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### Enhance Social Enterprise Activities Towards Sustainable Development

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#### Abstract

Social enterprise is a type of business that has been growing strongly in recent years. Currently, social enterprises exist in many different organizational forms and legal statuses such as non-profit organizations, charities, cooperatives, and operate in diverse fields such as education, Training, health care, handicrafts, community traditions, agriculture, environmental protection. Thereby, social enterprises have contributed to supporting the Government in solving hunger eradication issues. Poverty reduction, support and capacity building for disadvantaged groups, nature conservation, environmental protection, and response to climate change. Social enterprises also operate quite effectively in the field of vocational skills training for children from poor families, ethnic minorities, people with disabilities. Creating stable, income-generating jobs for them. Relatively high in general social conditions. More and more businesses are realizing that investing in a way that protects the environment and promotes social efficiency is not only an act

of kindness and charity but also demonstrates good business savvy. Businesses that balance their social mission with profitability have a direct and lasting impact on the communities in which they operate and can create the value needed to grow their business and increase their impact. Their society. However, the reality is that social enterprises are currently facing many difficulties, such as lack of capital and weak access to financial resources, weak management capacity and lack of services. Support and capacity building. Even communication and brand development for social enterprises face many difficulties due to limited community awareness of this type of business. This article studies the theory of social enterprises, the characteristics of social enterprise approaches towards sustainable development, the current state of social enterprises' operations and from there proposes solutions to improve their operations of social enterprises towards sustainable development in the coming time.

**Keywords:** Social Enterprise, Sustainable Development, Not for Profit

#### 1. Introduction

Social enterprises are a new business model that countries are currently encouraging. These businesses are established to achieve social goals and use profits to reinvest for that goal or community, rather than maximizing profits for shareholders or owners. By the end of 2022, Vietnam will have more than 1,000 social enterprises operating in the fields of education and training, health care, handicrafts, community media, agriculture, and environmental protection of which about 68% of social enterprises aim to eliminate hunger and reduce poverty, stabilize life and increase income for disadvantaged groups through education, vocational training, increasing knowledge and equipment and skills. One of the limitations of social enterprises in Vietnam is lack of capital and weak access to financial sources, because most social enterprises are small-scale and quite young. Another difference is that social enterprises create profits and use profits to reinvest and continue to expand their business, without distributing them to shareholders or capital contributors. It is worth mentioning that the activities of these businesses are very quiet, without boasting or complaining. They make sacrifices, always looking for solutions using their endogenous abilities. Mobilize people with similar ideas to share ways of working to create products that benefit the disadvantaged, "leaving no one behind".

Currently, we do not have a specific policy system for the social enterprise community and businesses creating social impact, so this business sector faces many difficulties: most are small-scale, Limited human resources, access to capital, as well as a system of intermediary organizations and connected support services.

Most Vietnamese social enterprises are young organizations and businesses; therefore, they lack experience, organizational capacity and business management and community engagement skills, especially to meet the needs of the community. The need to combine business management skills with social mission management skills to create sustainable social impacts.

In Vietnam, there are millions of vulnerable people, disabled people, people affected by Agent Orange, poor people, etc., so the market for social enterprises and businesses creating social impact is huge. In fact, the State has also spent huge resources to solve this problem. However, if we dedicate those resources and seek better, more sustainable ways through social

enterprises to implement social policies, there will be a big step forward. This is also the space for social enterprise development, or in other words, to solve social problems more effectively and fairly.

**2. Research Overview**

**2.1 Social Enterprise Concept**

In the 2002 Social Enterprise Development Strategy, the British Government defined: A social enterprise is a business model established to achieve social goals, and use profits to reinvest for those goals that goal or to the community, instead of maximizing profits for shareholders or owners. This definition is very comprehensive, closely following the basic characteristics of social enterprises. Firstly, business needs to be understood as a model, plan, and solution with and through business activities rather than tying social enterprises to a rigid corporate form, which is, after all, just a company. Organizing tool. Second, social goals are set as a basic and primary mission of establishing that organization. A social enterprise must be an organization established for social goals. Third, in principle, profits are redistributed to organizations or communities, not to individuals [1].

