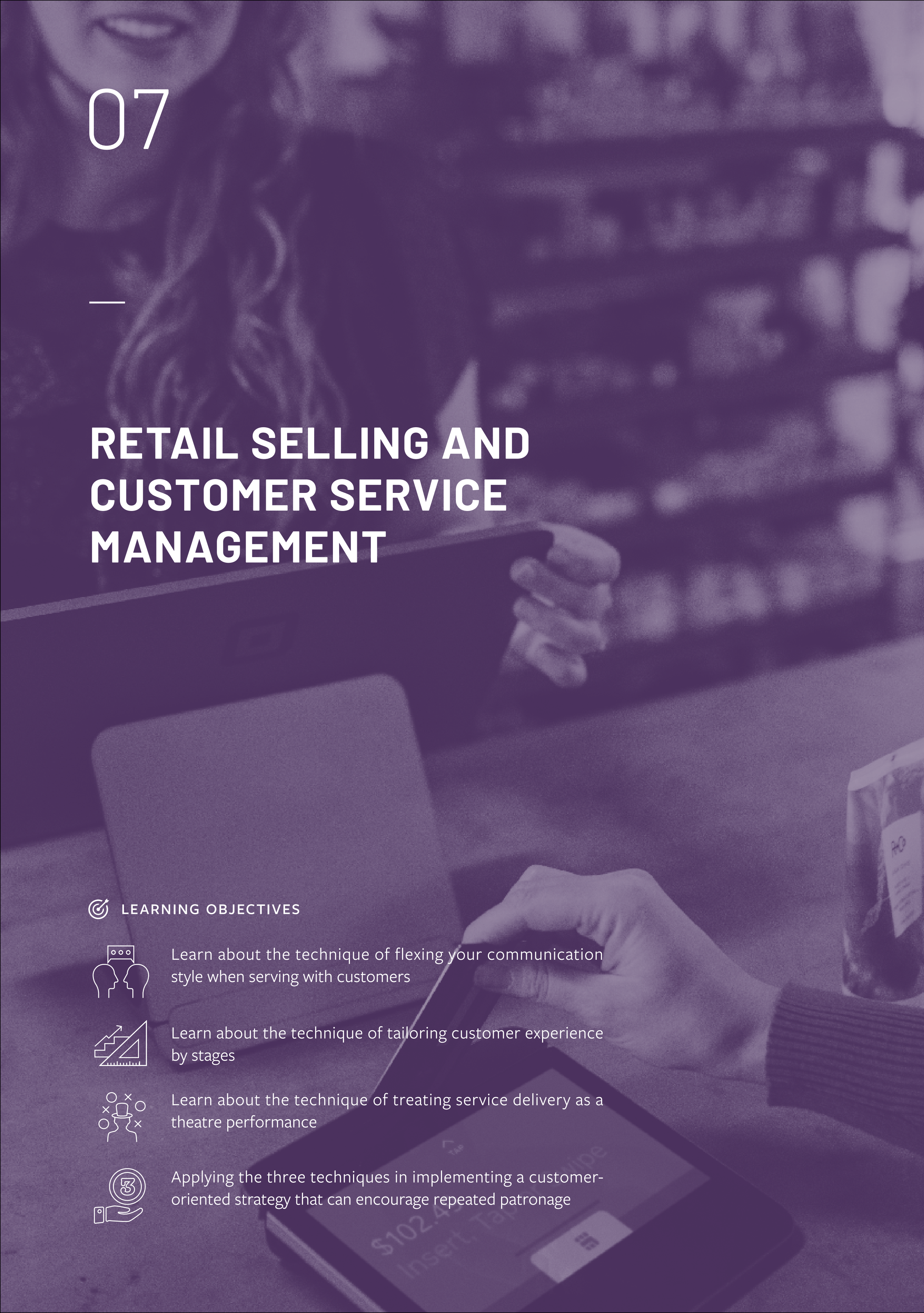
01 Assume that you are going to apply for the government's SIE Fund, please brainstorm as much as possible on what will cause the application to fail.

02 What is your guess on what are the MUST criteria of the vetting committee? What are that nice-to-have elements that the vetting committee will like? What are the potential problems that the vetting committee dislike?

03 How can you increase your success rate?

PART 2

IMPLEMENTING



07

RETAIL SELLING AND CUSTOMER SERVICE MANAGEMENT

LEARNING OBJECTIVES

- Learn about the technique of flexing your communication style when serving with customers
- Learn about the technique of tailoring customer experience by stages
- Learn about the technique of treating service delivery as a theatre performance
- Applying the three techniques in implementing a customer-oriented strategy that can encourage repeated patronage

"Exceptional customer experiences are the only sustainable platform for competitive differentiation."

— Kerry Bodine, Bodine & Co

"Whatever you do, do it well. Do it so well that when people see you do it, they will want to come back and see you do it again, and they will want to bring others and show them how well you do what you do."

— Walt Disney

Introduction

What is customer experience?

A customer experience is a subjective perception of an interactional experience between a business operation and a customer. It is a blend of perception activated by the physical environment, stimulated senses, and the stirred emotions of a customer. If all these are positively formed, then not only does a customer feel satisfied, the experience will be stored in his or her memory that prompts repeated purchase.

This chapter serves to provide three techniques that create, manage and sustain customer experience. The first technique helps you interact with your (new) customers effectively by knowing them within the first five minutes' of encounter. The second technique helps you achieve customer loyalty and retention. The last technique offers a framework to continuously design and refresh a customer service framework that makes your customers feel special.

The basic concept of customer experience creation involves good service delivery. Hence service delivery includes *time-based* performances and fulfilling customers' *'desired results'* or *'solutions'*. Moreover, one basic rule to appreciate is that while customers are not only expecting a transfer of ownership by paying for a product or a service offering, but they also expect to obtain value from access to a variety of value-creating elements, such as convenience, beyond expectation good surprises, or helpful or caring personal touch.

Technique 1 – Flex your communication style when interacting with a customer

Although each customer is different, have you noticed that some of the customers are very similar? Talk to your customers in a way that suits them most. What does this mean? It means that you need to pick up cues that define the characteristics of your customer as soon as he or she walks into your shop or restaurant. If a customer looks shy and uncertain about what he or she wants, speak gently and try to understand his or her needs. Appear friendly and can start a small talk. However, if a customer appears to be in a hurry and assertive, be on your toes. Listen carefully and put forth a recommendation quickly in order not to waste his or her time. What cues should you pick up to match the right interactional style? And how to do that? Yes, you need to identify the right *social style* of your customers first. Then interact with him or her in a way that meets his or her style. This is what we mean by flexing your communication style.

What are *social styles*? Initiated by David Merrill, it is a model that classifies the traits of most people into four styles. There are *driving, analytical, expressive and amiable* styles. In order to build effective interactions and relationships, you want to exercise *style flex*. *Style flex* is doing what is appropriate for the situation by temporarily using some suitable interactional style that matches the communication target. A communication target within a retailing context can be a customer.

The person who uses style flex can read situation accurately and can respond in ways that can attain the service goals. One of these service goals is to create customer satisfaction. You can gauge whether your behaviour is appropriate for the interaction by monitoring the other person's small behavioural cues from facial expression, the way one walks, the first few lines expressed and the stress level in terms of the conversational speed. Showing your appropriate and matching interactional style usually reduces the tension of the other person.

You can also imagine the four social styles as *a lion* (for the *driving style*), an *owl* (for the *analysing style*), a *monkey* (for the *expressive style*), and a *sheep* (for the *amiable style*). The table below summarises some of the traits, behavioural or attitudinal characteristics and present the possible interactional style that matches the respective social style. An exercise is provided at the end of this chapter to help you practise these interactional styles with your team.

Social Styles	Expectation and attitude in consumption	Interaction styles
Driver (Lion)	**Driving Style** people tend not to show their emotions and are often seen as efficient and assertive. They like to act fast but slow to listen.	Serve professional and efficient. Identify their objectives and support and assist them if possible. Don't waste time with small talks. Be efficient and to the point; establish rapport quickly; use facts and logic; focus on results. Provide options so that the customer feels they are in control; use a timeline for expected results.
Analyser (Owl)	**Analytical Style** people are philosophers. They prefer to be well-informed before making decisions. They often ask a lot of questions. They have the need to be affirmed. Their biggest area for growth is making a point to speak their mind.	Respect and support their principles, way of thinking and approach; don't challenge their knowledge of the product or point of view; be systematic, exact and logical; communicate the pros and cons; provide facts, history, data and financial details in a structured and organised format; demonstrate results; use guarantees or warrantees to reduce perceived risks.
Showman (Monkey)	**Expressive Style** people are creative and enjoy sharing their ideas and perspectives with others. They need personal approval, and act with spontaneity.	Focus on relationships and facts; take the extra time to discuss all aspects of the product and company; be energetic; summarise main points; include short, concise stories; give them recognition and approval; appeal to their emotions by asking them how they feel about the product or service; focus on the big picture.
Peacemaker (Sheep)	**Amiable Style** people are focused on relationships. They openly show emotions and are often seen as friendly and warm. Amiable people need personal security, and struggle at taking initiatives.	Establish a personal relationship, discuss personal issues (interests, family, etc.); collaborate with the customer; openly discuss the issues in a conversational format; use personal commitments and specific guarantees; be agreeable; demonstrate low risk solutions; don't take advantage of them.

Figure 7.1 Style Flex Approach

Technique 2 – Tailor the customer experience by stages

Service consumption that contributes to customer experience can be divided into three core stages: 1) pre-purchase, 2) service encounter, and 3) post-encounter. Technique 1 in the previous section addresses the initial interaction of the service encounter. The goal of creating customer experience is a matter of planning, planting and prospecting the actions of customers in advance and *be there* before you customer takes their first and next steps. The purchase and repeated purchase outcomes should be within your reach if you research and work hard enough to shape the different stages of consumption experience. It is difficult to provide a single formula for your implementation. However, the key considerations at each of these stages are discussed to inspire your planning and implementation.

