



# THE FUTURE OF BUSINESS

Shaping inclusive growth in South-East Asia

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# SUMMARY

South-East Asia has seen remarkable economic growth over recent decades but also faces serious challenges, especially growing levels of inequality. Solutions are emerging, and the region's leaders have agreed that inclusive growth is the way forward. Inclusive economies need inclusive businesses.

*Income inequality has increased in South-East Asia by 20% in the last 20 years.<sup>1</sup>*

Although at an early stage, we're witnessing the potential for business to deliver the solutions. A vibrant range of more equitable business models is emerging, from initiatives to promote social and environmental sustainability in the garments and agriculture sectors in Cambodia, to inclusive businesses working with poor communities in Thailand and Lao PDR, and Fair Trade social enterprises whose profits are ploughed back to producers.

It is also becoming clear that there is a spectrum of how committed businesses in South-East Asia are to their social responsibilities.

At the heart of any business should be the fundamental and universally recognized duty to respect human rights and pay a wage that enables workers to realize these rights.

Corporate social responsibility (CSR), voluntary and self-regulating approaches that address stakeholder concerns to protect reputation, are one step up and becoming increasingly mainstream in the region.

Going further, shared value strategies take a more enlightened approach, aiming to identify areas where business and society can benefit each other. Inclusive business models, which are particularly popular in agriculture, seek to address poverty by companies partnering with poor communities in their value chain.

*Women in Asia earn between 70% and 90% of what men earn.<sup>2</sup>*

Yet these models cannot provide all the answers.

Hybrid and social enterprise models, which pursue dual goals of financial sustainability and social purpose, can free businesses from the focus on profit maximization. This is the future of business.

Policymakers, investors, social entrepreneurs themselves and the wider business community can help scale up and replicate these models in the region.

Our intention is to inspire business leaders, wherever they currently sit on the spectrum of inclusive business, and help bring about fairer business models that will drive the inclusive economy we all want to see across South-East Asia and more widely.

# 1 INTRODUCTION

This briefing is intended for business leaders, investors and policymakers in South-East Asia.

Many of us share a vision of inclusive economic development. Drawing on what Oxfam and others have learned from private sector partnerships, a growing body of research and examples of new models of business, we aim to show how businesses in South-East Asia can help deliver this vision and tackle poverty and growing levels of inequality in the region.

From corporate social responsibility (CSR) and inclusive business models, to social enterprises and hybrid enterprises, we show how businesses and entrepreneurs can prioritize people and the planet alongside profit.

This paper begins with a contextual overview of the region, focused on the challenge of inequality. It then highlights how business can be part of the solution, presenting a spectrum of approaches, accompanied by case studies. [Section 2](#) then takes a deeper look at how social enterprise models can be supported to thrive and [Section 3](#) makes recommendations for the region's businesses and offers further resources for practitioners.

## THE CHALLENGE – GROWTH BUT INEQUALITY

Economic growth is a success story in South-East Asia.

Gross domestic product in the Association of Southeast Asian Nations (ASEAN) region climbed from \$37.6bn in 1970 to \$2.6tn in 2016.<sup>4</sup> Over the last two decades, over 100 million people have joined the workforce across the region<sup>5</sup> and millions of people have been lifted out of poverty. Investment is up, infrastructure has been built, trade is rising and regional prosperity has boomed.

*In Vietnam, the country's richest man earns more in a day than the poorest person earns in 10 years.<sup>3</sup>*

Yet despite this economic success, huge challenges remain. Growing levels of inequality are particularly concerning.

In Vietnam, the country's richest man earns more in a day than the poorest person earns in 10 years.<sup>6</sup> The four richest men in Indonesia have more wealth than the 100 million poorest combined.<sup>7</sup>

Newly generated wealth has also not been shared equally. The Gini coefficient, which captures income inequality, rose from 32.6 in 1990–99 to 39.1 in 2014 in South-East Asia, an increase of about 20% in two decades.<sup>8</sup>

Poverty wages and precarious work are endemic in the region. Minimum wages are often a fraction of the living wage<sup>9</sup> needed for workers to realize their basic human rights, and even those standards are routinely flouted.<sup>10</sup> The number of people severely food insecure in East and South-East Asia rose from 48 million people in 2015 to 71 million in 2016.<sup>11</sup>

Pervasive gender inequality means that women's work is devalued. On average, women in Asia earn between 70% and 90% of what men earn.<sup>12</sup> They also carry out around 2.5 times the amount of unpaid care work that men do,<sup>13</sup> are more likely to be engaged in vulnerable work and are more likely to be paid under the minimum wage.<sup>14</sup>

This is not the concern of a few international NGOs. Sustainable and inclusive economic growth is now a priority for the region. Shamshad Akhtar, Executive Secretary of the UN Economic and Social Commission for Asia and the Pacific, calls for 'solutions to uplift the entire region together and ensure that no-one is left behind.'<sup>17</sup> The 50<sup>th</sup> anniversary of ASEAN in 2017 highlighted the issue of deepening income inequality, and as the Secretary General of ASEAN took over office in January 2018, he emphasized the need 'to ensure the region advances towards inclusive growth and sustainable development'.<sup>18</sup> The ASEAN AEC Blueprint 2025<sup>19</sup> describes a more resilient, inclusive, and people-oriented, people-centred economy. The World Economic Forum has for many years identified inequality as one of the most significant risks to global prosperity. Inequality concerns us all.

*Women carry out around 2.5 times the amount of unpaid care work that men do,<sup>15</sup> are more likely to be engaged in vulnerable work and are more likely to be paid under the minimum wage.<sup>16</sup>*

## BUSINESS AS A FORCE FOR SHARED PROSPERITY

There is much to be hopeful about.

If there is agreement on the need for inclusive growth, then there should also be agreement on the need for inclusive business.

Business can be a powerful force for good and is a crucial part of the answer. We cannot and will not overcome the challenges of inequality and poverty that we face without harnessing the power and potential of business.

Enterprise creates jobs, businesses create livelihoods and entrepreneurship creates opportunity. This is how we deliver growth.

But we also need to change the way in which businesses go about their work. This is how we deliver inclusive growth.

Again, South-East Asia has a success story to tell, but more needs to be done.

There is a strong tradition of social enterprise and equitable business in South-East Asia. From the rich tradition of family-run businesses, through to the compulsory giving of a portion of wealth to charity (zakat), mutual aid, gotong royong (communities working together to achieve a common goal) and co-operatives that have existed for decades.

But this is not enough.

There are now pioneering business leaders that recognize that today's challenges are tomorrow's business opportunities and who are innovating their business models accordingly. From CSR to shared value and social enterprise, South-East Asia has homegrown solutions to the challenges of the 21<sup>st</sup> Century. The challenge now is scaling them up and increasing their scope.

*'We must balance our quest for economic expansion with principles of corporate social responsibility.'*

**Thomas Thomas,  
CEO, ASEAN CSR  
Network**

#### **Box 1: ASEAN Community Vision 2025 and the private sector**

The private sector has a key role in ASEAN's drive towards economic integration by 2025. Homegrown major agribusiness and forestry companies, including some of the world's largest multinational enterprises like Sime Darby in Malaysia, San Miguel in the Philippines, Olam in Singapore, PT Bakrie Sumatera Plantations in Indonesia, and CP in Thailand, are the emerging major players.

