

MENU FOR DEVELOPMENT

Young people get hands-on experience at a 'social business' restaurant that Friends International says will pay financial and human dividends. Story and photos by Rachna Sachsinh in Luang Prabang

At first glance, Khaiphaen looks like any restaurant that is weeks from opening day. Front of the house managers discuss the layout of the dining room and staffing requirements. Contractors calibrate the handsomely refurbished wooden doors between the kitchen and dining room. Staff ferry boxes of dishes, cutlery, stemware and glassware to the dishwasher. The culinary team calculates costs and portions and samples beautifully plated creations.

But look a little closer, and Khaiphaen is both a classic restaurant and something entirely different. The staff members wear bright T-shirts that say "Teacher" or "Student". The corner of the dining room is dedicated to Friends n' Stuff, a collection of handmade crafts and jewellery fashioned from recycled material.

In the kitchen, each prep station features info-graphics about ingredient and portion sizes and step-by-step directions for preparing each dish. On the second floor is a large open classroom with chairs arranged in small groups, blackboards and flipcharts.

Khaiphaen is the latest social business restaurant operated by Friends International (Friends), a Cambodia-based non-government organisation and its Lao affiliate, Puan Mit, a decade-old partnership between Friends and the Lao Ministry of Labour and Social Welfare. Puan Mit operates several social programmes in the country, including outreach to identify street children, a drop-in centre for social services, a home-based income generation project for families and caretakers, and vocational training to help young people acquire skills and jobs.

At Khaiphaen, the restaurant itself is the vocational school and training arena. Students learn directly by doing. They are assigned culinary or service "jobs" in the restaurant, and they receive training in their specific duties, as well as customer service and English-language skills to help them to work in Luang Prabang's fast-growing tourism economy. "This is not classroom training, but on-the-job training with real-life experiences," said Ketsone Philaphand, Puan Mit's country director in Laos.

Ms Ketsone also helped start Vientiane-based Makphet, Friends International's first social business restaurant in Laos. Makphet has been tremendously popular and effective.

"Many children simply don't have access to education and training that will help them get jobs," according to Ms Ketsone.

The restaurant training model used at Makphet and Khaiphaen is adapted to the needs of the children. Instead of having students conform



The staff of Khaiphaen receive training in skills that will help them in the restaurant as well as in other areas of Luang Prabang's growing tourism industry.

to a classroom model of learning (which they have never experienced), they are given practical jobs with practical learning opportunities. Each student is assigned a case manager, who assists with resume writing, interview skills and job placement.

"The social business model is very holistic," explains Ms Ketsone. Whether it's the restaurant or the home-based artisan wares made for Friends n' Stuff, Friends' second social business venture, "the purpose is not charity, but to give the youth marketable job skills and life skills." Friends International began working with at-risk youth and street children in 1994, and has since demonstrated innovation and leadership in employing social business models to achieve their social mission and to reduce their dependence on fundraising activities.

"A business ethos has been with Friends since the very beginning. Our founder Sebastian Marot is not a social worker, but from a business background and [he] saw no barriers to mixing social work with business," said James Sutherland, Friends' international communications director.

When Friends first began working in Cambodia, it discovered that young people wanted one thing — jobs. This propelled it into the arena of providing quality training and job placement. According to Mr Sutherland, being a donor-financed organisation often means responding to the agenda of your funders. In other words, funders may provide support for some constituencies but not others. Friends wanted to reach as many young people as needed or wanted to enter in their programmes, and it became clear that reliance on fundraising and donor relations created dependency and not sustainability.

In 2000, Friends formalised its first vocational centre with the opening of Friends The Restaurant in Phnom Penh. "This was a big break," says Mr Sutherland. The restaurant was a vocational centre and a reintegration project that demonstrated a new, holistic approach based on the principles of social business.

"The logic behind it is to ensure the quality of training. If your business is successful, then quality job training and job placement are possible. If not, then either revise the training or close." This sounds very much like a comment one would hear in a boardroom and not in the hallways of a typical NGO where agendas are mission-driven and not market-driven.

Nikolai Schwarz, the coordinator for social businesses with Friends International, articulates the organisation's social and business model well: "When defining businesses, we force ourselves — like any entrepreneur would do — to see through the eyes of our customers. What they like, what are they looking for, and how can we translate this into our social business environment."

"In a product context, we try to avoid the mistake that many NGO projects seem to make. They try to sell what their social project can

make, instead of making (within the given constraints of the social programme) what external customers would like."

While traditional performance indicators such as return on investment are critical to measuring success, Mr Schwarz says, "so far, [we focus] on very tangible and straightforward indicators: numbers of direct and indirect beneficiaries reach through our social businesses, growth and income generated through our social businesses."

"Our first programme, Mith Samlanh in Phnom Penh which manages several social businesses, has grown over twenty years from working with 17 to reaching out to support more than 16,000 individuals in 2013."

Mr Schwarz stresses that any effective strategy to address the lack of opportunities in education and vocational training requires collaboration between government and non-government agencies. Friends has a formal relationship with the government of Laos, and strong relationships with government agencies in the countries where they work.

"The tagline of our organisation is 'together building futures', and again it was realised by us very early on that in order to maintain sustainable impact of our programmes, we had to forge these strong links with governments and ministries," says Mr Sutherland.

"We are able to demonstrate [to the government agencies] that our work has positive social impact, in some places even plug gaps in their service provisions and train them in effective procedures and methodologies too. Our social businesses are also linked to developing market areas, and governments of course see the value of developing skills in these growth areas."

Khaiphaen is a great example. A Unesco World Heritage site, Luang Prabang draws increasing numbers of international tourists. The town's growing number of boutique and luxury hotels are in need of a labour force that meets the standards of international travellers. Khaiphaen's students will arrive in the job market with a clear competitive advantage.