Pre-purchase Stage

A customer's decision to buy and use a service reflects a need arousal. If a purchase is routine and relatively low-risk, one may move quickly to choosing and using a specific service provider. Indeed, many decisions involve simply, replicating previous usage behaviour. However, in situations where the payment or risk is high or one's using a service for the first time, one may be willing to invest time and effort to figure out requirements more precisely, learn about the pros and cons of possible course of action, and identify and assess alternative suppliers. Therefore, your ability in removing the possible risks will help your customer choose your product or service offering in the pre-purchase stage. The following provides a table that lists out the customer perceived risks.

Perceived Risks in Purchasing and Using Services

Type of Risk	Examples of Customer Concerns
Functional (unsatisfactory performance outcomes)	– Will this training course give me the knowledge I need to get a promotion? – Will this credit card give me the best mileage arrangement? – Will the air purifier give me better health?
Financial (monetary loss, unexpected costs)	– Will I lose money if I make the investment recommended by my financial planner? – Could my credit card be stolen if I make this purchase on the internet? – Will repairing my flat cost more than the original estimate?
Temporal (wasting time, consequences of delays)	– Will I have to wait in line before entering the exhibition? – Will service at the restaurant be so slow that I will be late for my doctor's appointment? – Will the renovations to our bathroom be completed before our mom come to stay with us?
Physical (personal injury or damage to possessions)	– Will I get hurt if I go diving at this resort? – Will the contents of this shipping get damaged in the mail? – Will I fall sick if I travel to India on vacation?
Psychological (personal fears and emotions)	– How can I be sure that this Chinese airline will take me safely to America? – Will the consultant resolve the organisational problem? – Will the doctor's diagnosis upset me?
Social (how others think and react)	– What will my friends think of me if they learn that I stayed at this cheap motel? – Will my relatives approve of the restaurant I have chosen for the family reunion dinner? – Will my business colleagues disapprove of my selection of an unknown law firm?
Sensory (unwanted effects on any of five senses)	– Will I get a view of the parking lot rather than the beach from my restaurant table? – Will the hotel bed be uncomfortable? – Will I be kept awake by noise from the guests in the room next door? – Will my room smell of stale cigarette smoke? – Will the coffee at breakfast taste disgusting?

Table 7.1 Perceived risks in purchasing and using services

The next step a customer would do is to find a list of potential suppliers and then weigh the benefits and risks of each option before making a final decision. By this point, a customer has developed some expectations about the nature of the forthcoming service experience and the benefits that one anticipates. Can you put out the right information within the search media of your customer so that he or she will choose your product or service offering? What is the right information? It requires conducting research of your customers in understanding what it ticks for them to commit to a decision. It also requires conducting research of your competitors whom you can beat by offering the right price, promotion or risk-reduction deals.

Service Encounter Stage

After making a purchase decision, a customer moves on to the core of the service experience: the service encounter stage, which usually includes a series of contacts with the chosen service provider. This stage often commences with placing an order, requesting a booking, or even submitting a school application. Contacts may take the form of exchanges between customers and service employees, or impersonal interactions with computers. During service delivery, many customers consciously or subconsciously assess the quality of service they are receiving and deciding whether it meets their expectations. High-contact services usually supply a diverse amount of clues to service quality than do low-contact services.

High-contact services

High-contact service entails interactions throughout service delivery between customers and the organisation. The customer's exposure to the service provider takes on a physical and tangible nature. In high-contact context, the focus is about 'serving people' rather than objects. The operation challenge is to make people feel satisfied or beat their expectations.

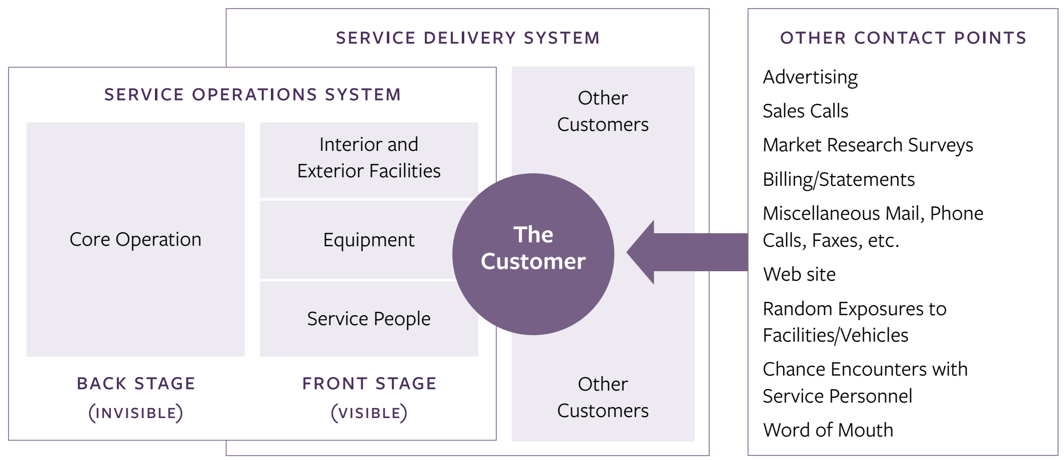


Figure 7.2 High contact services (Source: Lovelock & Wirtz, 2007: 53)

Low-contact services
Low-contact services have little physical contact between customers and service providers. Contacts involve the medium of electronic or physical distribution channels which fits a fast-growing trend in today's high-tech market environment.

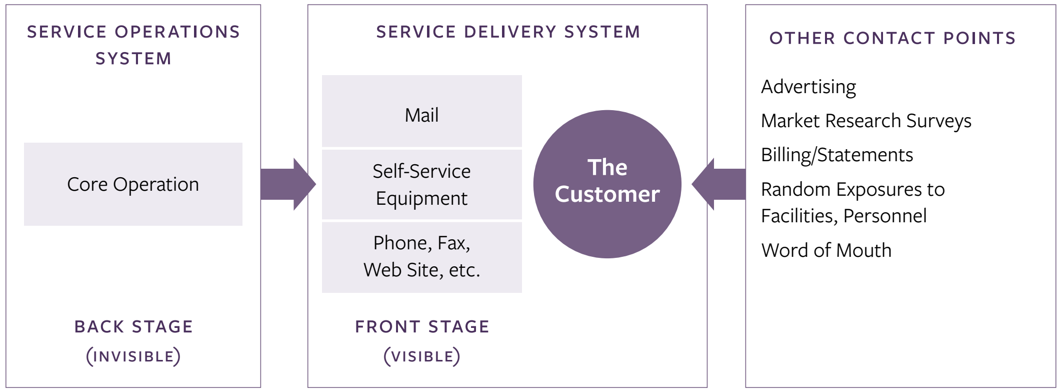


Figure 7.3 Low contact services (Source: Lovelock & Wirtz, 2007: 54)

Post-counter Stage

During the post-encounter stage, customers continue the ongoing evaluation of service quality that they began earlier. Depending on whether their expectations were met, this evaluation may lead them to feel satisfied or dissatisfied with the service experience – an outcome that will affect their future intentions, such as whether to remain loyal to the provider that delivered service and whether to make positive or negative recommendations to family members and other associates.

The three stages of the customer experience is summarised in the following Figure 7.4.

High Contact Services	Low Contact Services		Key Concepts
Can visit physical sites, observe (+ low-contact options)	Can visit physical sites, observe (+ low-contact options)	**1. PRE-PURCHASE STAGE** Awareness of Need	*Need arousal*
		Information search – Clarify needs – Explore solutions – Identify alternative service products and suppliers	*Evoked set*
		Evaluation of alternatives (solutions and suppliers) – Review supplier information (e.g. advertising, brochures, websites, etc.) – Review information from third parties (e.g. published reviews, ratings, comments on web, blogs, complaints to public agencies satisfaction ratings, awards)	*Search, experience, and credence attributes* *Perceived risk*
Can visit in person and observe (possibly best) facilities, equipment, operation in action, meet personnel, see customers (+ remote options)	Primarily remote contact (websites, blogs, phone, email, publication, etc.)	– Discuss options with service personnel – Get advice and feedback from third party advisors, other customers **Make decision on service purchase**	*Formation of expectation* – *desired service level* – *predicted service level* – *adequate service level* – *zone of tolerance*
At physical site (or remote reservation)	Remote	**2. SERVICE ENCOUNTER STAGE** Request service from chosen supplier or initiate self-service (payment may be upfront or billed later)	*Moments of truth* *Service encounters* *Servuction system* *Role and script theories* *Theatre as a metaphor*
At physical site only	Remote	**3. POST-ENCOUNTER STAGE** Evaluation of service performance	*Confirmation/ disconfirmation of expectations* *Dissatisfaction, satisfaction, and delight*

Figure 7.4 The Three Stage Model of Service Consumption (Source: Lovelock & Wirtz, 2007: 39)

Technique 3 – Treat service delivery as a theatre performance

Service delivery involves staging a series of events that customers experience as a performance which directly impacts customer satisfaction. The delivery of service involves the retail associates playing out their roles and interacting with pleasing scripts. The table below is an illustration of how to plan for the sequences from the first point of customer's contact over the phone with a restaurant to the departure from the restaurant. The different stages of customer experience are mapped out with the physical expectations and the emotional expectations of the customers. Exercise 2 at the end of the chapter will request you to craft the scripts for each stage of providing the appropriate customer experience.