The expanding role of homegrown companies and investors in driving the ASEAN economy is both welcome and cause for concern: the risk of capital outflow is mitigated, but without the necessary governance reforms and regulatory framework, economic integration will tend to excessively benefit private sector interest and may also encourage more resource grabbing in the region.

The private sector has a huge impact on the lives of ASEAN's citizens, and engaging with businesses is imperative. It is particularly important to engage with them on advancing inclusive and responsible business practices that will lead to the reduction of their social and ecological footprints, enabling women's economic empowerment and protection in their value chains, and collaborating with communities to enhance resilience.

## **BUSINESS OPPORTUNITIES**

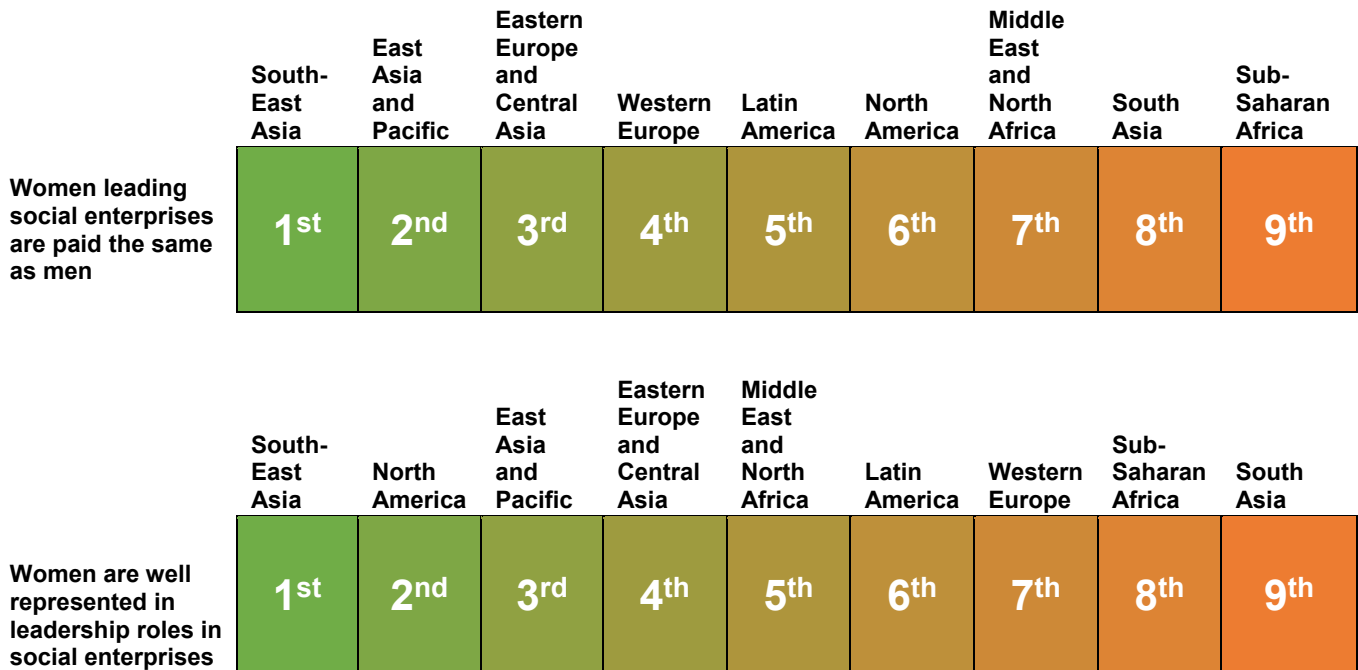
Responsible business has particularly strong potential in South-East Asia. Many enterprises across the region are already realizing the benefits of inclusive business, from women's economic empowerment, customer loyalty and a more engaged workforce, to attracting investment.



## Closing the gender gap

Pervasive gender inequality means that, on average, women in Asia earn a fraction of men and are more likely to be paid below the minimum wage.<sup>20</sup> Yet in the social enterprise sector, South-East Asia is leading the way on pay parity and leadership opportunities for women (see Figure 1).

**Figure 1: In the social enterprise sector, South-East Asia is leading the way on pay parity and leadership opportunities for women**



Source: Based on Thomson Reuters Foundation survey (2016).<sup>21</sup> South-East Asian countries in the sample are Indonesia, Malaysia, the Philippines, Singapore and Thailand.

As well as the moral case, there is a strong economic and business case for equality. A 2015 study by the Asian Development Bank (ADB) estimated that if female workforce participation in Asia rose from 57.7% to 66.2%, in just one generation Asia's economy could see a 30% growth in income per capita.<sup>22</sup> Promoting fairer business models can help unleash economic growth as well as contribute to a fairer society. A global study by McKinsey found that 'companies in the top quartile for gender diversity were 27 percent more likely to outperform their national industry average in terms of economic profit'.<sup>23</sup>

## Workforce

Attracting the best talent is crucial for business success, and showing responsible behaviour is becoming increasingly important to workers, especially among younger employees.

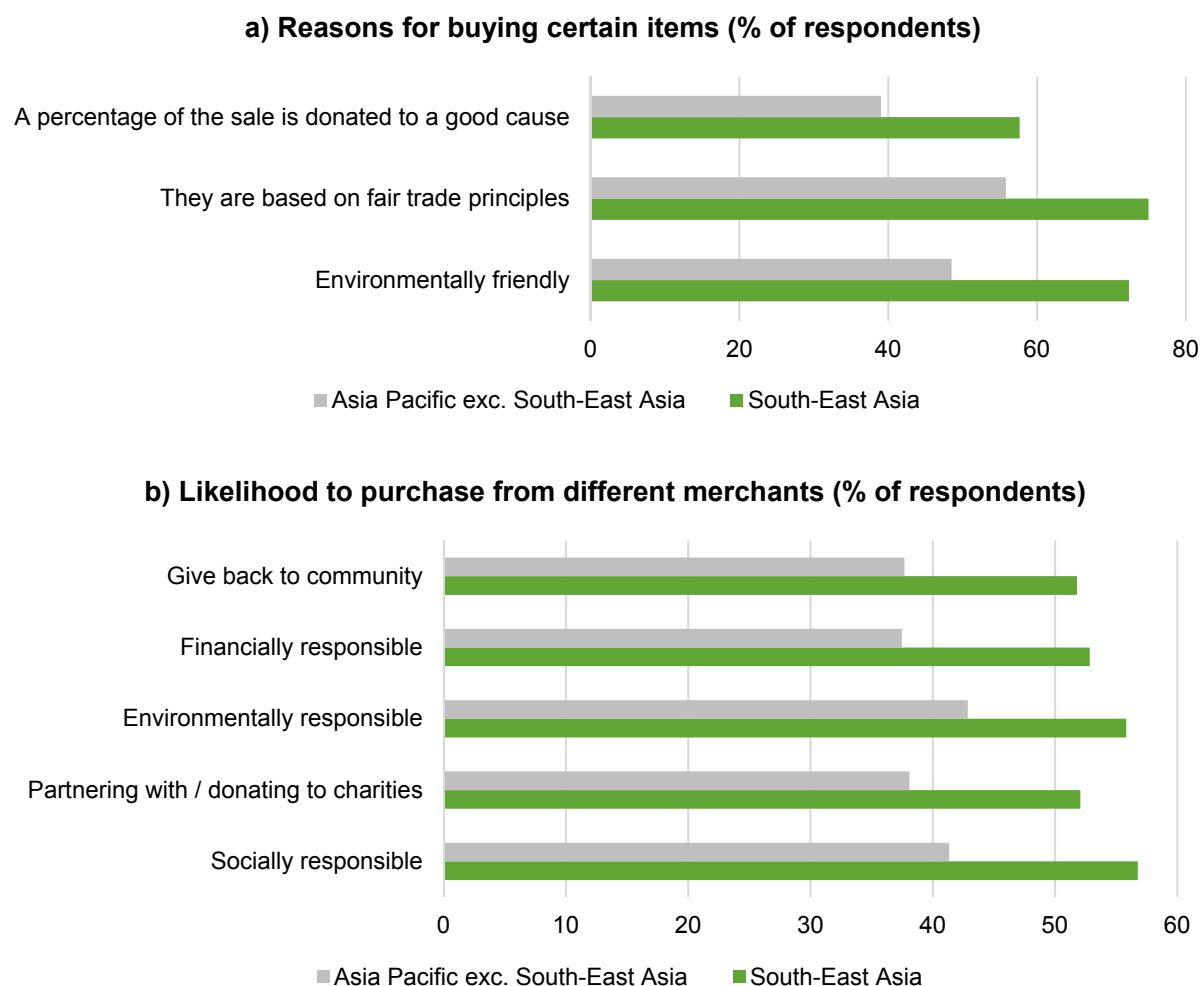
In a 2018 Deloitte survey, 81% of respondents in South-East Asia (vs 77% globally) cited 'corporate citizenship' as 'an important or very important aspect in employers'. In the same survey, three-quarters of young workers in South-East Asia said they have a 'high expectation' of CSR activities.<sup>24</sup>

