

The Hong Kong Council of Social Service

Certificate in Social Entrepreneurship

Case Study 1:

The Society of Rehabilitation and Crime Prevention

- Bright Services Company Limited

Case Developer

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1. Introduction

The Society of Rehabilitation and Crime Prevention (SRACP), which is subvented by the Social Welfare Department, is the only non-governmental organization (NGO) in Hong Kong dedicated to providing services for rehabilitated offenders. One of its visions is to provide multifarious quality rehabilitation services for ex-offenders to re-establish themselves in society. To attain the goals, various service units have been established to provide community care and rehabilitation services including casework and psychological counseling, hostels, recreation, court social work and vocational training and employment. Initiated by the Friends of the Society for Rehabilitation and Crime Prevention (FSRACP), an independent statutory body that was established in 1992 specifically for providing volunteer services to the SRACP, Bright Services Co. Ltd. was established in 1997 as a government registered non-profit making company under the aegis of the SRACP. In addition to business related activities, Bright Services also provides comprehensive vocational training and job placement services for ex-offenders.

2. Company History

The SRACP provides employment development services to assist service users by inculcating in them proper work habits and attitudes essential for open employment. Vocational training, temporary employment at an Employment Rehabilitation Centre and tailor-made job placements are provided to match service users' job skills and expectations. In 1997, to better utilize the available resources, the SRACP decided to close down one of the Employment Rehabilitation Centres and deploy the manpower to establish an Employment Development Unit (EDU).

Unfortunately, starting from October 1997, Hong Kong has experienced, along with other Asian countries, the worst economic crisis of the last few decades. The impact has been more widespread than expected. Specifically, companies in Hong Kong have faced extreme outbreaks of restructuring, downsizing and closure. Also, Hong Kong is now going through an economic adjustment period. Employers are under pressure to restructure their organizations by reducing their overheads and operating costs and increasing productivity by way of lay-offs, downsizing or reduction in wages. Specifically, the unemployment rate climbed from 2.2 per cent in mid-1997 to 4.7 per cent in 1998 and 6.3 per cent in the third quarter of 1999. As a result of the Asian economic crisis, Hong Kong encountered its worst

economic downturn. However, soon after 1997, Hong Kong faced a further severe economic recession due to the burst of the IT bubble and the Asian Financial Crisis. Most companies faced slow business turnover and cut their manpower. Economic downturn became a threat for all employees. But a criminal record made finding even entry-level positions exceptionally difficult.

Coincidentally, the Housing Authority refurbished and renovated the older public housing estates and launched resettlement programmes at Wong Chuk Hang Estate to move households to nearby new public houses. However, the Comprehensive Social Security Assistance (CSSA) and elderly families were not able to afford the market price for home removal. Thus, one of the EDU officers, who was also an elected district council member and possessed strong social networks, identified the needs of both parties. He recruited a group of ex-offenders as labour to help the CSSA dependants and old aged persons move house on an ad hoc basis. Operations were very primitive. Whenever there was a call for work, service users of the SRACP were grouped and a van was hired for the task. Fees were simply operating costs plus labour charges. However, this simple operation was in fact a business operation. The Chief Executive of the SRACP suggested that the services be provided through a formal vehicle. Bright Services Company Limited was then set up with the objectives of providing training and development and also employment opportunities for service users of the SRACP. It aims at developing their self-confidence and employability, which is helpful for their reintegration into society.

This primitive operation was maintained until 1998 when the SRACP applied for HK\$10M from the Hong Kong Jockey Club Charities Trust (HKJCCT) to expand its operations to removal and catering services. The HKJCCT approved HK\$5M and Bright Services was advised to focus on the removal business only. It was expected that the company could break even within a two-year time span. Moving equipment and trucks were purchased. First year sales reached HK\$356,847 and 637 job placements were offered.

In 2000, Bright Services spent about half of the funds, but still suffered financial loss. The HKJCCT was aware that Bright Services was very prudent in its business operations and had to face market competition. Given that the operations of Bright Services were different from that of other social organizations, it was allowed to continue the business with the remaining funds until September 2005.