Stage	Physical Expectations	Emotional Expectations
Find the telephone number on Openrice of a café to call to make a reservation	The telephone number will be easy to find	Feel excited/anticipation of a nice meal
Make the call	The call will be answered quickly	You are hoping they can get a good table. You are feeling a little concerned
	No contact	Anticipation of a good night
You chat with your friends where you are eating	You describe the restaurant and the dishes to them	Hope that you have made the right choice
You travel to the café	Easy to find	The journey will be pleasant
You arrive at the café and look for a car park	Easy to find	You are concerned for your car's security
You enter the café	You are greeted, the booking is checked efficiently	The waiter will smile and use your name, be welcoming and friendly
You are seated at your table.	It is not next to the front door Waiter introduces him/herself	The environment will be pleasing
You are invited to order drinks	They have what you want	The order will be taken in a pleasant manner
You are given a menu	The specials will sound fantastic but will be expensive	The waiter engages you in an explanation of what is available
Your drink arrives	It is the drink you ordered	The waiter smiles and is friendly
You order your food	The choice is adequate	The waiter engages you in a discussion and is excited by the meal choice
WHITE SPACE – You wait for your food to arrive	Appropriate length of time	It's sufficient time not to feel rushed
Your food arrives	It is the food you have ordered and it looks appetising	The waiter is smiling
You eat your food	Its presentation and taste give you surprises	The sensations are pleasant
You ask for your bill	This is not as important as serving other customers	The waiter smiles and hurries to get the bill
Your bill arrives	It takes an appropriate amount of time to come	You expect it to be good value for money
You pay your bill	The restaurant accepts all means of payment	You will consider it is possible to return to the restaurant again because you're given a 15% coupon for the next meal
You leave the café	You are thanked for coming	You have a warm feeling they liked you being there
You go to get your car	It might be cold walking to the car park	You feel safe

Table 7.3 An example of a restaurant service delivery plan

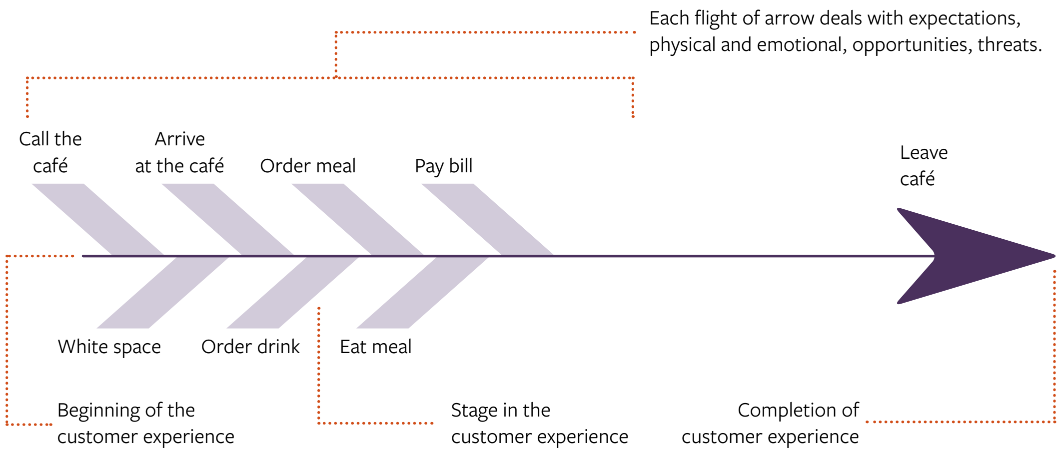


Figure 7.5 A conceptual model of service delivery as service performance

Integrating the three techniques in service delivery

Service delivery requires retail associates to be the core actors in producing the right performance. Very often, social enterprises hire the socially disadvantaged to be the retail associates in order to internalise the externality. Therefore, the customer experience and service delivery management techniques discussed above require a well-planned training in order to provide the customer experience that your customers desire.

3 KEY ELEMENTS THAT BRING SUCCESS TO SERVICE DELIVERY

The 3 techniques that create customer experience will not come about without training your service crew actively and continuously.

1. Train Service Employees Actively

Do not take training lightly because sales standards decrease easily if you do not upkeep the training momentum. Treat each training session as a team building exercise. Treat each training session as staff engagement exercise. Treat each training session as a creative, fun and learning exercise.

Organisational culture, purpose and strategy

Start strong with new hires, and focus on getting emotional commitment. Promote core values such as commitment to service excellence, responsiveness, team spirit, mutual respect, honesty, and integrity. The programme starts with a detailed discussion of the company's history and social mission, the service standards expected of the members. Then, it should progress to involving staff members to map out how to 'tailor the customer experience' stage by stage. Explain the operation requirement of each stage (pre-service encounter, service encounter, and post-service encounter). Ask them to work in teams to make suggestions. This is the best way to make them take ownership. Then you can debrief them on how their suggestions can bring out the best or the worst of the company values and strategy.

Interpersonal and technical skills

Interpersonal skills tend to be generic across service jobs, and include visual communication skills such as making eye contact, attentive listening, body language, and even facial expressions. Technical skills encompass all the required knowledge related to processes (e.g., how to handle a merchandised return), machines (e.g., how to operate the terminal, or cash machine), and rules and regulations related to customer service processes. Both technical knowledge and interpersonal skills are necessary.

One way to perfect skills is to use role plays and take videos of the role plays. Then play back the footage to the employees and ask them to conduct peer evaluation.

Product/Service knowledge

Knowledgeable staff are a key aspect of service quality. They must be able to explain product features effectively and also position the product correctly.

Learning is not only about becoming smarter, it is also about changing behaviours and improving responsiveness towards customers' needs. To achieve this, practice and reinforcement are needed.

Supervisors can play a crucial role by following up regularly on learning objectives, for instance, meeting with staff to reinforce key lessons from recent complaints and complements.

2. Empower the front line

Providing employees with greater discretion (and training in how to use their judgment) and empowering them to provide superior service on the spot, instead of taking time to get permission from supervisors.

Control versus Involvement

The production-line approach to managing people is based on the well-established control model of organisation design and management. There are clearly defined role, top-down control systems, hierarchical pyramid structures, and an assumption that the management knows best. Empowerment by contrast is based on the involvement (or commitment) model, which assumes that employees can make good decisions, and produce good ideas for operating the business, if they are properly socialised, trained, and informed.

Levels of Employee Involvement

i. Suggestion involvement empowers employees to make recommendations through formalised programmes.
ii. Job involvement represents a dramatic opening up of customer servicing. Employees require training, and supervisors need to be reoriented from directing the group to facilitating its performance in supportive ways.
iii. High involvement gives even the lowest-level employees a sense of involvement in the company's overall performance. Information is shared.

3. Build High-Performance Service Delivery Teams
The nature of many services requires people to work in teams, often across functions, in order to offer seamless customer service processes.

The Power of Teamwork in Services

Team training and empowerment go hand in hand. Team facilitate communication among team members and the sharing of knowledge. By operating as a closely knitted, independent unit, service teams take on more responsibility and require low-level supervision. Team ability and motivation are crucial for effective delivery of many types of services.

Creating Successful Service Delivery Teams

If people are not prepared for team-work, and the team structure isn't set up right, a firm risks having initially enthusiastic volunteers who lack the competence that teamwork requires. The skills needed include not only cooperation, but also listening to others, coaching, encouraging one another, and asking tough questions.

Conclusion

To conclude, we would like to quote Shaw and Ivens (2005) on the seven philosophies for building great customer experiences. Great customer experiences are:

i. ... a source of long term competitive advantage.
ii. ... created by consistently exceeding customers' physical and emotional expectations.
iii. ... differentiated by focusing on stimulating planned emotions.
iv. ... enabled through inspirational leadership, an empowering culture and empathetic people, who are happy and fulfilled.
v. ... designed 'outside in' rather than 'inside out'.
vi. ... revenue generating, and can significantly reduce costs.
vii. ... an embodiment of the brand.

EXERCISES 1

A Each of you decide which social style you belong.

Then find a partner that you do not know.

You want to spend 3 minutes engaging in a conversation.

Then you try to guess the social style of your partner.

B Agree with your partner a retail context that you are both happy to use, e.g. skincare counter, Fortress, fashion boutique, etc.

Try to practice flexing the social style and use the right communication style to persuade your partner to buy something.

See if you are able to be successful in selling your product in 3 mins.

C Debrief by asking your partner if he or she feels persuaded or feels that your communication style makes him or her feel comfortable.

DISCUSSION QUESTIONS

01 Try to work out a service delivery plan for your own business from the moment your customer / client try to locate your enterprise to contact you for an enquiry or a booking to your final service delivery or even post-purchase delivery.

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Lovelock, C. & Wirtz, J. (2007). *Services Marketing. People, Technology, Strategy*. 6th Ed. US: Pearson Prentice Hall.
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08

ISSUE SELLING AND STAKEHOLDER COMMUNICATION

LEARNING OBJECTIVES

- Understand the five types of stakeholders that you need to influence
- Apply the direct and indirect ways of issue selling in media exposure
- Frame story hooks through organisational or personal developments

Introduction

The potential complexity of involving stakeholders in running a social enterprise cannot be underestimated by social entrepreneurs. These stakeholders include the potential beneficiaries, employees, customers, volunteers, knowledge volunteers and funders. Very often, the ability to sell the social issue effectively can impress, touch, influence and draw these stakeholders to be engaged with your enterprises. Therefore, adopting the effective approaches in issue selling is an essential and continuous process of sustaining your enterprise. Moreover, most social enterprises are operated on a lean scale. The budget for marketing and promotion is almost non-existing. However, with the development of social media, issue selling on social media can become the most effective way of promotion for your social enterprise.