The OECD defines: Social enterprises are organizations operating under many different legal forms that apply entrepreneurial spirit to pursue both social and economic goals at the same time. Social enterprises often provide social services and employment to disadvantaged groups in both urban and rural areas. In addition, social enterprises also provide community services in the fields of education, culture and environment.

The organization supporting community initiatives - CSIP of Vietnam gives the opinion: Social enterprise is a concept used to refer to the activities of social entrepreneurs in many different forms depending on the purpose and purpose. specific operating conditions. Social enterprises take social benefits as their primary goal, guided by an entrepreneurial spirit to achieve both social/environmental goals and economic goals [1].

It can be said that CSIP's concept of social enterprise is very broad, creating favorable conditions for this organization to select, incubate and develop the social enterprise movement, which is still very young in Vietnam. A social enterprise is an organization that applies business strategies to achieve charitable goals. A social enterprise can be a for-profit or non-profit organization [3].

Mr. Bambang Ismawan-founder of one of Indonesia's largest microcredit organizations-BinaSwadaya Foundation (since 1967) said: Social enterprise is the achievement of social development/goals by using Use business solutions.

Clearly, both of the above definitions emphasize the 'means-end' relationship between business strategies/solutions and social goals/solutions in the social enterprise model. In other words, applying business solutions as a tool to bring about a specific social solution is the essence of social enterprise [3].

**2.2 General Characteristics of the Social Enterprise Approach**

- *Characteristic 1: Social Enterprise is Business for the Common Good, not for Private Benefit*

Benefits and profits are strongly directed towards the collective and the public. This distinguishes social

enterprises from traditional cooperatives, limited liability companies or joint stock companies, which have a focus on private profit and private interests.

**Table 1:** Framework for analyzing Japanese medical social enterprises for profit

Collective public interest	-Non-profit organization -Social welfare company -Public benefit organization -Government	-Public limited liability company -Pharmaceutical companies have shares	Private/private interests
		-Medical cooperative -Non-stock pharmaceutical company	
Not for profit			

Source: Kurimoto, 2015

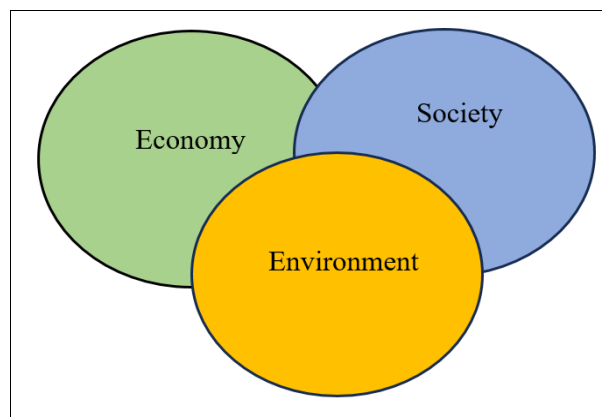
- *Characteristic 2: Social enterprise is a multi-dimensional, multi-sector and all-scale approach*

Social enterprises can exist in many different fields (such as dealing with economic, social, cultural, judicial, ecological and technological issues, etc.); at many diverse levels (unit, local, regional, national, international, etc.).

- *Characteristic 3: Social enterprise is a dynamic approach to sustainable development*

Social enterprises, along with the development of the 4th Industrial Revolution, provide a new perspective, as a new and effective model/approach for Sustainable Development in the early 21st century, different from with the traditional "static" view from the 1970s.

Social enterprise + Industrial Revolution 4.0 is the key to sustainable development



Source: Thanh NV, Tri NH, Tuyen LT, 2015

**Fig 1:** Social enterprises and the 4.0 industrial revolution: Proposing a new approach for sustainable development

- *Characteristic 4: The "central" position of social enterprises in the market economy*

Social enterprise is a new approach. Different from normal businesses (businesses that only do pure commercial business, considering profit as the goal) and charities (that create little economic benefit, depend on sponsorship, sponsorship, or subsidies), social enterprises are business organizations that use profit as a tool to address social and environmental problems and needs.