A 2012 study found that if a company was on the '100 Best Companies to Work For in America' list it generated '2.3% to 3.8% higher stock returns per year than their peers from 1984 through 2011',<sup>25</sup> implying that 'concern for other stakeholders, such as employees, may ultimately benefit shareholders'.<sup>26</sup>

## Competitiveness

Businesses that develop market-based solutions to social and environmental challenges are pushing against an open door. South-East Asian consumers are more concerned about these issues than their neighbours (see Figure 2), especially compared to Australia and New Zealand. They're putting their money where their mouth is, with 64% of consumers in Asia Pacific being willing to pay more for products from 'companies committed to positive social and environmental impact', over twenty points higher than Europe and North America.<sup>27</sup>

**Figure 2: Consumers in South-East Asia are more socially and environmentally conscious than their neighbours**



Source: Based on MasterCard survey (2015).<sup>28</sup> South-East Asian countries in the sample are Thailand, Malaysia, the Philippines, Indonesia, Vietnam and Singapore.



## Investment

Investors are now also increasingly applying an ethical lens when considering where to invest their capital. Ethical screening is becoming the norm; Environmental, Social and Governance (ESG) investing<sup>29</sup> is on the rise; and social or impact investing is grabbing ever more attention, with \$3.6bn already invested in South-East Asia by impact investors.<sup>30</sup> The more socially and environmentally responsible businesses of the future will find it easier to attract wider pools of capital, on better terms and with long-term, like-minded partners.

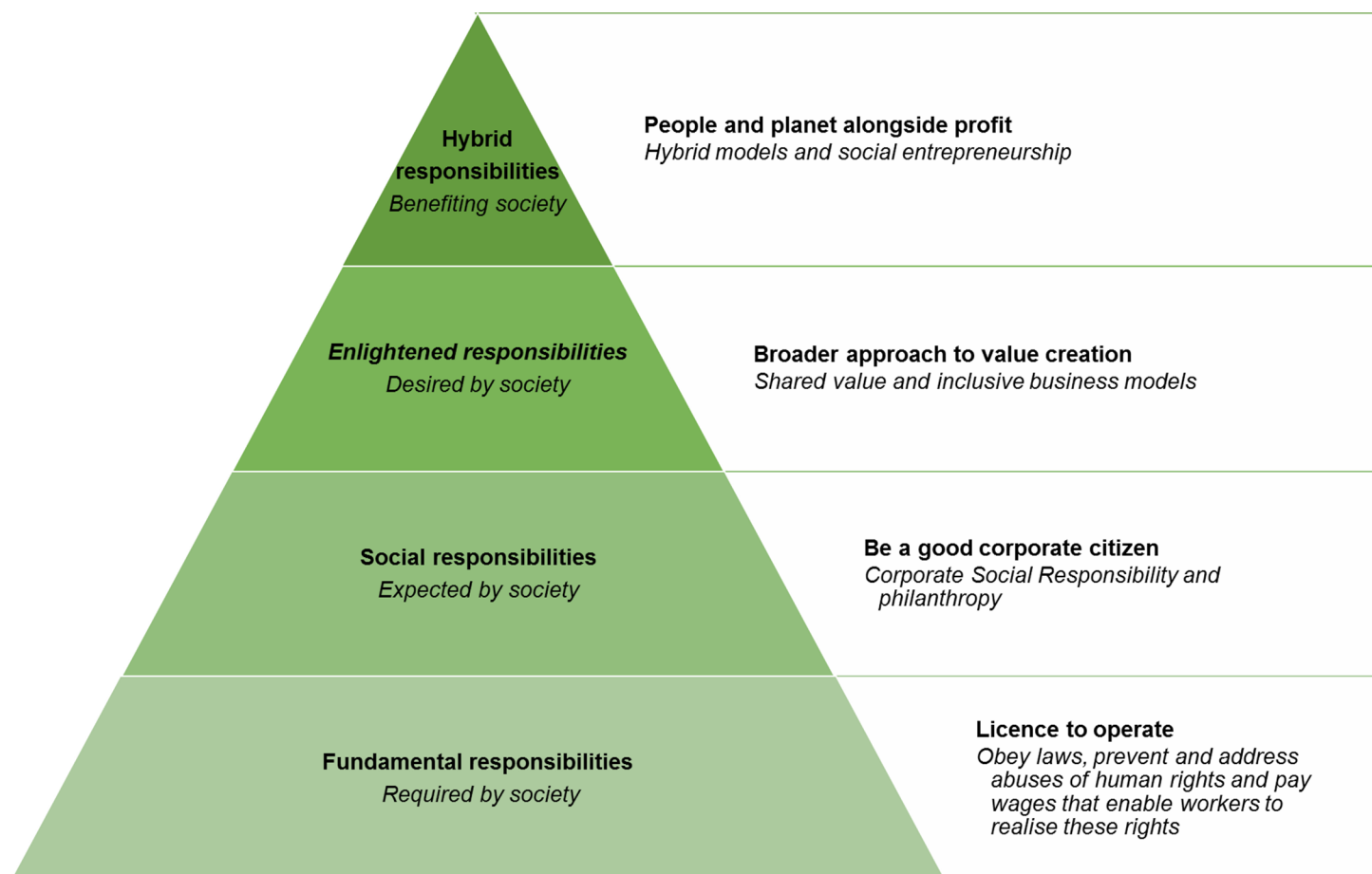
## Early adopters

Despite this strong rationale for responsible business, it is only just starting to gain traction in the South-East Asia region. Early adopters have a head start on their competitors, as only 17% of companies in South-East Asia say that 'citizenship is a top priority in corporate strategy' and 22% are not focused on it at all.<sup>31</sup> It is time for those lagging behind to catch up.