Understand the five types of stakeholders that you need to influence

Media exposure is a key influence tactic in issue selling. This can be directly linked to the success of a social enterprise in Hong Kong because stakeholders including customers, volunteers and funders can come forth knocking on your enterprise door in offering their supports. The media exposure can typically influence five types of stakeholders. The first three types of stakeholders are consumers, corporate social responsibility mangers and charity foundation managers.

First, when consumers read a social enterprise story in the media, they may support the social enterprise through paying a price a bit higher. Or they are prepared to go out of the way to visit a social enterprise located in a remote area. This type of purchase is called ethical consumption.

Second, corporate social responsibility (CSR) managers of listed companies may be interested in working with or supporting social enterprises. It is because CSR managers' responsibilities include initiating projects which can contribute values to the society, and reporting the projects in their annual reports for fulfilling the 'Environment, Social, and Governance (ESG)' requirement. Hence, they look for good social projects to support. Usually they look for projects which have three criteria: a) projects that generate significant social impacts; b) projects that offer opportunities for their corporate volunteers to participate in, such as visiting or helping the socially disadvantaged; or c) projects that may have media exposure.

Third, charity foundations also look for good social projects which they can sponsor. Sometimes, foundations will ask social enterprises to provide their services to the grass-root families or needy students while these foundations will pay for the services.

Hence, social enterprises may have three sources of income: purchase income from consumers, sponsorship from corporate social responsibility departments and donation from family charity foundations.

The fourth type of stakeholders are institutional players such as government bureaux or government-related bodies such as the Home Affairs Bureau, the Labour and Welfare

Bureau, and the Commission on Poverty. There are three kinds of opportunities. A social enterprise may apply for funding as a start-up or for scale-up purposes. The bureaux or their departments may invite the social entrepreneurs to be speakers in their events such as seminars introducing the funding scheme and explaining the application process. They may also invite social entrepreneurs to join their advisory committees.

The fifth type of stakeholders are the non-profit organisations, such as the Social Enterprise Business Centre of Hong Kong Council of Social Service and Hong Kong General Chamber of Social Enterprises, which promote social entrepreneurship. They may invite social entrepreneurs to be speakers. Moreover, universities may invite social entrepreneurs to be guest speakers, or part-time lecturers, or co-researchers.

Apply the direct and indirect ways of issue selling in media exposure

To get media exposure, there are direct and indirect ways. One of the direct ways is to write articles and send them to newspapers and magazines which have a reader's column, hoping that the articles can be published. Another direct way is to organise a press conference and invite reporters to attend. For example, Fullness organised a press conference in 2007 to announce that it was a profitable social enterprise. At that time, it was a rare phenomenon, therefore, the press conference attracted much media exposure. The second press conference, which also attracted media coverage, was held in 2010 to announce the survey results on knowledge volunteers who coached the Fullness Hair Salon as a social enterprise for achieving business turnaround from financial deficit to profitability.

The indirect ways are to attract media's attention, so that they interview the social entrepreneurs. Social entrepreneurs can do the following to attract the attention of media.

- Apply for government fundings such as SIE Fund, ESR or 3Es. Consumers will consider those that can get government fundings to be more credible.
- Join social enterprise platform organisations, and participate in their activities such as seminars and conferences. Some reporters will look for stories for their newspaper columns in these events.
- Join local social enterprise competitions such as those organised by Development Bank of Singapore (DBS), Our Hong Kong Foundation (OHK), Hong Kong Social Enterprise Challenge (HKSEC) of Chinese University of Hong Kong.
- Join overseas social enterprise competitions. In fact, the social enterprises in Hong Kong are in a leading position on self-financed sustainability and in articulating social impact creation.

To attain successful issue selling in the eyes of these stakeholders, social entrepreneurs will compile stories that the media consider unique, timely and contain effective hooks. These stories can be related to the founders, the beneficiaries, or the innovativeness of the business model.

Framing story hooks

A hook is a way of packaging your news or story that will stimulate interest from your chosen media audience. It can come in different approaches. Typically, the growth of social enterprises or beneficiaries can attract the attention of the media because these stories are still unfamiliar to most people.

A social enterprise can therefore shape media stories along different stages of the social enterprise development: startup, investment period, harvest, and the growth plan.

- At the startup stage, the reason why the founder decided to pursue social entrepreneurship very often is what the media are interested in. The social entrepreneur may be touched or a business idea may be triggered upon listening to a social enterprise talk, or by a meeting with the socially disadvantaged. Then, the founder was moved to pursue a the start-up by himself alone or with a team.
- At the investment period, the angle on why investors take interest to inject money to a social enterprise very often involves helping to maintain the survival of a potentially sustainable enterprise. Experiences on overcoming challenges such as income below projection, employee attrition, and short of cash flow can become an interesting storyline.
- At the harvest stage, this is when a business becomes financially self-sustainable, and there are significant social impacts which can be an attractive angle that the media will cover.
- Finally, whether the social entrepreneur has any plan to scale up the social enterprise or have ideas to start another new project can be another story hook that the media can take interest in.

There is a diversity of story hooks. The age of the founders can be a story hook. For example, the social enterprise Bully Escape（密室欺凌）which was founded by four high school students in 2018 with funding from SIE Fund attracted media attention because of their age.

Another story hook comes from the beneficiary stories. The beneficiaries are usually the socially disadvantaged. The story may have four phases: helpless, helpful, self-help, and helping others. An example about a new-arrival immigrant is used below to demonstrate their change.

In the helpless phase: When a woman from mainland arrived at Hong Kong for her reunion with her husband, she faced difficulties such as language, cultural shock and loneliness. Usually she became depressed.

In the helped phase: When she met a social worker, her situation started to change. She started to have a social support system through which she met other new female immigrants and local housewives and she learned how to adapt to the local culture.

In the self-help phase: After being employed by a social enterprise, she developed job skills, earned wages, developed relationships with colleagues, customers and suppliers. With financial income, her sense of self-worth at home was raised.

In the phase of helping others: Finally, she started to help other new immigrants and helpless women. This role allows her to change from a receiver to a giver and her self-image started to improve.

The third possible hook is the innovation story itself. It is about how to come up with new ideas which can attain a better result. Innovation can be a crucial criteria for obtaining government funding. The innovative aspects can include product design, customer experience creation, business model design. Below are some examples.

Funding Method Before 2008, nearly all social enterprises were set up by fundings from donors, government grants or the founder's own money. In 2008, Fullness Hair Salon was the first social enterprise in Hong Kong that was set up by funding from investors who subscribed its stock. The total investment amount received was HK$2.9 million. This story was reported by TVB's Financial Magazine, Ming Pao, and South China Morning Post.

Business model Light Be develops an innovative solution to solve housing problems for the poor. It searches residential property owners who can accept a lower-than-market-rate rental income for a defined period such as three years. Then Light Be will place single-parent families as tenants. The model is so successful that the government has integrated the concept essence into the new social housing policy.

Business model Green Lady is a re-cycling shop selling second-hand clothes. It has altered the traditional supply of second-hand clothes from a donation model to a consignment model. In the new model, it can reject clothes which cannot be sold. Moreover, since the clothes owners can get 30% of the sales, they may supply those better clothes that they would not want anymore.

Customer experience The Dialogue-in-the-Dark (DiD) exhibition centre is divided into five sections: ferry, garden, food market, snack shop and concert hall which are all totally in the dark. It employs the visually-impaired and the hearing-impaired to be tour guides and trainers of the experiential centre.

Product Design Diamond Cab is the first commercial organisation which provides taxi service to passengers on wheel-chairs. The product has earned many overseas and local awards.

Conclusion

The social enterprise sector emerges in the name of fostering social changes by playing a proactive and prosocial role in social issue selling. Issue selling conducted by social entrepreneurs is important because different stakeholders need to understand these issues in order for them to be part of the solution(s). These stakeholders can include customers, funders, donors, government officials, potential employers, students and even a passer-by in the street. Social enterprises which provide solutions for social issues could play up the salience, credibility and legitimacy of the good causes more proactively.

