

# PhilSEN Social Enterprise Quality Index

September 2009

# Why Standards?

- Code of Ethics into operational terms: SEQI
- Define desired level of performance
- Arrive at a common understanding of SE
- Benchmark – other SEs, business
- Benchmark by w/c constituencies/stakeholders may hold SEs to account
- Guide for establishing best practices

# PhilSEN Context: who for

## Membership

- Coconut/coco coir
- Essential oils/herbal products
- Seaweeds/Mudcrab
- Bamboo products
- Coffee/muscovado
- Microfinance
- Others: appropriate tech, poultry

# Levels of SE dev

- Start up
- Build up
- Commercial scale

# Process

- Review of 2ndary materials (PhilSEN strat plan, Code of Ethics and refs on std setting)
- Prepare draft standard
- Pre-test (12 PhilSen + Oiko & APFTI)
- Integrate comments & finalize

# **Content:** adaptation of 3ple bottomline framework

- **Doing well** - business performance & enterprise management
- **Doing good** - social responsibility
- **Doing right** - environment, gender, culture

# Highlights

## DOING WELL

- Production
- Marketing
- Finance
- Enterprise management

# Production

<b>Criteria</b>	<b>Indicators</b>	<b>Score</b> 1 to 5
Systems & Procedures	Op procedures are manualized*	
	Process follow industry standards*	
	QC system in place, quality specs and a QC officer	
	Ongoing R & D	
Facilities Enhance Q & Productivity	Raw mats/prod'n area are far from sources of pollution	
	Work area/tools worker & women-friendly*	
Skills	Leaders/managers have basic skills, know-how*	

# Marketing

<b>Criteria</b>	<b>Indicators</b>	<b>Score</b>
Able to sell products	Products marketable in terms of price, quality*	
	Neatly packaged & labeled*	
	Market study*/ marketing plan	
	Allocates resources for marketing and promotion (marketing budget)	
	Marketing personnel and distribution channels	

# Finance\*

Criteria:

- **ensures economic efficiency**
- **is financially viable.**

# Finance

- Good financial performance in last 5 years
  - increase in sales
  - income
  - assets
- Can assure + cash flow for at least one year\*
- Production costs at par with industry ctrprts\*
- Financial controls & systems in place\*
- Breaks even with provisions for future profitability

# Enterprise Management

## Criteria:

- Goals
- legal status
- Transparency
- decision-making
- HR policy

# Enterprise Management

- Goals clear & shared by all stakeholders
- Follows Fair Trade principles
- Has a strategic plan and a separate business plan
- Is legally registered, can enter into financial transactions\*
- Updates stakeholders on status of enterprise
- Enterprise mgr authorized to make major business decisions\*; BOD sets policies and directions

**DOING GOOD**  
**Social Performance/  
Social Responsibility**

- Towards partners, communities, other stakeholders
- Towards staff

**DOING GOOD**  
**Social performance**

<b>Criteria</b>	<b>Indicators</b>	<b>Score</b>
1. Enterprise benefits poor and disadvantaged	Enterprise based in marginalized communities	
	Benefits widely distributed and do not enrich only a few*	
	Contributes to community well-being (social welfare, equity and the meeting of basic needs such as food, shelter, water and health care)	

**DOING GOOD**  
**Social performance**

<b>Criteria</b>	<b>Indicators</b>	<b>Score</b>
2. Enterprise spurs eco developmt of community	Provides jobs and additional incomes	
	Raw materials sourced/processed by community	
	Creates other livelihood opportunities thru the enterprise	

## DOING GOOD

### Social performance

Criteria	Indicators	Score
3. Quality of life of workers	Pays a living wage or above industry rate; job security, health benefits	
4. Fosters stronger orgs	Community participation in local governance increases* (power)	
4. & gets local support	Bgy/LGU makes resources available to the enterprise	

# DOING RIGHT

## Environment, culture and gender equity

Criteria: policies, programs and practices are guided by environmental & ecol soundness.

### Indicators

- No toxic or banned substances
- Regenerates raw materials
- Recycles wastes/by products

Gender equity in hiring & provision of equal opportunities

# Scoring system

- Scale of 1 - 5 (5 as highest)
- Each bottomline scored separately
- Results: Low, medium, high

	Scores
Production	<b>HIGH</b>
Marketing	<b>LOW</b>
Finance	<b>LOW</b>
Enterprise management	<b>AVE</b>
Social responsibility	<b>HIGH</b>
Environment, etc.	<b>HIGH</b>

# Critique of SEQI

- May be too high for SEs at start-up level

## Simulated results

	Start-up	Build-up	Commercial
Production	Med	Med-High	Med-High
Facilities/Eqpt	Low-Med	Low-Med	Med-High
Marketing	Low	Med	High
Management	Low-Med	Ave	Ave-high
Social Perf	High	High	High
Environment	High	High	High

There are Standards that cut across all levels of development :

- Financial controls
- Non-use of toxic materials/dumping of waste
- Benefits to the poor
- Product quality
- Human resource policies
- Gender equity

Scores are not static

- Progression from simple to more complex or sophisticated operations as the SE matures

# Progression/improvement over time

- From mano-mano/kaldero2 → big batch processing
- Marketing by ED → mktg manager/sales staff
- Wages: from minimum → profit sharing/  
incentives/rewards
- Contribution to economy: → Hh → bgys –  
> towns → Phil Economy
- Employment: from IGP to job security

# Challenges

## 1. Define your own context

Quantify standards, translate  
into Performance or Impact  
indicators

## 2. Determine SE contribution to national economy

Fine art – P800 million

Animation – US\$100 million

Sinulog – P25 M to launch;

contribution to Cebu economy =

P100M grand parade alone; P500 million for 9 day festival

# Salamat Po!