# A SPECTRUM OF RESPONSIBLE BUSINESS

The once mainstream belief that the sole purpose of business is to create profit for its owners is increasingly being rejected as an unviable strategy. New and exciting models of responsible business are gaining traction across the region (see Figure 3).

**Figure 3: A range of business models that can help deliver more sustainable and inclusive economic development**



The above framework<sup>32</sup> shows how a range of business models can help deliver more sustainable and inclusive economic development. There is a spectrum of approaches, and where a company sits corresponds to how committed the business is to delivering benefits to society over the long term. If businesses are to play their part in delivering inclusive economies and tackling poverty and inequality, more need to be moving into or towards the 'hybrid responsibilities' space (see Figure 3). The different models are discussed further below.

## **Fundamental responsibilities – respecting human rights**

The responsibility of business to respect human rights and pay a wage that enables workers to realize these rights is now widely accepted as the foundation for any business – the UN Guiding Principles on Business and Human Rights make this clear. If a business model is reliant on paying poverty wages and labour rights abuses to make a profit, then this is a flawed model from the start.

Sadly, South-East Asian countries are among the worst performing against the International Trade Union Confederation Global Rights Index.<sup>33</sup> But, against this challenging backdrop, there is progress. Initiatives such as the Asia Floor Wage<sup>34</sup> are raising awareness of the salary levels needed to constitute a living wage and multi-stakeholder initiatives are promoting better labour rights.

## **Social responsibilities – corporate citizenship**

Going beyond these minimum requirements, South-East Asian business leaders are starting to recognize that, at the very least, investing in ethical practice and avoiding harm can reduce reputational risk.

Definitions of CSR vary but are usually understood as voluntary and self-regulating approaches. Increased scrutiny by consumers and NGOs has pushed companies to address stakeholder concerns to protect their reputation.

It is also increasingly being recognized that companies must go beyond philanthropy, as ‘CSR is not about how money is spent but more about how money is made’.<sup>35</sup>

As CSR has evolved, there has been a trend towards ‘sustainable business practice’ that focuses on improving environmental and social performance in areas of material impact. This means more meaningful stakeholder engagement and closer alignment of business strategy with societal impacts.

When CSR is disconnected from core business strategy, this can misfire. Consumers and NGOs can often see through PR exercises, leading to companies facing criticism of ‘greenwashing’<sup>36</sup>.

## Box 2: Promoting responsible business practices in Cambodia

The influx of Foreign Direct Investment (FDI) has fuelled rapid economic growth in Cambodia over the past few years, particularly in the agriculture sector where half of the country's labour force work.<sup>37</sup> Unfortunately, the concept of responsible business is yet to gain ground in Cambodia, and most stakeholders and companies are still unaware of the strategic importance of responsible business practices. This is particularly the case for gender-sensitive business practices, which are a rarity in the country even though the vast majority of the workforce in the agriculture and garments sectors are women. This situation coupled with a weak regulatory framework has put communities and workers at risk and kept them in poverty.

To bridge this gap, Oxfam along with 43 organizations representing front-running companies and civil society organizations (CSOs) initiated the CSR Platform Cambodia to encourage agri-business companies and beyond to adopt responsible business practices that will specifically benefit smallholder women and men farmers. And more companies and organizations alike keep approaching the CSR Platform for both information sharing and membership. Through the Platform, best practices on social and environmental responsibility, good governance and corruption reduction, respecting human rights, and inclusive economic growth were shared with stakeholders. To set an example on women's participation in decision making activities, four of the six driving positions in the Platform are occupied by women.

Three companies that are members of the Platform's Steering Committee are leading the way on responsible business.

- **The Pactics Group**, which set up a people-and-planet friendly working environment at their garment factory in Siem Reap, provides capacity enhancement opportunities for their workers (e.g. computer, literacy and English classes) during work hours, and supports working mothers by providing day care services for their children.
- **Eco-Agri Centre** supports women and men farmers in developing a sustainable agricultural value chain and promotes organic food production.
- **EZECOM**, a leading internet services and solutions provider in Cambodia, voluntarily implements best practice codes and international certifications, and is a 'ChildSafe Business 7' certified company.

Other members of the CSR Platform are also showing the way forward. **Amru Rice**, for example, supports smallholder rice farmers in entering fair contracts negotiated by agricultural cooperatives and their union, and serves as a market enabler by buying directly from the farmers and helping them sell their products to other markets.

For these companies, the goal of responsible business conduct is to both increase their positive impact and decrease their negative impact; to help farmers, workers and employees increase their income and improve their quality of life; and to ensure long-term growth and development. The participating companies admit that responsible business practices are not easy to implement and require more resources, but they recognize their contribution in increasing productivity, reducing absences due to sickness, lowering staff turnover, increasing the employability of workers, and improving the reputation of the company.

The CSR Platform Cambodia has demonstrated that even without a regulatory framework in place, responsible business practices can be adopted and advanced through cooperation between the private sector and CSOs.

Source: M.V. Aranas, R. de Jong, K. Sok and N. Kek. (2017). Responsible Business Practices: Cambodia's changing business landscape. GRAISEA Stories of Change, Issue No. 1. Available at: <https://policy-practice.oxfam.org.uk/publications/responsible-business-practices-cambodias-changing-business-landscape-620353>

## Enlightened responsibilities – shared value

The 'shared value' model aims to enhance a company's competitiveness in the long term by identifying areas where business and society can benefit each other (see Figure 4). This idea is becoming more popular, driven by an understanding that long-term business success is dependent on overcoming social and environmental challenges.

This could be about internal operations, such as how the company procures materials or packages its products, for example, or it may be about the external conditions that have an impact on the company's competitiveness, such as workforce education or consumer demands for its products.

In the same vein, the idea of inclusive business models has started to take hold across South-East Asia. Inclusive business models are defined as models that seek to address poverty in a commercially viable way by companies partnering with poor communities in their value chain. The ambition is to provide solutions to poverty whilst also improving competitiveness for the business.

*'If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up.'*

**C.K. Prahalad, author of *Fortune at the Bottom of the Pyramid***

**Figure 4: Creating shared value**



Source: Bockstette and Stamp (2011).<sup>38</sup>

While representing under 1% of the formal business community across ASEAN, inclusive business models are growing rapidly and are attracting 60% of South-East Asia's impact investment<sup>39</sup> from those who invest for a combination of social and/or environmental impact and financial return reasons.