With a skilled labour force that supports a growing tourist economy, a developing government stands a better chance of creating and delivering key public services. Social businesses, such as those operated by Friends, do not aspire to replace the public sector, but in effect bolster the public sector.

Friends consistently achieves goals in the "triple bottom line", a standard metric in corporate social responsibility. In other words, it affirms the financial health of the business, and the economic and social health of the beneficiaries. Ultimately, Friends' partnerships with governments show that leveraging resources strategically and collaboratively is more effective.

"We want them (young people and their caretakers) to become independent and strong enough to be able to produce and sustain in a competitive 'real life' market setting, rather than producing mediocre products only made in the safe but sometimes disconnected environment of a social programme," says Mr Schwarz.

Another remarkable indicator of success is the launch of TREE Alliance (Training, Research, Employment and Entrepreneurship). Friends' franchise model for vocational training restaurants. Leveraging its experience with existing vocational restaurants, TREE Alliance provides standards of operation, methodologies and implementation support, and regular monitoring to other NGOs that wish to pursue a similar strategy.

At present, Friends offers membership to the TREE Alliance to any NGO, business or other potential partners, regardless of their location. While the TREE Alliance is strong in Southeast Asia, Friends is exploring opportunities in Myanmar, Indonesia, Sri Lanka and the Philippines. There are also potential projects slated for Egypt and Ethiopia, along with Honduras, Mexico and Kenya.

Friends now operates four successful TREE restaurants in Phnom Penh, Siem Reap and Vientiane. Khaiphaen in Luang Prabang is slated to open in December and another one is planned for Bangkok in 2015.



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Coordinator for social businesses,
Friends International

PROSPECTS BRIGHT FOR E-COMMERCE IN ASEAN

By John Grafilo in Kuala Lumpur

Tahir Rahman examined the camera lens, took test shots and even opened his laptop to check the images, unimpressed by the rush-hour crowd at Kuala Lumpur's central transport hub.

"This is the first time I bought something online so I have to be extra careful," the 25-year-old commercial photographer said, as he took out a wad of cash to pay the seller he had only met from an online photography shop.

"I heard warnings about art artists on the internet. I just want to make sure I get what I paid for," he added. "It was a good deal."

Like Rahman, millions of Southeast Asian internet users are gingerly dipping their hands into e-commerce for the convenience, wide choices and competitive prices, despite security and fraud worries.

UBS Securities (Thailand) Ltd said e-business is thriving in the 10-country Association of Southeast Asian Nations "despite low credit card penetration, inefficient supply chains, inhibitive customs and tax regulation and embryonic internet penetration."

UBS predicts internet users in ASEAN will rise to 294 million in the next three years, from the current estimate of 199 million.

The majority of traffic would come from mobile devices with the introduction of 3G broadband connections and more affordable models.

"We estimate B2C (business-to-consumer) e-commerce currently grosses only \$500 million to \$1 billion (0.2% of retail sales), but could increase at least fivefold by 2020, with opportunity set as high as \$35 billion," a UBS study released in August said.

Inclusion of all e-commerce channels could multiply the overall market size. Thailand and the Philippines have the highest growth in the region, while we think Indonesia has the most potential."

UBS said the upcoming formation of the Asian Economic Community (AEC) next year could provide impetus for the rise of e-commerce.

"The AEC initiative could be an additional boon for online retailing while trade tariffs are essentially zero within Asean, additional legislation aims to create a national single window to support efficient and electronic customs clearance, policies to support cross-border transport, and liberalisation to encourage a more competitive logistics industry," it said.

Frost & Sullivan, a global consulting firm,

said Southeast Asia would be one of the world's fastest-growing markets for e-commerce revenues in 2014.

"Per capita income is rising in Southeast Asia and more consumers are using the internet through PCs, smartphones and



Thao Phuong, 28, an IT engineer by day, works on her laptop as a part-time e-trader selling fruit in Hanoi. For many entrepreneurs, taking orders online and accepting cash on delivery works well in a market where credit card ownership is low.

tablets," information technology executive Marc Einstein said.

"There is no dominant player in the regional market but foreign companies such as Amazon, Rakuten and Alibaba are all expanding in the region and there

are several strong domestic companies; hence the region is very competitive despite its infancy."

But Einstein noted several factors holding back growth of e-commerce, such as low credit card ownership and lack of bank accounts.

"Internet fraud is also very high in some countries such as Indonesia which further discourages e-commerce use," he said.

Sift Science, an online fraud-fighting service provider, listed Malaysia, the Philippines, Indonesia and Singapore as among the countries in the region with the highest incidences of online fraud.

But Pia Regencia, a call centre agent in Manila's suburban Quezon City who also sells homemade pastries and bric-a-brac via Facebook, said the number of her customers has grown through referrals and word of mouth, despite apprehension about fraud.

"Most of my customers still pay me in cash when I deliver the goods," she said. "Others pay through money transfers so there is no need for them to give me their credit card details."

Regencia, a mother of three, said online selling has fewer overhead expenses and provides flexibility for her

home-based business.

"It was actually my sister who gave me the idea of online selling," she said. "She was buying toys, electronic gadgets and other things online and got really good deals. The most expensive item she bought was a laptop for \$2,500, and she didn't encounter any troubles."

"Before providing any personal or financial information, make sure that you are interacting with a reputable merchant," chief executive officer Amiruddin Abdu Wahab said.

Customers should not use public computers or public wireless when conducting online shopping and other business transactions, such as paying bills, he added.

His agency has launched a programme to audit and validate websites to promote confidence.

"We assess and certify e-commerce entities and provide internet users a way of identifying commerce that is legitimate and will deliver as promised," he said.