DISCUSSION QUESTIONS

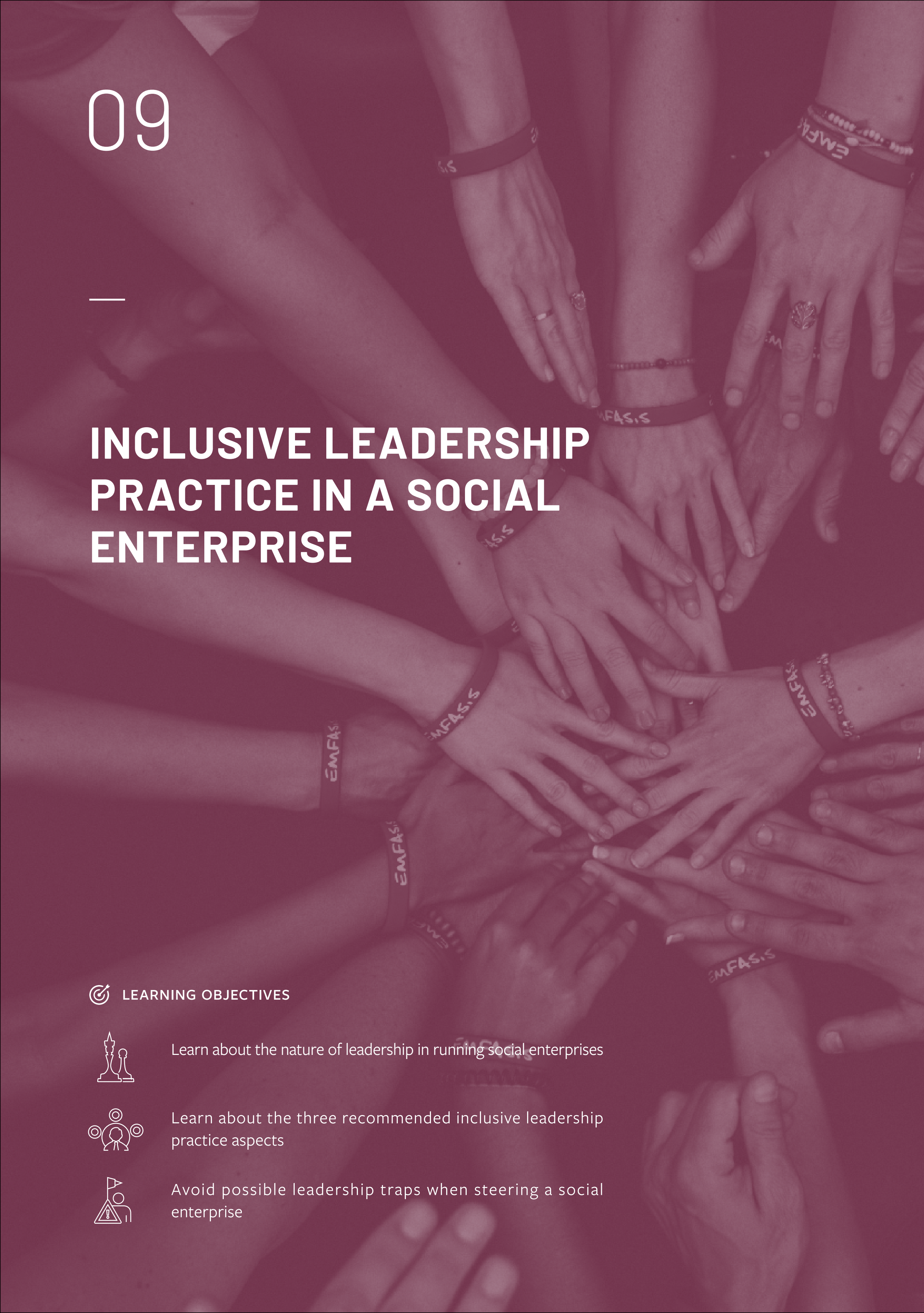
01 Please tell your 'founder story'. You have three minutes speaking time.

02 Please explain the experience of the socially disadvantaged after they are employed by your social enterprise. You have three minutes speaking time.

03 Please introduce your best product or service to customers and then explain your social mission to the customer.

PART 3

LEADING



09

INCLUSIVE LEADERSHIP PRACTICE IN A SOCIAL ENTERPRISE

LEARNING OBJECTIVES

- Learn about the nature of leadership in running social enterprises
- Learn about the three recommended inclusive leadership practice aspects
- Avoid possible leadership traps when steering a social enterprise

Introduction

The previous eight chapters have covered practical skills and knowledge in planning for and implementing different functions. They covered the key areas of 'what' and 'how'. This chapter will discuss the 'how' and 'why' in the leadership practice. It covers the recommended orientation and way of leading in running social enterprises or social projects.

Whether you are a social entrepreneur or a social project person in-charge, you find that you are pursuing the same social goal of bringing value to the community you serve and steering social changes you believe in. This kind of community building requires an inclusive and collective mindset. This mindset serves to generate a motivating and resilient employee phenomenon, particularly found within the work integration social enterprise (WISE) context. This is because most WISEs are founded to provide a prosocial and supportive work environment for marginalised individuals, with the goal of supporting them achieve self-reliance and reintegration into society through job employment. This explains the importance of inclusion. Moreover, because of the reality that most social enterprises are run with a lean operation, these enterprises rely on knowledge volunteers and volunteers who very often are crucial in filling the knowledge, expertise and resources gaps within the operation team.

Therefore, to be able to run your own social enterprise effectively, be prepared to install inclusion with a collective and shared leadership process.

Nature of leadership process in social enterprises

How do we understand the meaning of leadership in running social enterprises? In the rapidly evolving social and social enterprise sectors, leadership very often is a team process that involves both internal and external members working towards a common social goal, e.g. to provide employment for the mentally challenged. As the diverse internal and external social actors share and believe in the same mission of creating inclusive employment, all of you work proactively towards the smallest and biggest problems in order to ensure that the mentally challenged that you want to serve can thrive and lead a positive work life.

So, the leadership process that will be discussed in this chapter embraces both the nature of inclusion and sharedness.

Three aspects of an inclusive leadership practice

A basic orientation of most social enterprises, especially WISEs, is about social inclusion. Inclusive leadership puts inclusion at the centre of the leading and collaborating processes. They engage leaders, followers and informal leaders who do not hold formal leadership positions. Inclusion can be fostered by leader inclusiveness, which is described as the encouragement and empowerment of diverse members. In such a way, the hierarchical approach of leading is diminished to make space for more participation and self-organisation of followers.

To practise inclusive leadership, a holistic view on processes that can bring about a collaborative, cooperative and collective work environment is required. To do so, the three leadership aspects that need attention include i) leading a culture of inclusion; ii) empowering diverse teams; and iii) developing a learning environment. To pursue these leadership aspects skilfully, leaders want to exercise empathy and listening skills in order to serve the beneficiaries.

1. LEADING A CULTURE OF INCLUSION

Walk the talk

Create a work environment that aligns with your social mission. For example, for WISEs, create a positive work environment for the beneficiary employees. Leaders play a crucial role in providing social welfare through joint value creation with diverse players. The challenge yet meaningfulness for social entrepreneurs is to create a team production process and engage the beneficiary employees, knowledge volunteers, funders and staff members under the same roof for sustaining the double bottom line. This is the time when you walk the talk.

To the beneficiary community, it is not a matter of only offering them salary alone. It is a matter of unleashing their potential, recognising their talents, and respecting their abilities. Designing a job role that they can manage helps them rebuild self-efficacy and self-confidence. Offering them training that can hone their skills and knowledge can develop beneficiaries' positive self-view and self-confidence. We call this positive psychological capital. Moreover, creating an environment that they can build relationships with internal and external members can improve the self-image. This is their relational capital. If it is appropriate, help the beneficiaries set realistic personal goals. Then review with them their ability in attaining these goals and how to close any gaps. As an inclusive leader, you create a total package of rebuilding the psychological and relational capitals for your beneficiary employees. More importantly, to the beneficiary employees, they can find someone who believes in them.

To the external stakeholders including funders, knowledge volunteers or government bodies, sell your mission and link it to the issue that your social enterprise is resolving. Why do you need to sell the social mission? Simple. You are doing what is morally right in addressing a specific social issue in the society. Legitimise your mission by explaining the issue. Frame your issue by emphasising the threat, urgency and uncertainty in case the issue is not resolved. Allow the stakeholders to buy in to the social impacts you are bringing to the community you serve. For example, the number of beneficiaries you will employ and the way they will thrive with a positive work life.

You want to seek the support of both the external and internal stakeholders. Externally, people who buy in will find your call for action meaningful, prosocial, not selfish and strengthening the resilience of our society. Customers who share the same values and vision will patronage your products or services. Funders who seek social targets to support will approve grant, sponsorship or donation in support of your good cause. Internally, you need to create a psychologically safe and supportive environment so that beneficiaries and staff members are working towards a common goal. Moreover, in case of WISEs, personal attention given to employees who are beneficiaries, in terms of empathy, care, respect, opportunities to thrive, are important to align with the mission of helping these employees develop self-reliance and be reintegrated in a society.

Build an organisation around fairness, justice and inclusion

If your social enterprise provides employment or affordable services for a community, it is crucial that inclusive leaders understand that that community requires much respect, because they might not have received sufficient attention and respect earlier on before your intervention. Your solution effectively is creating an inclusive environment (e.g. work environment) and positive inventions (e.g. job opportunities or affordable and suitable services) in recognising that these beneficiaries are part of the society. To fix the prior 'marginalisation' or 'stigma' that they might have internalised, your effort of giving them positive psychological enhancement is just as important as the material salary or the free service. That explains why the building of a sense of fairness or justice is crucial in rebuilding their self-worth, self-respect and a sense of belonging once these beneficiaries are being looked after by your social enterprises.

WISE employees, who perceive their organisations are giving them genuine support and their leaders being authentically prosocial, can feel motivated to work and start a new life. The identification with their organisations and leaders developed within these employees can lead to positive work motivation and self-efficacy as they become driven towards learning, training and role performance. Inclusive leaders at WISEs exercise flexibility and experimentation with the aim to find a person-role fit for the unemployed individuals. Very often, the internal training of these beneficiaries requires extra efforts because of the need to meet the commercial expectation and standard of customers.

There are several areas that leaders can take note when building a fair, just and inclusive workplace. These include providing training opportunities, organising personal plan and goal-setting for beneficiaries, conducting employee reviews, installing participative decision-making and ensuring constant communication with updates on social value creation.

Report your social impacts to create a social voice within your stakeholder communities

Sharing the success in creating social value is an essential and uplifting moment to celebrate your meaningful achievement. Extending the culture of inclusion to a larger community beyond the social enterprise is a favour, a duty and an obligation for the beneficiary communities being served. In order to facilitate the beneficiary community to reintegrate into the society, reporting the achieved social impacts to customers, media, funders, and the general public is crucial. Why? In this way, you inform the society at large. Your reporting might change their perception. This can foster an inclusive culture of greater acceptance, more respect, empathy and better equality within our society.