### Box 3: Oxfam's perspective on inclusive business

Oxfam believes that successful inclusive business strategies should be based on three principles:

1. **Improving conditions for people living in poverty:** Increased incomes and employment opportunities, increased knowledge and skills, better access to markets, improved infrastructure, access to goods and services, and premium prices benefiting poor communities.
2. **Creating shared value:** Low-income communities are integrated into efficient value chains to increase incomes, improve living conditions and create a more efficient, resilient and competitive value chain.
3. **Commercial success for businesses:** Increased productivity, improved quality, differentiation opportunities, and market expansion through the inclusion of people living in poverty, creating long-term economic value.<sup>40</sup>

A word of caution about inclusive business models though. These approaches can have a transformative impact on poverty, but simply including the poor in supply chains isn't enough. Oxfam's 'Ripe for Change' report, which launched its global Behind the Barcodes campaign to end human suffering in food supply chains, identifies business practices that have led to poor communities being trapped in poverty due to a relentless focus on profit maximization by the private sector.<sup>41</sup>

For a business model to be considered truly inclusive, it should shift away from the overarching goal of profit maximization whatever the human cost.

The other challenge with the shared value model is that it relies on finding opportunities to create competitive advantage, not where the greatest needs are. As such business solutions do not necessarily match the priorities of poor communities. So, these models cannot provide all the answers.

### Box 4: The Blue Brand standard for seafood in Thailand

The Blue Brand standard is a seafood audit mechanism that was initiated by Oxfam with the Association of Thai Fisherfolk Federation, a group of artisanal and traditional fishers in Thailand supported by Oxfam. The Blue Brand standard is being implemented by the women-led Fisherfolk Enterprise, and it is underpinned by being GREEN (responsible and sustainable fishing), being CLEAN (total quality control from catching to selling), and being FAIR (fishers' catches are purchased at a fair price, fishers work in safe conditions, and rights are protected and respected). Aside from ensuring that a fair share of the end consumer price reaches small fishers and providing safe and sustainable seafood to consumers, the Blue Brand standard also aims to influence the seafood industry in Thailand. Through providing a best practice example, it hopes to harness both producers and consumers to consciously choose sustainable and ethical seafood products that are Blue Brand certified, with a strategic goal for 10% of seafood products in Thailand to become Blue Brand certified by 2020. Blue Brand products are currently being marketed directly by the federation's Fisherfolk Enterprise and distributed through the organic and natural food retail chains at Local Shop Chiang Mai and Lemon Farm.

### Box 5: Coffee grown right in Lao PDR

Coffee is an upstream industry<sup>42</sup> in Lao PDR, and currently its fifth largest export product in terms of value, estimated at \$112m in 2017. There is also a growing domestic coffee culture within Lao PDR, which is driven by tourist demand and the specialty coffee fad.

Among the country's coffee players is the Saffron Coffee Company, which engaged with Oxfam on enhancing responsible and inclusive business practices in the coffee industry through the Mekong Region Land Governance Programme (MRLG) during 2017–18. The company was enthusiastic about enhancing social development, including mainstreaming gender in its business operations. The initial identification of areas to improve was carried out by Oxfam and the company together, using the Scorecard from Oxfam's Behind the Brands campaign.<sup>43</sup>

Since then, Saffron Coffee has been involved in various activities related to the topics and areas for improvement identified using the Scorecard. Through the engagements and exposure learning organized by Oxfam, Saffron Coffee has transformed its website to be able to effectively convey its responsible business policies to the public and community; increasingly committed to CSR and free, prior and informed consent (FPIC) principles; and worked to further incorporate gender and women's empowerment into its business plan.

### Box 6: Improving labour rights and standards with Unilever in Vietnam

Oxfam's engagement with Unilever started through a joint Poverty Footprint study<sup>44</sup> in Indonesia and eventually on labour rights in Vietnam following public reports of labour issues in the company.<sup>45</sup> In 2013, a study looking at the gap between corporate policies and the reality for workers was conducted<sup>46</sup> using the UN Guiding Principles on Business and Human Rights, which Unilever has signed up to as a framework. This study uncovered a host of concerns in the company's supply chain and factory in Ho Chi Minh City. As a result, a range of CEO-level commitments was made by Unilever, including undertaking a 'sustainable living review' in all 180 countries in which it operated at the time.

In 2016, a follow-up report was published by Oxfam<sup>47</sup> which noted positive improvements and continuing challenges.

A number of factors contributed to the productive engagement with Unilever, namely the company's own desire to resolve its challenges on labour disputes and human rights in a credible way; the explicit backing of a CEO in Unilever's engagement with Oxfam, which enabled mutual respect and trust; straightforward but constructive discussions with the company's UK headquarters; and the openness and willingness of Unilever to allow Oxfam to independently conduct interviews with its workers and listen to feedback on the findings.

Contrary to expectations, Unilever did not get a bad rap from the disclosure of systemic issues in its supply chains, but instead got good publicity for being transparent. It confirmed their leadership in transparency and willingness to learn, while also improving their risk management through understanding how stakeholders such as Oxfam look at labour issues. For Oxfam, the main takeaway was the importance of a company like Unilever in influencing the wider system. A real game-changer would be for a critical mass of companies to speak up for smart regulation, whether that relates to the enforcement of labour laws in emerging economies, or regulation about the beneficial purpose and structure of companies.

*'When we look under the bonnet of mainstream businesses, we see that they're designed to maximize returns to capital. Efforts to behave ethically or sustainably must wear the straight-jacket of also being the path to maximizing returns to investors.'*

**Erinch Sahan, CEO of the World Fair Trade Organization (WFTO)**



## The future – hybrid and equitable business

Some of the limitations of the CSR and inclusive business models approaches can be overcome by hybrid and equitable business models. These include social enterprises, co-operatives and fair trade businesses.

These businesses have hybrid goals of financial sustainability and social purpose.<sup>48</sup> Commercial activity for hybrid businesses is a means towards a social end, distinguishing them from CSR and shared value approaches where social goals are a means to protect and enhance commercial ends.

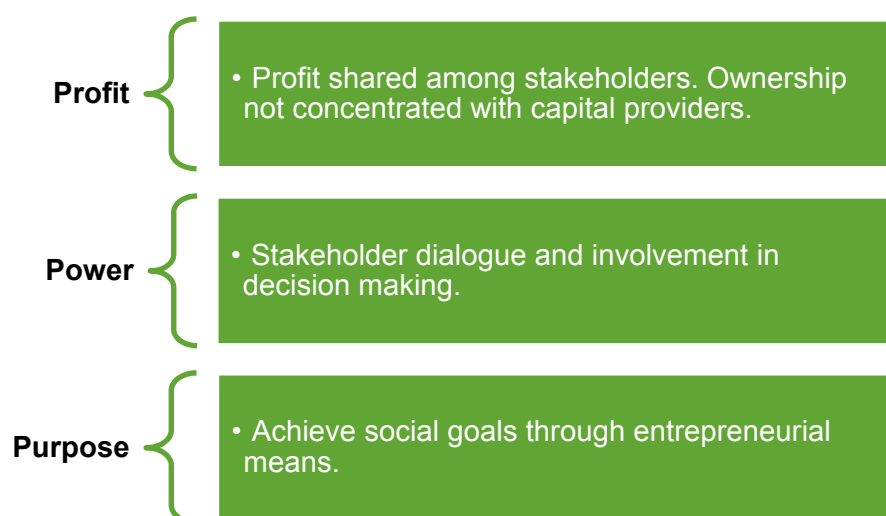
Social entrepreneurship can be a viable way to create jobs, raise incomes and empower communities and deliver economic growth while also reducing income inequality, promoting women's economic empowerment and reducing environmental impacts.<sup>49</sup>

A new generation of entrepreneurs in South-East Asia are innovating with business models, driven by a desire to address the social issues facing the region. Institutional funding and technical assistance from around the world is helping to spur development. Public policy is providing opportunities through new legal frameworks, new incentives and new enabling environments, supporting their growth.