Bright Services is now a small social enterprise with over 60 employees and provides removal services to different government departments, voluntary organizations, offices and families. It has a 10-tonne tail-lift platform truck, two 5.5-tonne trucks and a small van. In the 2006 annual report, Mr. Andy Ng, the Chief Executive of the HKSRACP stated:

“...after six years of operation, our Bright Services Company is about to stand on its own feet without further financial support. When compared with other employment projects, Bright Services being a social enterprise has achieved much higher cost effectiveness. In this year, the company created thousands of job placements for its workmen who are ex-offenders. The total wages earned by the workmen far exceeded the total cash grants given to the clients of the five social service centres during the year.”

3. New Ways of Doing Business

With the financial support of the HKJCCT, Bright Services was able to buy moving equipment and tail-lift platform trucks which were crucial to business operations. However, the company had to fulfill some parameters, specifically the number of job placements and amount of sales generated, stipulated in the project proposal. Driven by the parameters, Bright Services seized any opportunity to increase the number of job placements and sales turnover. As a service provider, the company did not require huge capital investment and extensive market research was rarely undertaken before launching a new business line. Various business opportunities, including cleaning, logistics delivery, storage, laundry services and display boards, have been considered and tried out. Given that the number of job placements for providing cleaning services at bus terminals was good, this product line was maintained though it operates at a minimal profit margin.

After the completion of the HKJCCT supported project, Bright Services entered into a new chapter of doing business in October 2005. The number of job placements was no longer the most important parameter that Bright Services had to fulfill. It now considered alongside other financial parameters that specifically the profit and loss account had to come to the fore. According to the Chief Executive, the business philosophy of Bright Services was to maintain break even and adequate cash flow for equipment replacement. So it would operate as a business entity. The top priority was to break even and Bright Services would become a platform to offer additional services to service users of the SRACP. He said,

“It is not about balancing business and social missions. If Bright Services is successful in business, we can provide services to members of the SRACP. If the business operations are not feasible, we cannot offer our services for the long term and neither can social nor business missions be attained.”

The Executive Committee of the SRACP established Bright Services and used it to generate employment

or revenue that served its social purposes. Though most members of the Executive Committee are judges, lawyers and professionals, they appreciate the combination of commercial enterprise with social impact. The Chief Executive and the concerned Business Director have been asked to apply business skills and knowledge to manage Bright Services in order to accomplish its social purposes, in addition to being commercially viable. Since the completion of the HKJCCT supported project, a special reserve has been allocated to the company so that they can replace moving equipment and trucks in case of need. The Executive Committee also advised Bright Services to use the reserve prudently and to attain a break even position as far as possible.

The organizational structure of Bright Services also shows that both the commercial and social dimensions are found within the enterprise. Although Bright Services is a financially independent enterprise of the SRACP, corporate decisions are made by its directors, who are also members of the Executive Committee of the SRACP and the respective corporate strategies are implemented by the Chief Executive and Business Director of the SRACP. The Business Director is a registered social worker and she also takes charge of other services of the SRACP, for example employment development and community education services, under the umbrella of the Planning and Development Division. Thus, the Business Director, who also acts as the General Manager of Bright Services, can only allocate about 10 to 20% of her time to manage the business. She believes that Bright Services has been established to achieve the social mission of serving the service users with low employability, though it is a business enterprise. To ensure the provision of good service quality to customers of Bright Services and the securing of job placement for the service users, the company has to use an integrated approach mixing talented and skilful workers with less talented and skilful service users. Also, monetary reward is not the only motivating factor. Other non-financial incentives to recruit, retain and motivate staff, volunteers, service users and funders are applied to help attain the social mission.

Commercial and social dimensions within a social enterprise can be a source of tension for an organization and Bright Services is no exception. The Business Manager, who reports to the General Manager, is responsible for the business development and day-to-day operations of the company. The Business Manager has extensive working experience in both private and non-profit making organizations and he accepts the integration of social and business missions. He is responsible for business development and part of his salary comes from business commission. Nevertheless, he is accustomed to using traditional personal contact networks and practices to develop business. This does not match with the budget-based operations of social enterprises. A new system is being worked out to provide administrative support so as to assist the Business Manager to solicit new business.