2. EMPOWER DIVERSE TEAMS

Use a matching style to support and groom teams

As social enterprise leaders manage very dynamic situations, their flexibility in leading is essential. She or he very often wants to deploy different leadership styles when facing different teams.

i. *Directive style* The *directive leader* is precise in running formal activities, such as planning, organising, and controlling. The directive leadership style improves morale when the leader makes unclear and conceptual tasks doable by giving clear instructions.

ii. *Supportive style* The *supportive leader* shows concern for the well-being of team members and creates an emotionally charging climate. The leader also emphasises developing team-wide satisfying and supportive relationships among group members. The supportive leader enhances morale when he or she knows that group members are working on dissatisfying, stressful, or frustrating tasks. This can be done by giving them encouragement and slightly more resources or extending deadlines to ease the stress. The crucial point is to keep a reasonably close but non-intrusive monitoring along the way.

iii. *Participative style* The *participative leader* uses group input when making decisions. This is used when working with more experienced and competent teams. He or she is best suited for improving the morale of well-motivated employees who perform non-routine, dynamic or creative tasks.

iv. *Achievement-oriented style* The *achievement-oriented leader* sets challenging goals, pushes for work improvement, and sets high expectations for group members. This style works well with achievement-oriented team members and with those working on ambiguous and non-repetitive tasks. This is a typical leadership style given to the senior management teams with different team heads.

Give each team a problem to crack

Once teams are groomed to be independent, they feel most empowered when given an important project goal that aligns with the organisational missions. However, stay as a silent leader that empowers by listening and solves high-level issues such as providing the necessary network and resources at regular review meetings. Moreover, resolving conflicts or restructuring teams in case of major clashes has to be done in a timely manner. Monitor progress and ensure that the social impacts are achievable, measurable and communicated to the key stakeholders.

How to sustain the morale of diverse teams?

Create events from meetings, informal gatherings and learning sessions for your members to report progress, to review outcomes, to learn from mistakes and to celebrate successes. These events can serve to bring solidarity:

- Regular meetings can engage your internal members by communicating organisational progress
- Informal events can boost morale by building genuine relationships
- Presentations reporting social impacts can celebrate social performances
- Formal media presentations celebrating new innovations and social performances can bring both internal and external stakeholders together in boosting morale

3. DEVELOP A LEARNING ENVIRONMENT

Leading in a social enterprise is a way of life. The way to sustain the survival of social enterprises is to harness a learning environment in opening paths for individual and community growth. As a leader, develop an opportunity-based learning environment and a problem-solving practice. Figure 9.1 summarises the opportunity-centred learning and problem-based learning.

Opportunity-centred learning operated at enterprises is similar to problem-based learning in a classroom but with a practical, reality and urgency sense in dealing with a problem. They are both similar to a natural and social process of learning. By shaping opportunity seeking as a problem-solving process, teams can be energised towards self-organisation.

To create opportunity-centred learning, lead your teams to see two truths – (i) Staying with the 'red ocean[18] experience' for too long will lead to spiralling down if constant refinement and improvement are lacking. (ii) Finding 'blue ocean[19]' is a long road to discovery which is hard but the payoff will arrive when you succeed. With these two directions, you are empowering and energising teams towards continuous learning through setting goals which can sustain the social mission and financial viability. Moreover, allow teams to fail in order to build their resilience.

Characteristics	Opportunity Centred Learning	Problem Based Learning
Focus	Exploration and development of an opportunity generated by participants	Exploration of problems arising in practice or presented as teaching cases
Process	Individual and group investigation, sense-making, planning and acting	Tutor facilitated group exploration of causes, effects and possible actions
Outcome	Selection, understanding and acting on an opportunity. Development of related skills, knowledge and self confidence	Investigative and diagnostic skills. Learning about the problem and ability to gain and related knowledge relevant to the problem.

Figure 9.1 Comparison of opportunity-centred, problem-based learning approaches (Source: Rae, 2003)

Empowering teams to pursue opportunity-centred learning involves the teams and individuals to explore opportunities, relate the opportunities to personal goals, leverage the collective efforts to make new trials happen and plan strategically to realise each opportunity. Over time, your teams can experience transformative learning, improving the abilities to explore opportunities, exploit resources, plan towards goal attainment and more importantly, develop team leadership.

4. AVOID LEADERSHIP TRAPS AND BIASES

Mission shift When a double bottom line deviation is (i) consciously decided and made by the founder or the senior management, (ii) gradually occurring, or (iii) appearing between the social and the financial foci in a social enterprise, this is called a mission shift. This needs to be made known to all internal and external stakeholders. There must be a strategic, organisational or personal reason behind such a shift. You want to communicate this shift to your stakeholders. You do not want to upset any parties as donation, sponsorship, pro-bono services and other resources are extended based on the social mission of your enterprises.

Power vs empowerment The traditional perception of having power is the 'ability to get others to do what you want them to do' (Weber, 1947) or the 'capacity to influence others' (Owens, 2001). Organisational leaders who exercise top-down influence power will find the bottom-up empowerment less attractive. This is because it takes longer time to come to consensus and decision-making. Corporate leaders may find that it takes them some time to adjust into the inclusive leadership mode. It is important to appreciate that using power and granting empowerment are very different ways to lead.

18 'Red ocean' refers to the 'known market space'
19 'Blue ocean' refers to an 'unexplored new market area'

Ignoring the collective bottom-up power Leaders in social enterprises want to appreciate collective bottom-up power can emerge naturally or through empowerment. Those leaders who tend to drive efficiency from a top-down approach may risk ignoring opportunities driven by bottom-up efforts. Having empathy, sensitivity, the ability to listen and time for teams at different levels is the key to detect the bottom-up passion and ideas that emerge.

Timely response to the bottom-up energy has a few advantages. First, teams feel in touch with the leaders. Second, every new idea is an opportunity. Third, team passion and new ideas are resources for social enterprises to leverage because positive team strength is not easy to come by. If it is formed, treasure it as gold. Even if the ideas proposed cannot materialise, channel the energy to further problem-solving or innovative projects.

Financial scale-up vs collective push-ups Across the social enterprise sector, there has been a general discussion on the ways to scale-up after a social enterprise has achieved the financial breakeven point. Hence, the concept of scaling-up very often is focused on the financial side. Yet, most social entrepreneurs do not necessarily have smooth sailing in their financial scale-up. One of the many ways is to nurture the readiness of beneficiary employees to cope with the scaling-up of business product or service production. It is important to balance the scale-up of both financial and social value creation.

Maybe, some leaders might want to consider starting the scale-up from the social dimension, which we describe as the collective push-ups. If there is a model in improving the social impacts, i.e. the benefits brought to the beneficiaries, before your financial scale-up, your collective push-up efforts will require your team to look for more funding from possible grants and funders first. Much as this might be more challenging and take longer, this is more prosocial in preparing your beneficiaries well for the organisational growth before your enterprise can reap more financial gains. This recommendation is not based on evidence. We will continue to stay in tune and research on related social enterprises' scale-up trends and hope to be able to share this trend in the future.

Transactional vs transformational leadership Last but not the least, if you want to evaluate whether your leadership is inclusive, the social impacts are the best indicators. If you find that your focus and time are only spent on financial performance and losing sight of the impacts created for the beneficiaries, then admit that you are a transactional leader. There is nothing wrong but bring in a transformational leader to work with you. This transformational leader has to focus on driving the social performance. If the beneficiaries are better off in whatever impacts you intend to create, then you would have demonstrated transformational leadership in bringing positive change for your beneficiaries. This then will be a rewarding moment for your good work! Celebrate the performance of the transformational leadership with your team!

Conclusion

If leadership is an art rather than a science, then leadership in social enterprises is an integration of prosocial and martial arts.

Internally, it requires your empathy, compassion, patience in creating an inclusive orientation for the enterprise. This is your prosocial art in building a safe internal environment for the beneficiaries to thrive. Externally, it also requires your energy, resilience, persistence, authentic influence, interpersonal skills, technical and business knowledge and mindset in shaping favourable and altruistic stakeholder networks. This is your martial art in building solidarity with external players who are not easy to congregate.

Smooth sailing in steering a meaningful cause that you believe in!

DISCUSSION QUESTIONS

01 Describe the beneficiary group(s) you are serving or you want to serve. Explain their needs and how the intervention you use to address their needs. What's your role in meeting their needs? How far do you consider you are involved in offering the solutions to their problems?

02 Describe the challenges you face (both internally and externally) in your social enterprise. Alternatively, project the challenges you will face if you start a social enterprise.

03 Do you agree with the leadership traps you have learnt? Respond to these traps either by elaborating it or add to the list any more traps that social entrepreneurs should note.

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PART 4

CONTROLLING

10

MONTHLY BUSINESS REVIEW AND SOCIAL IMPACT MEASUREMENT

LEARNING OBJECTIVES

- Understand the importance of business review
- Learn about the key areas in financial review
- Learn about the nature of social impact measurement

Introduction

The controlling issues of running any social enterprises involve keeping track of the financial viability and honouring the impacts you said you will create. Evaluations in the form of monitoring, reviewing and measuring are the typical controlling activities. This chapter will cover the routine business review process and the concept of social impact measurement.

Business Review

Conducting monthly financial reviews should be treated as a management routine conducted by most organisations to control the financial viability. The purpose is to monitor and to take corrective or proactive actions to ensure that the financial performance is healthy. In a business review meeting, the profit or loss[20] of the previous month is the most important agenda item for evaluation. The revenue and profit attributed by different activities or products should also be reviewed. For those organisations that are facing financial loss in the previous month, the accumulative surplus or deficit should also be reviewed. This kind of routine reviews is a good practice recommended for small or medium enterprises and NGOs.

Below is an example of a template used for a more sophisticated monthly business review. A social enterprise, named MYC, provides the service of event management and stage performance. They arrange stage performers including singers, dancers, magicians, and clowns for relevant events.