Social entrepreneurship across South-East Asia has grown significantly in recent years – 'We have seen the emergence of social entrepreneurs, who have stepped up to develop financially self-sustaining solutions to address social and environmental challenges in their communities'.<sup>50</sup>

Some of the distinguishing characteristics of social enterprises are related to who controls the company, how decisions are made and in whose interest (see Figure 5). These often dictate whether businesses prioritize the interests of a wider group of stakeholders, be they workers, farmers, local communities, or the environment.

**Figure 5: Characteristics of hybrid and equitable models**



### **Box 7: Fair Trade Enterprise models across ASEAN**

Fair Trade Enterprises are mission-led businesses that focus all their commercial decisions on benefitting producers. Producers can be workers, farmers or artisans who ultimately make and grow the products that consumers enjoy. These are people who make products like clothes, furniture, food, jewellery or cosmetics.

As mission-led businesses, they are social enterprises, but they go further. They are equitably structured, through representation of producers on their boards, policies to reinvest profits and a business model that fosters long-term commitments to their producers and communities.

A key feature is that their boards typically represent the voices and interests of their producers and communities. Their profits are also mostly reinvested to benefit their producers. Their business model is to deploy a range of mechanisms that ensure they are embedded in their communities, committed to their producers and retain long-term business relationships even if more profitable options arise. Critically, when faced with a choice between additional profits or the interests of producers, they prioritize producer interests. This is a design feature of Fair Trade Enterprises.

The World Fair Trade Organization (WFTO) verifies, supports and promotes Fair Trade Enterprises that are fully committed to their producers in this way. The WFTO Fair Trade Standard is based on the 10 Principles of Fair Trade, and is used to assess the governance, business model and practices of businesses that want to be verified as Fair Trade Enterprises.<sup>51</sup> There are over 200 verified Fair Trade Enterprises from over 70 countries, and many are in South-East Asia.

## 2 GROWING EQUITABLE ENTERPRISE

Hybrid and equitable businesses can deliver more inclusive growth and have a transformative and influential effect on the wider business community through the markets in which they operate.

Developing greater scale and scope of hybrid and equitable enterprises across the ASEAN region will take a combination of practical steps from policymakers, investors, mainstream businesses and social entrepreneurs themselves.

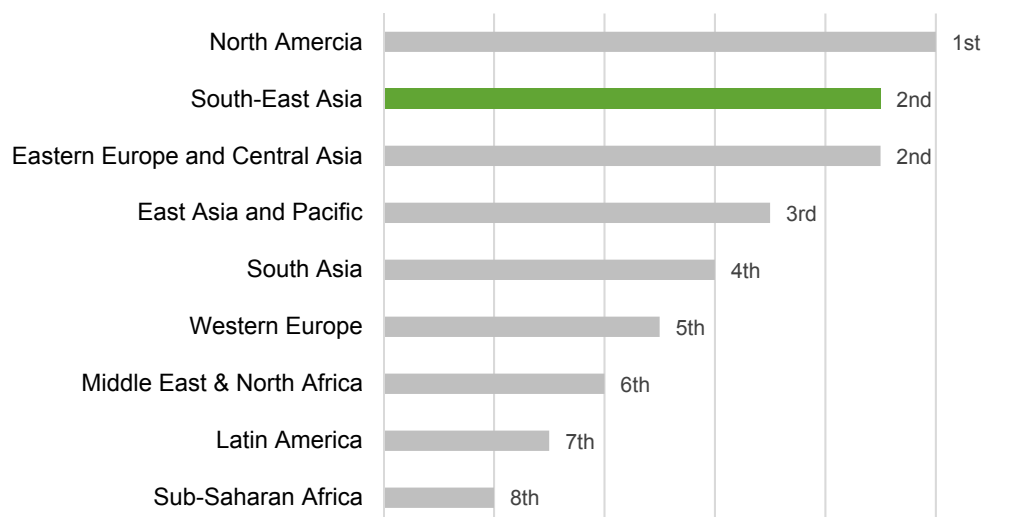
### PULLING PUBLIC POLICY LEVERS

Governments in South-East Asia are increasingly working to support and enable more equitable models by harnessing the spending, fiscal, regulatory and softer levers they have at their disposal. In doing so, they are tilting the business playing field in favour of more socially and environmentally responsible business practice, supporting social enterprises but also encouraging more responsible behaviour from across the spectrum of businesses. Examples include:

- In Vietnam, legal recognition of social enterprises in the 2014 Enterprise Law.
- In Singapore, the ministry of Social and Family Development developed support, advice and guides for social enterprises.
- In Thailand, the government created a Social Economy Office and masterplan. There are also tax exemptions for some social enterprises.
- In Malaysia, in March 2017 the government launched a Social Outcomes Fund designed to provide finance for social enterprises to deliver preventative interventions and social services that support marginalized communities.

While there is still a long way to go, governments' efforts to promote social entrepreneurship in the region are among the world's leading examples of policy being used to develop an enabling environment for social enterprise (see Figure 6).

**Figure 6: Government policy support for social entrepreneurs – ranked**



Source: Based on Thomson Reuters Foundation survey (2016).<sup>52</sup> South-East Asian countries in the sample are Indonesia, Malaysia, the Philippines, Singapore and Thailand.