4. Business Development

Bright Services has two major lines of business: logistics and cleaning services. Household and office removal services are included in logistics services. This business is mostly from individual customers through referrals and also from responses to advertisements placed in the Yellow Pages, and the Apple Daily, Oriental Daily and Sun newspapers. New logistics business is mainly developed by the Business Manager who makes good use of his personal contact networks. Some of the new logistics business and cleaning services contracts are from successful bids from invitations to tender offered by government departments and large enterprises. Though cleaning services do not provide any significant profit contribution, they are still maintained to help Bright Services attain their social mission. The logistics business contributes the lion's share of the profits. The Business Manager has been very productive as over 80% of the logistics service has been developed by him. Some major customers, for example Park 'N' Shop and a lighting company, were developed by him personally.

Maintaining a high success rate in bidding tenders from government departments and large private and public enterprises is the best way to attain high growth rate. Thus, Bright Services has to provide good quality services and build up an excellent track record. A bonus system has been established to motivate employees of Bright Services. A certain percentage of net profits approved by the board of directors will be distributed quarterly to the supporting and supervisory staff. To develop new business, Bright Services will establish a customer information system to strengthen the customer relationship, develop a website to explore online business opportunities, and print new promotional leaflets and information packs for sales prospecting. Strategically, the General Manager will expand her personal contact networks to private enterprises and explore the possibilities of forming strategic alliances or partnerships with other NGOs to tap into new markets. A marketing officer will be recruited to strengthen the business development efforts. A proposal to seize the opportunity to provide logistics services to the booming exhibition industry in Hong Kong has been considered.

The removal business is facing cut-throat price competition. Other NGOs are considering tapping into the market. The challenges ahead therefore may be greater than those of the just completed transition from a social investment of the HKJCCT to an independent welfare business, or social enterprise.

Exhibit 1. Organizational Chart of Bright Services in SRACP

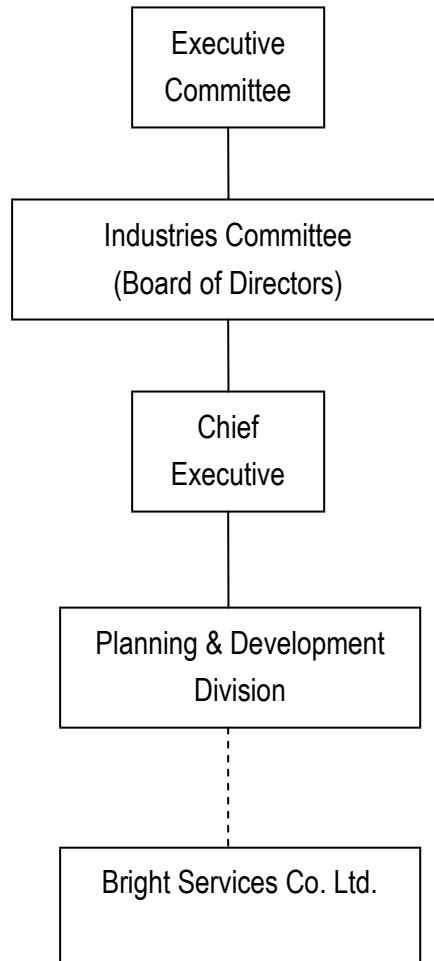


Exhibit 2. Organizational Structure of Bright Services Co. Ltd.