**Table 2:** Position of Social Enterprises from the perspective of a type of business in the picture of Market Economy

Charity thanks to donations/sponsors	Charity has profitable transactions	Social welfare business	Social Enterprise (Non-profit business)	Business is socially responsible	Pure commercial business
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Source: Thanh NV, Tri NH, Tuyen LT, 2015

Social enterprises therefore have an important position in all types of businesses in the market economy (although they exist in many different forms of economic organizations and businesses), especially in terms of ideal capabilities. In combining profit-generating initiatives with the goal of serving the community and creating society. It is also important to note that all types of profit or non-profit organizations in this model are equal, operating within the legal framework according to registered purposes and principles.

- *Characteristic 5: Social enterprises can be a tool to enhance safety, security and social welfare*

Social enterprises can help alleviate and overcome market shortcomings, such as contributing to job creation, poverty reduction, providing services and social security and welfare; At a time of prosperous development, social enterprises can have a balanced position with the private and state economic sectors and have their own characteristics of the collective economic sector; or even further, alternative business forms of the “post-capitalist” economy.

**Table 3:** Doanh nghiệp xã hội có thể là công cụ tăng cường an sinh, phúc lợi xã hội

	Strong collective economy	Weak collective economy
<b>Strong market mechanisms and strong social welfare</b>	Parallel position with the private and state economic sectors; is a solidarity economy with its own characteristics	Focus on market orientation and reduce state intervention in the market
<b>Strong market mechanisms and weak social welfare</b>	A solution to reduce inequality through new products, markets or ‘socially inclusive markets’	Cheaper alternative to expensive services
<b>Weak market mechanisms and weak social welfare</b>	Post-capitalist possibilities, collective economics can be encouraged to create economic alternatives	Socio-economic activities are often embedded in informal activities, depend on non-state agencies and (currently) have little impact on poverty reduction.

Source: Lyne, Khieng & Ngin, 2015

- *Characteristic 6: Social Enterprise is a Startup for Social Progress*

Regarding business methods, social enterprises are often associated with starting a business for specific social/environmental needs, using business tools to generate profits for constantly improving social welfare and helping help the community.

### 3. Current Status of Social Enterprises

According to the research report "Current status of social enterprises in Vietnam" published by the British Council in March 2022, social enterprise-oriented projects and models are present across the country. Of these, 30% of businesses

are concentrated in Hanoi, 21% in Ho Chi Minh City, and the remainder are concentrated in rural areas. The field with the most projects and social enterprises operating in Vietnam is agriculture (35%), followed by the tourism-restaurant-hotel service industry (9%), education (9%) and environment (7%). 30% of social enterprises in Vietnam operate in the domestic market, 21% of businesses have brought their products abroad. Many businesses show their ambition to enter the international market.

Products of social enterprises are highly appreciated by domestic and international consumers. Do paper and decorations from Do paper from Zó Project; KYM VIET's completely handmade stuffed animals are now available in the US, Japan. Wallets, handbags, towels with To He's innocent drawings are in the luggage of many international tourists when traveling to Vietnam, you want to buy a truly unique gift for your loved ones.

Most social enterprises in Vietnam today are small in terms of human resources, finance and revenue. According to the Ministry of Planning and Investment, by the end of 2019, social enterprises with less than 20 employees accounted for 70%, 40% of social enterprises had a revenue of over 1 billion VND, 19% of social enterprises had a revenue of 1 billion VND to 5 billion VND, 23% of social enterprises have revenue from 5 billion VND to 25 billion VND and 12% of social enterprises have revenue of over 25 billion VND [2].

Currently, social enterprises in Vietnam operate in many different industries and fields, but the ratio is uneven. According to the Research Report on the Status of Social Enterprises in Vietnam, the most popular field in which Vietnamese social enterprises operate is agriculture-accounting for 35%; followed by health (9%), education (9%) and environment (7%); child care 5%; employment and skills 4%; retail 4%; business support 3%; industry (web; design, print) 2%; health care 2%; financial support and services 2%; social care 2%; traffic 2%; culture and entertainment 1% and other fields 35%. It can be seen that social enterprises in Vietnam have quite diverse fields of operation, but still focus mainly on the agricultural sector [2].

