NUS Business School in the news

Call for more regulation of social enterprises
Priscilla Goy
22 July 2014
Straits Times

Observers worry some may claim social angle for marketing, funding

THE proliferation of so-called "social enterprises" here is prompting calls for greater regulation of this emerging sector.

Observers are worried that some businesses, with no serious claim to having a social role, may be using the tag cynically for marketing or to attract funding.

Social enterprises are, in effect, a cross between charities and businesses, although they do not formally qualify as charities as they seek to make profits.

Debate is centring on how to draw the line between a regular business and a social enterprise - out to make money but with a significant social role.

The topic dominated an intense closed-door consultation on Wednesday last week, held at the National University of Singapore (NUS) Business School.

About 20 people - including social entrepreneurs and government agency staff - took part in the talk run by the school's Asia Centre for Social Entrepreneurship and Philanthropy (Acsep).

Questions raised included whether social enterprises should be accredited and whether taxi booking app GrabTaxi is entitled to call itself a social enterprise.

Founder Anthony Tan is on record as saying that the app is a social enterprise in that it helps taxi drivers earn more money.

GrabTaxi said it also conducts free health checks for drivers in other countries.

But some participants said the firm earns commissions so it is important to look at what portion of the profits help taxi drivers.

Acsep director Lam Swee Sum told The Straits Times that setting some parameters would help address the problem of companies passing themselves off as social enterprises for marketing purposes or to attract funding.

NUS researchers Roshini Prakash and Pauline Tan wrote in a report launched last month that greater clarity would "drive the accountability of social enterprises to attract further... investments to catalyse their growth".

It was released with Acsep's launch of a two-month public consultation on social enterprises.

Professor Lam said growing the social enterprise sector and having different types of players to address social problems were important. "If the charity sector grows bigger, government subsidies have to increase each year."

Registered charities get income tax breaks and may also be exempted from paying property tax. Unlike social enterprises, they must be not-for-profit.
Most participants agreed that a defining characteristic of social enterprises is that they have a "social mission" with a business model. They should also make a social impact through their "products, services and operations".

So a company that invests only a tiny portion of its profits in corporate social responsibility programmes, for instance, would not be considered a social enterprise.

But views were mixed on accreditation of social enterprises.

Some participants such as World Toilet Organisation founder Jack Sim were against the idea.

Accreditation could end up being restrictive for the diversity of social enterprises and lead to less "innovation of ideas", he said.

Others such as Ms Elim Chew, founder of fashion label 77th Street and advisory board member of Acsep, said accreditation would help distinguish social enterprises from those that are not.

"Everyone has been jumping onto the bandwagon, calling themselves social enterprises... A company could claim to have a social angle just by providing jobs."

She suggested adopting a policy similar to that in the United Kingdom, where social enterprises must commit to reinvesting at least 65 per cent of profits into the social mission, but perhaps with a lower percentage here.

The public consultation ending on Aug 3 is at www.seconversation.sg [http://www.seconversation.sg]

Feedback will be compiled in a working paper, to be submitted to policymakers and made available to the community later this year.