

# **Impacts of Training and Development on Social Enterprises in Cambodia**

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## **ABSTRACT**

Social entrepreneurship has become a very attractive and much studied topic. It has become particularly prevalent in countries in which governments are unable to support societal needs and reduce societal problems. It has become recognized as a new problem-solving tool for different stakeholders: public organizations, private organizations, and civil society. Cambodia is one country in which the government has been unable to provide sufficient social services for its citizens. Many donors have tried to help Cambodia out of poverty through donations to Non-Governmental Organizations (NGOs), working to provide basic needs for Cambodian people. Some NGOs have tried to establish social enterprises in order to provide vocational training and thus create jobs for those people. This raises the question whether social enterprises will be able to assure the sustainability of the development. The face-to-face interviewing technique has been used to conduct interviews with directors and managers of several social enterprises aiming to assess the practical impact of the training in and development of social enterprise activities. The result of the study shows that training and development have a strong impact on individual and organizational performance, as well as organizational sustainability. The result of the study leads to recommendations proposed for social entrepreneurs in regard to sustainable development financial autonomy.

**Keywords:** *Cambodia; Social Enterprises; Training and Development*

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## บทคัดย่อ

การประกอบการเพื่อสังคม (Social Entrepreneurship) กำลังเป็นหัวข้อที่ได้รับความสนใจและมีการศึกษาอย่างมากในปัจจุบัน ซึ่งการประกอบการเพื่อสังคมเป็นสิ่งที่เกิดขึ้นมากและได้กลยุทธ์เป็นเครื่องมือในการแก้ไขปัญหาให้แก่ผู้มีส่วนได้ส่วนเสียที่หลากหลายไม่ว่าจะเป็นองค์กรของรัฐ องค์กรภาครัฐ เอกชน และชุมชนพลเมืองต่างๆ โดยเฉพาะในประเทศไทยไม่สามารถตอบสนองความต้องการและแก้ปัญหาทางสังคมได้อย่างเพียงพอ

ประเทศไทยเป็นประเทศหนึ่งที่รัฐบาลยังไม่สามารถที่จะจัดบริการทางสังคมให้แก่ประชาชนได้อย่างเพียงพอและมีประสิทธิภาพ หน่วยงานหลายภาคส่วนได้พยายามที่จะช่วยเหลือให้ประเทศไทยมีความหลากหลายจากความยากจน ซึ่งส่วนมากจะใช้เครื่องมือการบริจากผ่านองค์กรพัฒนาเอกชน (Non-Governmental Organizations (NGOs) และทำงานเพื่อสนับสนุนความต้องการขั้นพื้นฐานให้แก่ประชาชนชาวภูมิภาค หลายองค์กรพัฒนาเอกชนได้จัดตั้งองค์กรประกอบการเพื่อสังคมเพื่อจัดการฝึกอบรมวิชาชีพ และสร้างงานให้แก่กลุ่มคนผู้ยากไร้เหล่านั้น การดำเนินการในรูปแบบดังกล่าวทำให้เกิดข้อคิดเห็นว่า “องค์กรประกอบการเพื่อสังคมเหล่านั้นจะนำพาไปสู่การพัฒนาที่ยั่งยืนได้หรือไม่” การศึกษานี้จึงได้ใช้วิธีศึกษาด้วยเครื่องมือในการเก็บรวบรวมข้อมูลด้วยการสัมภาษณ์ผู้บริหารขององค์กรเพื่อสังคมเหล่านั้น เพื่อที่จะประเมินผลกระทบในเชิงปฏิบัติของการฝึกอบรมต่อการพัฒนาจากกิจกรรมเพื่อสังคมต่างๆ ผลการศึกษาชี้ให้เห็นว่า การฝึกอบรมและพัฒนามีผลต่อการปฏิบัติงานของแต่ละปัจเจกชนและแต่ละองค์การ และนำไปสู่ข้อเสนอแนะถึงความอิสระทางการเงินขององค์กรประกอบการเพื่อสังคมที่จะนำไปสู่การพัฒนาที่ยั่งยืนต่อไป