Projects and social enterprises bring many benefits to the community, together spreading the civilized consumption trend BuySocial (Consumption creates social value) to consumers. There is a good sign in Vietnam that more and more young people are finding startup ideas with this model. British Council research shows that 58% of CEOs, project founders, and social enterprises in Vietnam are between the ages of 25 and 44, 38% are between the ages of 45 and 64, and 4% are over 65 years old. In recent years, in our country there has been a new wave called "social enterprise entrepreneurship". Some typical examples of social enterprises:

Nguyen Thi Le Na (31 years old) and her colleagues founded the company Phu Quy Agricultural Farm Joint Stock Company, successfully building a model of an ecological, chemical-free orange farm in Nghe An. Phu Quy is oriented according to the social enterprise model, business must be associated with responsibility to society, community and environmental protection. The company helps single women, ethnic minority women, women in difficult circumstances and people with disabilities have good, stable jobs.

Di Chung Joint Stock Company founded by Nguyen Thanh Nam in 2013 is also highly appreciated for its positive

impacts on society. Not stopping at providing just a transportation technology solution, Di Chung Company also aspires to bring people closer together, reduce emissions, and negative impacts on the environment through shared thinking.

The community of social enterprises in Vietnam is increasingly active. Networking events such as meetings or Good Days create opportunities for social enterprises in general and startup projects in particular to have more opportunities to exchange, learn and approach customers and partners.

#### **4. Evaluate the Performance of Social Enterprises in Vietnam**

##### **4.1 Achieved Results**

In Vietnam, the social enterprise model is still quite new, with active businesses and thousands of organizations and centers that can develop into social enterprises.

CIEM's surveys in recent years show that many young graduates have the desire to contribute to solving outstanding social problems. There are people who are ready to quit their jobs with salaries of thousands of dollars/month to start a social enterprise.

The important role of social enterprises in the socio-economy has been confirmed with the legalization of social enterprises in the 2014 Enterprise Law. This is an important premise for the formation of the legal environment and appropriate policies encourage the development of social enterprises.

Currently, a number of social enterprises have built brands, typically: Koto Humanitarian Vocational Training School with restaurant chains in Hanoi and Ho Chi Minh City. During more than a decade of development, Koto has provided vocational training in cooking, hotel and restaurant services to many street children in difficult circumstances. Many of Koto's students later opened their own restaurants or found stable jobs at famous hotels and restaurants.

Mai Handicraft Company Limited is a social enterprise that has created thousands of jobs for craftsmen, most of whom are poor women in remote rural areas. The company's goal is to generate income and increase the self-reliance of the poor and disadvantaged through fair trade.

Another example is the social enterprise Tohe with the goal of creating opportunities for disadvantaged and disabled children to create unique art, thereby selectively creating clothing, accessories, and jewelry products. Household appliances, stationery. Distributed in Vietnamese and international markets. A portion of profits are used to continue expanding creative classroom programs and scholarship programs for gifted children. Tohe also wants to suggest to children a career option in the creative field if they have the ability. Tohe has deployed more than 150 free art playgrounds for more than 1,000 disadvantaged children at 11 social protection centers and 3 primary schools in remote areas and will continue to expand playgrounds to remote places. than across the country.

In addition, Zó Project is a project pursuing the goal of becoming a social enterprise operating in the field of preserving and developing Vietnam's traditional paper craft villages. Zó Project aims to preserve and promote ancient paper-making techniques of ethnic minorities, but also improve the paper-making process in an environmentally sustainable way, creating more value for Vietnamese handmade paper by using new products. Handicraft products

have high economic value.

Social enterprises in Vietnam are in the early stages of development but the development potential is still huge. Social enterprises contribute to sharing social responsibilities and burdens with the State through their own creative, economical, practical and effective ways, while helping to compensate for a difficult-to-overcome shortcomings of the system. Market mechanism is operated by profit motive.

