

# Business partner of the poor

Social enterprises are on the rise in developing countries. Mark Joaquin Ruiz, co-founder and managing director of MicroVentures Inc. in the Philippines, talks about the role of social business enterprises in empowering the poor, and explains what research is needed to further strengthen this relatively young field in the Philippines.



**Mark Joaquin Ruiz** is a social business entrepreneur. He is co-founder and managing director of MicroVentures Inc./Hapinoy, a microfinancing business development services company. He is also the founding partner and board member of Rags2Riches, a social business enterprise helping a community create fashion designer items from recycled rags. Ruiz co-founded the WhyNot?Forum, an innovation website with the motto 'Inspiring Filipino Ingenuity', and is also a part-time faculty member at the Ateneo de Manila University in the Philippines, where he teaches a class on business innovation management.

Interview by **Anna Meijer van Putten**.

**Through their Hapinoy programme, MicroVentures aspires to be a business partner of the poor by supporting sari-sari stores, the smallest retail unit in the Philippines. How does this work?**

We use Hapinoy to work with micro-entrepreneurs and provide business development services so people at the 'base of the pyramid' (BoP) can expand their businesses. A microfinancing institution provides access to capital, and we provide access to market opportunities.

We looked at the entire value chain and decided to start with micro-entrepreneurs in distribution and retail, and thus started with sari-sari stores – literally the smallest retail outlets in the Philippines. The 700,000 or so sari-sari stores in the country account for 30-40% of total retail sales in the Philippines.

Sari-sari is the Filipino word for 'many or various kinds'. Sari-saris are hole-in-the-wall stores, mainly run by women, selling basic commodities for an average taking of 10 dollars a day. Hapinoy has become a network of sari-sari stores, which helps these micro-entrepreneurs get the most out of their businesses, however small they may be.

As the network of Hapinoy sari-sari stores grows, we progressively integrate them into the micro-entrepreneur production chain, giving them access to the market. They can also be directly linked to partners with a larger manufacturing capacity. This enables sari-sari store owners to increase their profits and at the same time serve as a channel for the manufacturer to reach more customers.

**All of Hapinoy's community stores are owned by female micro-entrepreneurs. Do you view the Hapinoy programme as a viable tool for achieving women's empowerment?**

Studies have shown repayment rates are better when its women who are receiving the loans – not only in the Philippines, but globally as well. Studies also show that when it is women who are earning the money, it directly benefits the household.

That's how the microfinancing industry essentially thinks. Indeed, sari-sari stores lend themselves more to being run by women than men. They are launched by women who don't have a source of livelihood. Their husbands are mostly labourers: tricycle drivers, porters and construction workers. When women are left at home, they look for means of

creating additional income, and sari-sari stores become a viable option.

### **What are the most poignant challenges facing social entrepreneurship today?**

Social business enterprises – entities designed to tackle social problems within a business model framework – are debating whether social businesses and social innovation should be for-profit or non-profit. Some feel that as long as it remains a social innovation it can be considered a social enterprise.

NGOs have shown some discontent these past few years about the fact that this kind of work has been for-profit. Their logic is that you shouldn't mix social development with business. However, I believe you can easily use a business model and a market-based approach to tackle social problems.

In my view, social enterprises haven't blossomed as much as they could have because awareness is still very low. And I still see people questioning whether this *really* is a viable option. Having said that, I think we are nearing a tipping point. There are a lot of fresh business graduates in the Philippines who recognize the potential of social enterprises.

### **What kind of research do you think would benefit social enterprise the most?**

I would like to see more research on social return on investment (SROI). SROI reflects the social value a business generates, as opposed to merely its financial value. I can share how we at MicroVentures have been able to help out sari-sari storeowners with the business side of their enterprises, and how they have grown as business women. But the social impact is something we have not been able to quantify yet.

It would be very interesting to introduce a new system of measurement, a new vocabulary that would accurately gauge SROI. Not just to determine whether women have increased their income, but to measure social progress. Has their children's health been improved? Has the family's quality of life truly improved? This would give us an idea of the impact that we are having on financial, and, more importantly, social returns. It would help build the case for social entrepreneurship as a sustainable model that tackles the major problems of our time, especially regarding poverty and marginalization.

Although BoP has been extensively researched globally, this has not happened in the Philippines. This research needs to be localized. In this country, 50-60% of the people live below the poverty threshold. We have a huge BoP sector. The particular research that needs to be done should focus on how to create and redesign products and services for the BoP.

Many companies use a simple top-down approach. MicroVentures has been trying to introduce an automated sales system for our stores. We've talked to computer manufacturers. Their approach is to take a big computer and make it smaller for the stores, rather than to redesign it from the ground up. BoP research should focus on inventing something from the bottom up, rather than saying 'this is how it works on a large scale – let's just scale it down'.

### **How do you think this redesigning should take place?**

I teach a class in business innovation management at the Ateneo School of Management, one of the leading universities in the Philippines. This has exposed me to human-centred design, an approach that puts you actively in the shoes of your customer, or in my case the storeowner.

I really try to co-create the product or service with them. That is the core issue. Reinvent by having empathy for your client, rather than saying 'this is how it works'.

IDEO, a leading industrial design firm, has released an open-source human-centred design toolkit. That's very useful for the work we do at MicroVentures, where storeowners are involved in creating and designing services. For example, we recently introduced over-the-counter medicine in our Hapinoy stores, to make affordable medication available to local communities. Our storeowners were involved every step of the way, through brainstorming sessions and workshops.

### **Finally, what's your view on the future of social enterprises?**

At MicroVentures we have a saying: 'the poor are powerful'. It's just that they never had the right bricks to build with. I'm hoping social entrepreneurs can help create a world in which the poor are able to participate in the formal market economy. Whether they be sari-sari storeowners, micro-producers or micro-agricultural farmers. ■