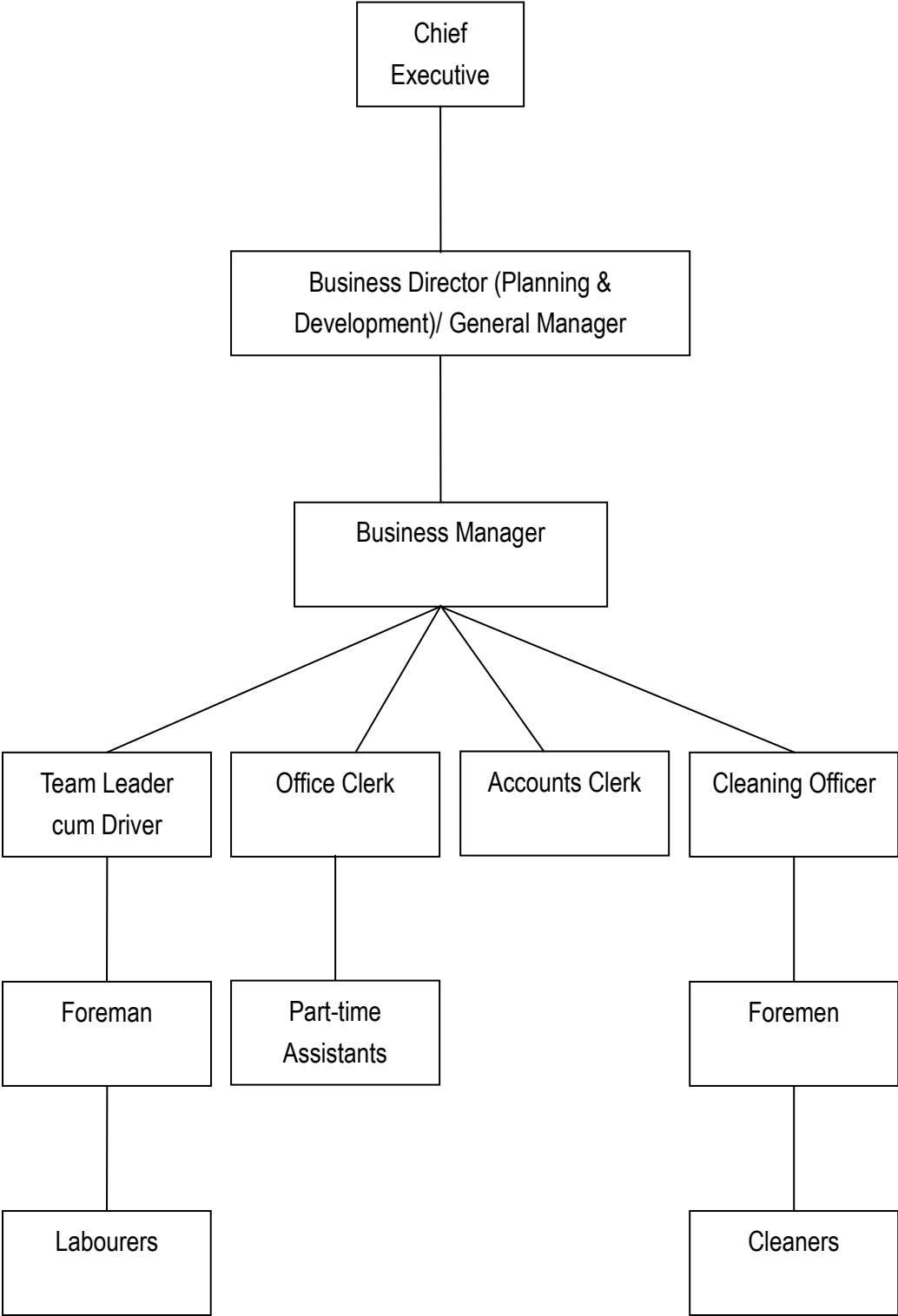


Exhibit 3. Key Figures of Bright Services Co. Ltd. (1998 – 2006)

Year	Labour Contract Customers	Cleaning Services Customers	Logistics Services Customers	Other Business	Job Placements
1998/1999	Not mentioned				637
1999/2000	Not mentioned				1,254
2000/2001	Housing Authority (resettlement programmes) Legislative Council Social Welfare Department	Hong Kong Stadium (from a sub-contractor)			Not mentioned
2001/2002	Labour Department Architectural Services Department A landscape company	Hong Kong Stadium (from a sub-contractor)	Trade Development Council (Trolley-cart service)	Decoration Work	3,401

	Labour Contract Customers	Cleaning Services Customers	Logistics Services Customers	Other Business	Job Placements
2002/2003	Labour Department Architectural Services Department	Hong Kong Stadium (from a sub-contractor) private residential estate	Trade Development Council (Trolley-cart services)	Decoration Work	3,745
2003/2004	Labour Department Trade and Industry Department Official Receiver's Office	Hong Kong Stadium (from a sub-contractor) private residential estates	Trade Development Council (Trolley-cart services)		7,781
2004/2005	Labour Department Transport Department Trade and Industry Department Social Welfare Department Police Force	Park 'N' Shop Kowloon Motor Bus Co.	Park 'N' Shop		7,506

	Labour Contract Customers	Cleaning Services Customers	Logistics Services Customers	Other Business	Job Placements
2005/2006	Labour Department Police Force	Park 'N' Shop Kowloon Motor Bus Ltd.	Park 'N' Shop A Lighting System Contractor Environmental Protection Department Correctional Services Department Employees Retraining Board		13,078

Source: Annual Reports of SRACP and company interviews