MYC	Responsible: May	Accountable: Tom	Consulted: Joe	Date: 2019-12-03

	Forecast on last month	Actual results of last month	Forecast Deviation	Forecast on current month and reasons
Revenue	$90,000	$85,000	-5.5%	$100,000 because a big deal will be closed at the end of this month, and other deals are running late
Cost	$81,000	$74, 000	+8.6%	$10, 000 because the cost control will be maintained
Profit $	$9, 000	$11, 000	–	
Profit %	10.0%	12.9%	–	

What worked: The cost control works. Hence, though the revenue is below forecast by 5.5%, the profit exceeds the fore-cast by 22%.	**Adjusted Action Plan:** A free show of new performances including stand-up comedy, close-up magic, a cappella and dance performances. Expecting 30 attendants from repeated customers including 5 senior managers from PR firms.
What didn't work: A big deal cannot be closed because the client wants to have a meeting to understand more about our proposal.	**Supports Needed:** Need Tom to meet the Chief Executive of the client company and to close the deal with appropriate discount.

Figure 10.1 An example of a monthly business review summary

20 Commercial business uses the term 'profit', NGO use the term 'surplus'

The business review template has a Header and three other parts: Review, Forecast, and Adjustment.

HEADER

The header contains the name of the enterprise / the department name, the name of the employee who is responsible for working out the financial performance, the name of the employee who is accountable for the financial performance, the name of the employee / consultant / advisor who will be consulted during the review. For example, the one responsible is the sales manager, the one accountable is the sales director. The one to be consulted is the financial controller. Finally, there is also the date of the review meeting.

REVIEW

The first part is to review the financials of the previous month, i.e., November. Instead of just reviewing the actual numbers of the previous month, the actual number will be compared with the forecasted numbers committed in the October review meeting.

Moreover, the percentage of the forecast deviation is also calculated. In the above case, the actual revenue deviated from the forecasted revenue by an unfavourable 5.5%. However, the cost control is successful and the actual cost is less than the forecasted cost by a favourable 8.6%. The tolerance of the deviation could be set in advance. The forecast deviation should be within 10% if it is a favourable change. If it is an unfavourable change, the deviation should be within 5%.

Furthermore, the results of the action plan committed in October is also reviewed. The planned actions previously agreed are expected to be reported. The planned actions which did not work will be explained. This will lead to problem analysis. Through accumulating experiences on analysis, the responsible manager will understand how each dollar is spent and how each dollar is earned.

FORECAST

The second part is to forecast the revenue and cost. The forecast serves two purposes. First, the monthly financial goals should be adjusted according to the latest information. Then the action plan has to be adjusted based on the latest forecast, so that the actions should be the most appropriate.

Second, if the employee responsible is not a professional sales manager or business manager, it is not easy to forecast within the expected tolerance range of +10% / -5%. But after a few months of trial-and-error experience, the responsible employee will develop the sense of number to be committed as the forecast. This sense of number is based on detailed hands-on knowledge on how each dollar is spent, as well as how each dollar is earned.

For a sales manager, the revenue forecast should be based on the sales funnel[21] listed below in Figure 10.2.

21 A sales funnel describes the journey potential customers go through and how they move towards purchase of your product or service.

Monthly Funnel: December 2019

Date logged	Client	Service	Delivery date	Revenue	Win-rate	Weighted Revenue	Action
Jul 05	A	Clown	Dec 7	$2,000	90%	$1,800	Sign contract
Aug 07	C	Clown	Dec 8	$20,000	100%	$20,000	Deliver
Aug 12	F	Singer	Dec 21	$1,000	10%	$100	Follow up call
Aug 20	J	Big project	Dec 22	$200,000	20%	$40,000	Call the client with sales director
Sep 03	D	Magician	Dec 14	$3,000	50%	$1,500	Follow up call
Sep 05	I	Magician	Dec 24	$2,000	50%	$1,000	Follow up call
Sep 23	E	Event Management	Dec 21	$20,000	90%	$18,000	Up-selling
Oct 11	B	Dancer	Dec 7	$3,000	100%	$3,000	Deliver
Oct 14	H	Event Management	Dec 24	$30,000	50%	$15,000	Follow up call
Nov 11	G	A Cappella	Dec 24	$4,000	70%	$2,800	Up-selling
Total				**$265,000**	**24%**	**$103,200**	

Figure 10.2 An example of a monthly sales funnel review

In the example shown above, the best-case scenario of the December revenue is $265,000. The most-likely scenario is $103,200. That is why the sales manager forecasts that the December revenue will be $100,000. The worst-case scenario is $23,000 which are from Client C and Client B who had already signed the contracts. For the big deal from Client J, the sales director who can give big discount will call the client's decision maker to settle the deal.

The forecast triggers the responsible manager to conduct potential event analyses. If the outlook is pessimistic, then the next step of the review should be potential problem analysis. If the outlook is optimistic, then it should be followed by potential opportunity analysis.

ADJUSTMENT

The third part is to adjust the action plan. Based on the December funnel, the total amount of all ten deals is $265,000. Out of this total amount, Client J alone potentially brings in $200,000 of revenue. The remaining nine deals amount to $65,000. Therefore, if the deal from Client J cannot be confirmed and delivered in December, then even all the remaining nine deals are confirmed and delivered, the revenue will only be $65,000. It is less than the forecast of $100,000 by -35%.

The only solution to meet or exceed the forecast is to confirm the deal from Client J and deliver the service. Therefore, the sales manager will alert the sales director, who can consider giving a 50% discount to meet the decision maker in Client J in order to win the deal.

This last part of the review is to call for actions. But the actions brainstormed should go through a simple decision analysis to ensure the effect and the success rate of the proposed actions.

LOGISTICS

Apart from the content of review, the arrangement for the review is also important. First, the day and time of the regular reviews should be scheduled and all those who need to attend the review meeting are informed upfront at the beginning of the fiscal year.

Second, the financial report should be available within first five working days, so that the review can be held early in the month. The forecast and the corresponding adjusted actions can have sufficient time to carry out. However, most NGOs do not have the financial discipline.

Third, most NGOs use financial reports which are full of numbers, instead of diagrams or graph in which revenue and profit trends, corresponding revenue and profit in last year, and the forecasted revenue and profits can be visualised. The problem is that most of the time is spent on finding and reading numbers instead of analysing what has happened and how to improve the business.

Social Impact

Social enterprises have two bottom-lines, the profit and the social impact. The business review only focuses on financial profit, which is affected by the competitors, customers and the external environment. Social impact is different. In WISEs, the proxy for the social impact is the income of the employees of the socially disadvantaged. This is just a cost item in the financial report. Theoretically, it is a controllable item. As a social enterprise, the social impacts are better being calculated once a year, and then there should be a discussion on how to increase the social impacts.

However, some social innovation projects[22] which seek donation or funding will report their activities and social impacts quarterly through their web-site and emails. This is to keep the donors informed.

Review process and the foci of business review

The primary bottom line of social enterprise is social impacts. Hence it is necessary to review social impact periodically. Since social impact is quite stable, annual review should be appropriate. The purpose is to improve the impacts.

DATA COLLECTION AND REPORTING

Social impacts can be measured according to the Donald Kirkpatrick Four Level Model (DK Model) as shown below. The example shown below is Fullness Hair Salon. It is a WISE which provides vocational training and jobs to teenager and young ex-offenders or ex-drug addicts who then become juniors (i.e., salon apprentice). The proxy of the social impact is the wage received by the socially disadvantaged. It is called workfare which means *work as welfare*. In addition to the calculation of the social return on investment (SROI), the percentage of the sales revenue which will be used on the wage of the socially disadvantaged is also calculated. This amount is called *service content* of the price. The funders are interested in SROI and the customers are interested in the service content. In this case the SROI is higher than the average annual SROI which is about 50%, but lower than the average service content which is 17%. It is because the salon is positioned as the best in Sai Wan Ho and charges the highest price.

Social Impact Report in the Donald Kirkpatrick Four Level Model

Level	Cost-Effectiveness	Calculations
4	**Funder's perspective**	
	A Annual SROI = 66.7% / Year	$\frac{\$400{,}000\ (\text{workfare/year})}{\$600{,}000\ (\text{investment})}$ = 66.7% / Year
	B Accumulative SROI from 2006 to 2019 = 930%	$\frac{\$400{,}000/\text{year}\ (\text{workfare}) \times 14\ \text{years}}{\$600{,}000\ (\text{investment})}$ = 930%
	Consumer's perspective	
	C Social Content in the price =13.3%	$\frac{\$400{,}000\ (\text{workfare})}{\$3{,}000{,}000\ (\text{investment})}$ = 13.3% / Purchase

Level	Behaviour Changes%	Pre	Post	Comments
3	**Supervisor's perspective**			1 Main positive changes on juniors' behaviour are Proactive, Teamwork, and Emotion Control.
	A Punctuality	3.0	3.1	2 A longitudinal survey showed that 78% of the juniors had re-integrated into the society. It is better than the norm by 28%
	B Proactive	2.1	2.9	
	C Responsible	3.0	3.1	
	D Teamwork	2.4	3.0	
	E Customer service	3.1	3.4	
	F Emotion Control	2.5	3.0	

Level	Competence Changes#	Pre	Post	Comments
2	**Supervisor's perspective**			In a scale of 1-5, '3' is the average. The juniors' attitude is barely better than the average. Their skills are good
	A Attitude	2.7	3.1	
	B Skill	3.6	3.9	
	C Knowledge	N/A	N/A	

Level	Satisfaction*	Pre	Post	Comments
1	**Beneficiary's perspective**			The variable that correlates most with Job satisfaction is **'Feeling Respected'**
	A Job Satisfaction	N/A	3.9	
	B Life Satisfaction	2.4	3.2	
	C Feeling Respected	N/A	4.3	
	D Feeling Trusted	N/A	4.0	
	E Customer Relationship	N/A	3.8	
	F Peer Relationship	N/A	4.0	

* Satisfaction rated by the employees from the socially disadvantaged in a scale of 1-5
\# Competence Changes of the socially disadvantaged rated by the supervisor in 1-5 scale
% Behavioural Changes of the socially disadvantaged rated by the supervisor in 1-5 scale
N/A Not Available or Not Applicable

Figure 10.3 An example of a social impact report

22 These are social innovation projects because they do not have commercial income.

Conclusion

The survival of social enterprises hinges on the fine and repetitive tasks of controlling. Without a healthy financial status, the financially lean operation can crumble in no time. Without a steady creation of social impacts, extra prosocial resources including grant, funders' investment, corporate sponsorship, knowledge volunteers and other support will not be so readily available. However, this is an area that most entrepreneurs might find it difficult to keep track of. Find a dedicated person to steer the controlling activities. In such a way, you as the entrepreneur can focus on looking for new opportunities and networks.