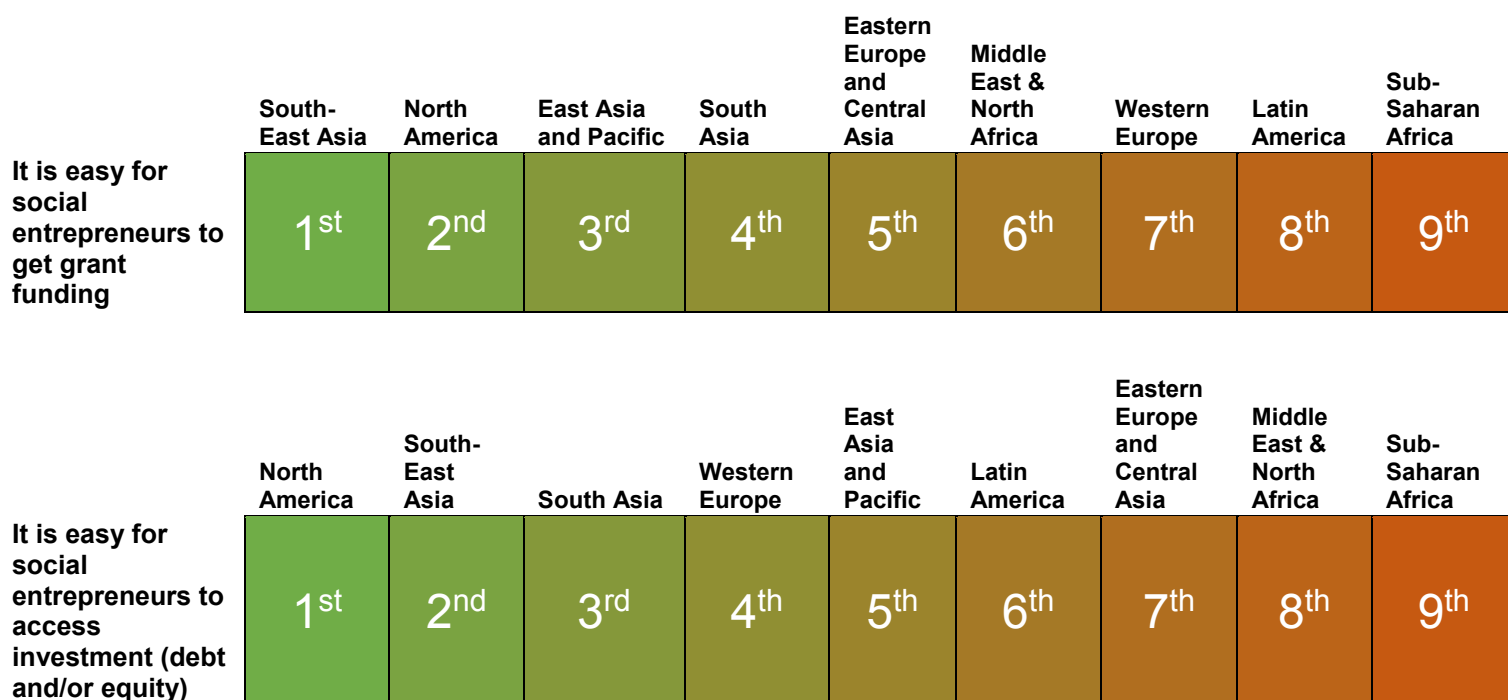
## SUPPORTING NEW MODELS OF INVESTMENT

The idea of social finance or impact investment has been growing in Asia over the last decade. Foundations and governments are looking to provide, and catalyse, more sustainable financing for social initiatives.

There is an emerging mix of international investors in South-East Asia, including LGT Impact Ventures, development agencies such as USAID and local investors such as Change Venture in Thailand, Lotus Impact in Vietnam and clean energy funds in Cambodia and Thailand.

According to a survey of global experts, the region is among the best for access to grant funding and investment (see Figure 7).

**Figure 7: South-East Asia ranks highly in term of access to grant funding and investment**



Source: Based on Thomson Reuters Foundation survey (2016)<sup>53</sup>. South-East Asian countries in the sample are Indonesia, Malaysia, the Philippines, Singapore and Thailand

Despite this, Oxfam has observed several outstanding challenges in the region with regard to social or impact investment:

- Many social enterprises still rely, at least in part, on government subsidies, funding from charitable foundations and donations.
- Capital providers can find transaction costs too high and there is a 'missing middle' of companies in the early stage of development whose investment needs are too big for microfinance and too small for traditional lenders.
- There is a lack of coherent support from advisors, mentors and others.
- Women face greater challenges accessing funding than men, often due to an inability to provide collateral for credit due to norms around asset ownership.
- Some investors believe that impact is possible without ever compromising financial return. This can lead to a one-sided view, resting heavily on investor needs, not enterprise realities.

## SCALING AND REPLICATING EXISTING MODELS

Many social entrepreneurs are ambitious in wanting to scale and replicate the success they have found. While growth is not for every social entrepreneur, there are many examples of social enterprises growing to national or regional

level. The social enterprise East Bali Cashews, for instance, has expanded rapidly from a few stores in Bali to international sales across South-East Asia, Australia, New Zealand and the US. Fair Price, a co-operative supermarket chain set up by the Singapore National Trades Union Congress, has recently opened stores in China and Vietnam.

Public policy and investment can help, but this growth and replication often requires external support. The DBS-NUS Social Venture Challenge is an Asia-wide competition for social enterprises launched by the DBS Foundation and NUS Enterprise. It aims to identify and support social ventures that have the potential to generate scalable and sustainable social impact.

## INVESTING IN INFRASTRUCTURE

Social enterprise can be supported to grow and develop with the help of bespoke infrastructure designed to help similarly-minded businesses. This is starting to happen across the region.

As early as 1999, a group of NGOs established the Philippine Social Enterprise Network as a community of practice to discuss and replicate social enterprise experience. Meanwhile, the Singapore Centre for Social Enterprise (raiSE) raises awareness of social enterprises and is a membership body for aspiring social entrepreneurs and existing social enterprises. Alongside these associations and other membership bodies, additional support infrastructure can help develop more inclusive models of business. Examples include:

- Impact Hubs in Jakarta, Kuala Lumpur, Manila, Phnom Penh and Yangon offering incubation, acceleration and shared workspaces to help social enterprises grow.
- UnLtd Indonesia and UnLtd Thailand offering early stage support.
- Ashoka Thailand and others helping individual social entrepreneurs.
- ChangeFusion, a Bangkok-based organization, supporting and investing in social enterprises. The organization also works to help strengthen the ecosystem of social enterprises in Thailand and in Asia. It's portfolio of social enterprises are working in tech, agriculture, tourism, healthcare, clean energy and beyond.
- The British Council have developed a guide to structuring Social Enterprises in the ASEAN region.<sup>54</sup>

## CREATING PARTNERSHIPS AND JOINT VENTURES

Social enterprise can grow with the support of government, investors and through their own networks. But corporates, family-owned business and more 'mainstream' businesses can also play a significant role in helping build this new movement.

Partnerships between social enterprises and for-profit companies can help rapidly scale up social enterprises. Doi Tung Development Project, for instance, has four business streams – handicraft products, food products, agriculture, and tourism – run by local people in Thailand. The enterprise now sells its products at IKEA stores in six European countries, including the UK and Sweden.<sup>55</sup> This relationship with IKEA has grown to become a decade-long partnership with around 200,000 products – made of textiles, pottery and paper – crafted by about 330 artisans, three quarters of them women. The partnership with IKEA has helped Doi Tung become more efficient and strategic and without IKEA, Doi Tung would not have developed so quickly.



# 3 CONCLUSION AND WAY FORWARD

Leaders in South-East Asia have committed to sustainable and inclusive development, which has raised awareness among the public of the need for responsible business practice.

This requires new models and strategies for the region's businesses. Fortunately, the case for a fairer way of doing business is especially strong in South-East Asia, and businesses that grasp the opportunity now will create business models that are built to thrive in the future.

Social enterprises in South-East Asia are at the forefront of women's economic empowerment, consumers and the workforce are more socially conscious than many other parts of the world and, although at an early stage, there is a growing effort from investors, policymakers and entrepreneurs themselves to promote fairer models of business.

There are various ways outlined in this paper that businesses can take a more responsible approach. Companies are at different stages in their journey, so below we provide recommendations to support businesses along the way.

At the same time, there needs to be widespread recognition that strategies that put profit above all other considerations have their limits. There is an opportunity for the region to promote a new vision for businesses where companies are run in the interests of a broader group of stakeholders. Social enterprises and other hybrid models – where profit is a means not an end – can free businesses from the constraints of narrower models. Governments, investors and civil society can all play a role in creating the enabling conditions for these businesses to thrive.