In a situation where the country still has many difficulties due to the consequences of a long war, often facing natural disasters,... but with limited resources, joining hands for the community and people with disabilities is a must. Disabled people, people in difficult circumstances, etc. of social enterprises are practical actions. Currently, there are thousands of community organizations, charity organizations, and non-profit organizations in many different forms that have been established and are capable of converting to a social enterprise model.

##### **4.2 Limitations**

Because most social enterprises operate on a small scale, their financial potential is not strong, they do not have assets or factories to mortgage, so it is difficult to access credit capital. If they can borrow, the loan interest rate is often higher than possible. Profitability of social enterprises.

According to experts, social enterprises in Vietnam are still quite young and have small investment capital. Furthermore, social enterprises operate in markets with high risk and low financial returns, so they are not attractive to commercial investors. Therefore, the ability to access and mobilize commercial investment capital is very limited.

The results of the investigation into the asset structure of social enterprises show that the majority of social enterprises' capital is equity capital (20.3%) and capital accumulated from production and business activities (45%) (4%), a small part from grants (5.3%), other loans such as banks, family, and friends only account for 28.8%, while this is an important source of working capital for development. manufacturing business.

Kym Viet, one of the social enterprises for the deaf, has difficulty raising investment capital. Kym Viet's capital is very small, so it cannot produce many products, and the capital turnover time is very long, and revenue is often not enough to cover capital.

In addition to difficulties in capital and access to capital, social enterprises today also face human resource problems. The human resources of social enterprises are mainly groups of disadvantaged and unlucky people such as people with disabilities, etc <sup>[4]</sup>. This is a labor source of low quality and poor stability, so labor productivity is not high. Along with that, the cost of training this human resource is also higher than normal.

#### **5. Solutions to Improve the Operational Efficiency of Social Enterprises towards Sustainable Development**

For social enterprises to develop sustainably, it is necessary to synchronously implement the following solutions:

First, the State needs to have policies to support access to capital and other financial resources, including strengthening stronger incentives to use value-added tax and corporate income tax for development. social enterprise sector such as corporate income tax exemption on retained profits of grants to social enterprises that are included in

corporate costs for sponsorship; and establish specific criteria to identify social enterprises, thereby allowing more targeted financial prioritization.

Second, Support the development of market access and expand the scale of businesses creating social impact: Support social enterprises to participate in public procurement processes; Strengthen connections between social enterprises and the wider private sector; Raise people's awareness of the value of the social enterprise sector. Finally, there is a need to strengthen coordination to promote training in entrepreneurship and social innovation through educational institutions.

Third, if possible, Vietnam should establish an agency under the Government, focusing on developing the social enterprise sector and a representative network for the social enterprise sector. At the same time, strengthen information and propaganda work to raise awareness for management levels, businesses, and workers about their responsibilities in implementing social security associated with sustainable development of businesses and the economy.

Fourth, regarding the issue of capital, social enterprises can seek to call for and attract loans and have guarantees from charitable organizations or the Government; Debt issuance has the characteristics of equity with debt issuance to investors and investors receive interest based on the production and business efficiency of the social enterprise.

Fifth, the Government always has resources to implement social policies. Therefore, to support disadvantaged groups, people with disabilities, children with special circumstances, people released from prison, etc., the Government needs to buy products from social enterprises to give to those who need support, such as this creates a more stable market for social enterprises.

## 6. Conclusion

Social enterprises have the potential to be a new approach to Sustainable Development. Sustainable development, or development that brings prosperity to everyone, is in harmony with nature and honors human values is the aspiration and goal that humanity has been seeking for two millennia. Recently. Doing economic work together, sharing rights and responsibilities for choosing and operating that common economic work-for ourselves, for each other and for the broader community-has appeared perhaps longer. earlier since the mid-17th century, with the emergence of the cooperative model. Social enterprises in the 21st century show that doing economic/business for the collective, or doing economic/business collectively, is not necessarily limited to the cooperative model. Sustainable business needs to go beyond the goal of profits and benefits solely for group members or shareholders. Further, the benefits from business and the value of the existence of social enterprises must reach the broader community, society, and the Earth's ecological environment. Social enterprises have shown their potential to become a new and effective approach to sustainable development at all scales and fields.

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