DISCUSSION QUESTIONS

01 If you can only choose between reviewing the financials of last month or discussing the forecast of the month in order to decide on the actions for this month, which one would you choose? Why?

02 Design a template for reviewing the revenue and profit for your social enterprise.

03 Design a template for reviewing the sales of your social enterprise.

CONCLUSION

In this book, the authors have set out a four-stage social enterprise practice of the different skills required to run a social enterprise. We have used this focus to show that managing a social enterprise operation is viable. Of course, the most important thing required to make your SE journey successful is the desire and persistence in realising a social mission through running an organisation that is commercially profitable.

This is the first edition of the book. There are still topics, related to skills in practice, that have not been covered. Some of these topics include scale-up planning, human resources management, value chain and operations management, stakeholder management, blue ocean strategic planning or design thinking.

Although we have provided findings and practical implications of some research conducted within the context of local social enterprises in the Appendix, we know that some of the readers expect to read about and learn from local case studies.

In response to the anticipated demand, the authors have started to write up local social enterprise cases. Moreover, additional skill topics will be covered in the future edition. Please provide your views and comments by emailing them to *info@fses.hk*. We hope to hear from you so that our next edition can better serve your needs.

APPENDIX

RESEARCH PROJECTS EXAMINED WITHIN THE SOCIAL ENTERPRISE CONTEXT IN HONG KONG

Introduction

Findings and discussions of social enterprise research, conducted by one of the authors (Susanna Chui) within the Hong Kong context, have offered practical implications for SE practices. These findings are summarised and shared under three broad areas: (i) beneficiary employees' work outcomes as social impacts of WISEs; (ii) ethical consumers in Hong Kong; and (iii) inclusive leadership and responsible innovation.

Beneficiary employees' positive work outcomes as social impacts of WISEs

RESEARCH STUDY 1

Findings

A study of beneficiary employees (N=59) from four WISEs offered findings from both survey and interview data. The study examined the relationship between personal need fulfilment and employee work outcomes within WISEs. Survey data showed that these employees obtained job satisfaction while having developed self-efficacy and self-esteem. These employees also rated positively on their sense of autonomy, relatedness and competence. It means that while these employees felt that their autonomy, relatedness and work competence needs were fulfilled, they obtained the work outcomes of job satisfaction, self-efficacy and self-esteem. Using regression analyses, the fulfilled needs of autonomy, relatedness and competence were significantly related to self-efficacy and self-esteem while autonomy and relatedness were significantly related to job satisfaction.

Interview data which were employee direct verbatim reporting revealed further information about their needs and the factors in allowing their needs to be met. According to their own narratives, what they found reassuring at WISEs included social acceptance, job opportunities, control in life and self-expression. They also described the WISE workplaces as positive environments where they could develop relationships not only with internal peers but also with customers. The training opportunities were crucial for raising their competence. Moreover, the learning opportunity confirmed the acceptance of 'who they are' by the society. Hence, they recovered the sense of self-worth. The workplace also gave them psychological safety because of the support from managers who did not give them unmanageable stress. A strong sense of belonging could be developed and they found their work roles meaningful because of the social mission they felt being part of.

Implications

i. The overall positive self-perception of the beneficiary employees supported the inclusion found in WISEs, empowering these employees to embark on rehabilitation.
ii. The social impacts of WISEs involved the self-determination (i.e. meeting the autonomy, relatedness and competence needs) of the disadvantaged. But social impacts are not restricted to these three areas because WISEs create unique interventions in unleashing the potential of beneficiary employees. Each WISE is encouraged to find out and measure its own social impacts.

RESEARCH STUDY 2

Findings

A survey study of WISE beneficiary employees (N=140) from eleven WISEs offered data in examining the factors that could develop employee work motivation, motivation to lead and self-efficacy. The study aimed at examining the relationship between the inclusive leadership aspects of WISEs and the employee work outcomes as social impacts of WISEs. Using model fit analyses, factors that were related to the beneficiary employees' perception included employees' perceived servant leadership of their reporting managers, perceived organisational support and perceived organisational justice of the organisation and the work role identity of these employees. These factors were found significantly predicting employee work outcomes.

Implications

i. The inclusive leadership context of WISEs is crucial in unleashing the potentials of the beneficiary employees. The factors in developing an inclusive leadership context involves leading with a servant leadership approach, providing a supportive work environment (so that employees perceive organisational support), and creating a fair work context (so that employees perceive organisational justice).

ii. The salient work role identity of beneficiary employees can unleash the potentials of these individuals including their work motivation, motivation to lead and self-efficacy. It means that the careful design of job tasks and job roles is essential to allow these beneficiary employees to develop significant work role salience and find job satisfaction from their job performance. Hence, it means that disadvantaged individuals could be barred from thriving with a positive work life if they are not given work opportunities.

Ethical consumers in Hong Kong

RESEARCH STUDY 3

Findings

A survey study of the customers (N=190) of four WISEs were conducted to examine the prosocial motivation and customer loyalty link in ethical consumption at WISEs. Using regression analyses, it was found that customer prosocial motivation had direct effects on perceived value and perceived service quality which had indirect effects on customer loyalty.

Implications

i. Consumers' ultimate role within the commercial exchange process and context is fundamentally and solely consumption. However, as the hybrid WISE organisations create product and service offerings for customers, customers' motives in purchase can be better understood. Those who have prosocial motivation are ethical consumers who want to make consumption more meaningful. To enhance their customer loyalty, they can be better probed with the social mission and messages in showing how their purchases are attributed to social value creation.

ii. The possible stimuli present in the hybrid retail context can possibly trigger attention of ethical consumers. These include decoration that aligns with the social vision and mission messages; the positive image, confidence, and competence demonstrated by the social employees; the social interaction and relational connection customers can establish with these social employees; and the inclusive, caring, and accommodating culture shown in the shop operations. All these can stimulate customers to buy in to the purposeful and meaningful consumption at WISEs before making purchase decisions.

RESEARCH STUDY 4

Findings

A survey study of consumers (N=501) of Fair Trade products was conducted to examine the profiles of ethical consumers. Their profile characteristics included value system, locus of control, customer effectiveness in supporting the Fair Trade movement, customer satisfaction and their ethical consumer role identity salience. Using cluster analysis, initial findings grouped these consumers into three clusters, initially named as *givers*, *takers* and *matchers*. 35% (N=174) of these consumers are givers. Givers have a strong value orientation in universalism, benevolence and hedonism with low locus of control[23]. 17% (N=88) of these consumers are takers. Takers have a strong value orientation in stimulation and self-direction with relatively high locus of control. 48% (N=239) of these consumers are matchers who have a strong value orientation in hedonism, benevolence and universalism, with high locus of control.

Implications

i. Knowing the ratio of the customer profiles (Givers, Takers, & Matchers) who buy the Fair Trade products may help set the appropriate message(s) in communicating with and serving them.

ii. Similar profiling can be applied in examining SE consumers in order to better understand the buying motivation of ethical consumers within the context of WISEs.

23 Locus of control is a psychological concept that refers to how strongly people believe they have control over the situations and experiences that affect their lives.

Inclusive leadership and responsible innovation

RESEARCH STUDY 5

Discussions

In a book chapter, Chui (2020) discusses how inclusive leadership practised within WISEs involves dynamic leadership processes. As part of this inclusive environment building, responsible innovation is an important strategy for empowering and motivating collective efforts. The relationship between inclusive leadership and responsible innovation has been discussed through the illustration of a WISE case.

Implications

WISEs create an exemplary environment for showing not only inclusive leadership but also a nourishing ground for responsible innovation within which both formal and informal leaders can be engaged in producing new ideas for the benefit of social-financial value creation.

Reference

Chui, S. L. M. (2020). Inclusive Leadership and Responsible Innovation: Toward a Contingency Perspective of Leader-Follower Dynamics in Work Integration Social Enterprises. In Joan F. Marques (Ed.) *Inclusive Leadership*, p.109-118. Routledge (In press).

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Before retirement, he was a Corporate Vice President and Hong Kong Managing Director of Hewlett-Packard (HP) responsible for the Profit & Loss of HK$4 billion business. Out of his 26 years in HP, he worked nine years in Beijing and one year in Shanghai.

He graduated from Hong Kong Polytechnic with an Electronic Engineering Higher Diploma, and from University of Hong Kong with a Bachelor in Electrical Engineering. He attended The General Manager Programme in Harvard Business School, and has a Master degree on Christian Studies as well as a Master degree on Theological Studies, both from The Chinese University of Hong Kong. He also has a PhD degree in Education from University of Nottingham.

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As a lead investigator, she completed a number of social impact measurement research projects for social organizations. She has also conducted social impact research for corporate CSR projects. As one of the lead researchers, she completed a CSR/stakeholder management consultancy study for the MTR Corporation in 2012. Susanna has completed the SROI Accreditation Training in 2013 and the Global Reporting Certified Training Programme in 2011.

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