## Questions and suggestions

### **Human rights, living wages and closing the gender gap**

At the heart of any business's license to operate is the obligation to protect workers' human rights and pay wages sufficient to enable them to realize these rights. In this respect, there are many challenges for businesses in the region and so companies that take their licence to operate seriously can differentiate themselves from competitors by pro-actively preventing and addressing human rights abuses.

**Table 1: Questions and suggestions on human rights, living wages and closing the gender gap**

Questions	Suggestions	Further resources
Do you know which areas of your business operations and supply chains are high risk for human rights abuse?	Carry out a human rights due diligence assessment.	ETI. (2016). Human Rights Due Diligence Framework. <a href="http://www.ethicaltrade.org/resources/human-rights-due-diligence-framework">www.ethicaltrade.org/resources/human-rights-due-diligence-framework</a>
Are your workers and those in your supply chain paid a living wage?	Work with unions and NGOs to establish and pay a living wage and collaborate with others to advocate for more effective legislation.	R. Wilshaw. (2014). Steps Towards a Living Wage in Global Supply Chains. <a href="https://policy-practice.oxfam.org.uk/publications/steps-towards-a-living-wage-in-global-supply-chains-336623">https://policy-practice.oxfam.org.uk/publications/steps-towards-a-living-wage-in-global-supply-chains-336623</a>  Asia Floor Wage website. <a href="https://asia.floorwage.org/what">https://asia.floorwage.org/what</a>  Global Living Wage Coalition website. <a href="http://www.globallivingwage.org">www.globallivingwage.org</a>
Do you support gender equality in the workplace?	Put women's empowerment at the heart of business operations by signing up to the UN Women's Empowerment principles.	Women's empowerment principles. <a href="http://www.weprinciples.org">www.weprinciples.org</a>

## Corporate citizenship

Going beyond minimum expectations, businesses can begin their responsible business journey by responding to stakeholder concerns. This involves going further than philanthropy and identifying the social and environmental impacts of the business and how they relate to stakeholder concerns. As part of their communications, companies should report on non-financial performance – improving accountability and relationships with stakeholders.

**Table 2: Questions and suggestions on corporate citizenship**

Questions	Suggestions	Further resources
Do you understand the major impacts of the business on its stakeholders?	Conduct a materiality assessment.	CSR Asia. (2015). Materiality Assessment: The what, why and how. <a href="http://csr-asia.com/download/Materiality%20Assessment%20-%20The%20What,%20Why%20and%20How_Jun_2015.pdf">http://csr-asia.com/download/Materiality%20Assessment%20-%20The%20What,%20Why%20and%20How_Jun_2015.pdf</a>
Do you know what you want from corporate responsibility?	Develop a vision and strategy for reducing social and environmental impact.	
Do you report non-financial performance?	Publicly report relevant impact using recognized standards.	GRI Standards. <a href="http://www.globalreporting.org/standards/">www.globalreporting.org/standards/</a>

## Identifying opportunities and developing partnerships to create shared value

As discussed earlier, companies can find opportunities to enhance their competitiveness by addressing social and environmental challenges, an approach known as creating shared value. As well as helping to identify issues and develop strategy, stakeholders can be partners in delivering shared value approaches.

**Table 3: Questions and suggestions on creating shared value**

Questions	Suggestions	Further resources
Do your stakeholders help you identify opportunities?	Map, prioritize and develop an engagement plan for stakeholders.	J-P. Renault. (2007). Stakeholder Engagement: Practices & Principles for Success <a href="http://www.sustainability.com/our-work/reports/stakeholder-engagement/">www.sustainability.com/our-work/reports/stakeholder-engagement/</a> J. Morris and F. Baddache. (2012). Back to Basics: How to Make Stakeholder Engagement Meaningful for Your Company. <a href="https://www.bsr.org/en/our-insights/report-view/bsrs-five-step-approach-to-stakeholder-engagement">https://www.bsr.org/en/our-insights/report-view/bsrs-five-step-approach-to-stakeholder-engagement</a>
Do stakeholders have a voice in strategy and decision making?	Find ways to meaningfully include the voice of stakeholders in decision making processes.	
Have you identified stakeholders who can help deliver social benefit?	Work with stakeholders to address social and environmental issues in partnership.	See Box 6. RIB Asia. Multi-Stakeholder Initiatives: Cooperating to Achieve Responsible and Inclusive Business <a href="http://www.csr-asia.com/report/MSI%20Paper%20Final.pdf">http://www.csr-asia.com/report/MSI%20Paper%20Final.pdf</a>
Do workers share in the success of the business?	Consider developing a profit-sharing mechanism	

# NOTES

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At its root, the concept of a living wage is that a worker and their family should be able to afford a basic, but decent, lifestyle that is considered acceptable by society at its current level of economic development. Under this definition, workers and their families should be able to live above the poverty line and participate in social and cultural life. For more information on the concept and measurement tools, see R. Anker and M. Anker (2017). Living Wages Around the World. Cheltenham: EE Elgar. Available at: <http://www.eelgar.com/shop/living-wages-around-the-world> [paywall]

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# OXFAM

Oxfam is an international confederation of 20 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit [www.oxfam.org](http://www.oxfam.org)

Oxfam America ([www.oxfamamerica.org](http://www.oxfamamerica.org))

Oxfam Australia ([www.oxfam.org.au](http://www.oxfam.org.au))

Oxfam-in-Belgium ([www.oxfamsol.be](http://www.oxfamsol.be))

Oxfam Brasil ([www.oxfam.org.br](http://www.oxfam.org.br))

Oxfam Canada ([www.oxfam.ca](http://www.oxfam.ca))

Oxfam France ([www.oxfamfrance.org](http://www.oxfamfrance.org))

Oxfam Germany ([www.oxfam.de](http://www.oxfam.de))

Oxfam GB ([www.oxfam.org.uk](http://www.oxfam.org.uk))

Oxfam Hong Kong ([www.oxfam.org.hk](http://www.oxfam.org.hk))

Oxfam IBIS (Denmark) ([www.oxfamibis.dk](http://www.oxfamibis.dk))

Oxfam India ([www.oxfamindia.org](http://www.oxfamindia.org))

Oxfam Intermón (Spain) ([www.oxfamintermon.org](http://www.oxfamintermon.org))

Oxfam Ireland ([www.oxfamireland.org](http://www.oxfamireland.org))

Oxfam Italy ([www.oxfamitalia.org](http://www.oxfamitalia.org))

Oxfam Japan ([www.oxfam.jp](http://www.oxfam.jp))

Oxfam Mexico ([www.oxfammexico.org](http://www.oxfammexico.org))

Oxfam New Zealand ([www.oxfam.org.nz](http://www.oxfam.org.nz))

Oxfam Novib (Netherlands) ([www.oxfamnovib.nl](http://www.oxfamnovib.nl))

Oxfam Québec ([www.oxfam.qc.ca](http://www.oxfam.qc.ca))

Oxfam South Africa ([www.oxfam.org.za](http://www.oxfam.org.za))

## Observers

KEDV (Oxfam Turkey)