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## INTRODUCTION

How can non-governmental organizations (NGOs) contribute to poverty eradication and business development in a developing country? This is the question that underlines the research reported on in this paper, which explores the role of social enterprises, which are in this case a subset of NGOs, in promoting various societal goals in Cambodia. Cambodia has struggled with civil war for almost three decades. The war may have now finished but its results have included numerous social and economic problems, including poor infrastructure, lack of proper healthcare services, lack of human capital, and poor education infrastructure and services. These have contributed to the high poverty rate in Cambodia. The post-war government has been unable to provide basic social needs for the population. It is widely believed that stand-alone government support would not be a proper method to help Cambodia escape the poverty. Donors have started to inject financial support through International Organizations (IOs), UN organizations and local Non-Governmental Organizations (NGOs) in order to improve the software and hardware infrastructure of the country. Those organizations are working on various fields considered as urgent human basic needs, such as micro-finance, infrastructure development (e.g. building roads, the pathways in small villages connected to cities, construction of schools in rural areas), providing free vocational training, helping orphanages, and widows with dependants. Relying on external financing or donations would not be an appropriate way to sustain the development and growth of the organization and the same is true at the national level. For long-term survival, most NGOs search for finance in various forms, such as providing vocational training programs, establishing handicraft, souvenir or restaurant businesses, and other small business activities. In technical terms, NGOs began to open “social enterprises” in order to generate jobs for local people and thus promote self-finance and sustainable development for their own organizations. Cambodia lacks human capital because of the Khmer Rouge regime, during which many skilled and knowledgeable people were killed or driven away from the country. In order to perform a job efficiently, training and development are very important, yet few people are able to provide such training or to act as mentors or role models.

NGOs may take a wide range of organizational forms and purposes; social enterprises, on the other hand, act as a form of business enterprise with such functions as marketing and accounting in support of the production of goods and services, but with the difference that the purpose of the enterprise is not to make a profit (indeed, profitability is inherently irrelevant, as long as funding from other sources continues) but to provide other, specific socially-defined goals. Examples of such goals include facilitating the progress of vulnerable or disadvantaged people into the labor market, which is a goal supported by organizations in this research project.

This research aims to seek the answer to the following research questions: 1) what are the training and development processes of the social enterprises?; 2) how do training and development impact on individual and organizational performance? The results and findings of the study lead to some suggestions and recommendation which would be beneficial for the development of other social enterprises.

## **LITERATURE REVIEW**

### ***A. Concepts of Training and Development***

Training and development are considered to be means by which people learn their jobs. The term ‘training’ is often used in conjunction with development, but these two terms are not synonymous. Training is a process of providing employees with specific skills or helping them correct deficiencies in their performance (Gómez-Mejía, Balkin and Cardy, 2004: 260) for use in their present jobs (Mathis and Jackson, 2002: 75). In contrast, development is an effort to provide employees with the abilities the organization will need in the future. In a broader scope, development focuses on individuals gaining new capabilities useful for both present and future jobs (Mathis & Jackson, 2002: 260). Training can have a negative connotation (Gómez-Mejía *et al.*, 2004: 75). The result is that people might appreciate an opportunity for development but resent being scheduled for training (Sullivan, 1998: 260). Why? Training often implies that a person has a skill deficit, so employees may view their selection for training as a negative and

embarrassing message rather than an improvement opportunity. They may also feel themselves too busy with normal work or believe that increasing their skills will not be rewarded by employers with a higher salary.

There are essentially two types of training: *internal training* and *external training*. With the development of technology, a new type of training was introduced: *web-based or internet-based training*. Internal training is conducted “on-the-job” locations, based on the job’s objectives. This technique is viewed as being very applicable to the job; it saves the cost of sending employees away for training, and it often avoids the cost of outside trainers. External training may be used for several reasons: (1) it may be less expensive for an employer to have an outside trainer conduct training in areas where internal training resources are limited; (2) there may not be sufficient time to develop internal training materials; (3) the HR staff may not have the level of expertise needed for the subject matter where training is needed; (4) there are advantages to having employees interact with managers and peers in other companies in training programs held externally. One growing trend is the outsourcing of training because it is more efficient and effective. Web-based training became very popular because more and more employees use computers and have access to Internet portals. Employers recognized that Web-based training was a means for distributing training to employees who are located in widely diverse locations and jobs. It should be noted that Web-based training might not be appropriate for certain types of training. In brief, training using the Web is likely to continue replacing classroom instruction. Consequently, more training may become distance learning and be available on demand.

The most common development programs offered by organizations are: (1) mentoring, which is a developmentally-oriented relationship between senior and junior colleagues or peers (Gómez-Mejía *et al.*, 2004: 314); (2) coaching, which consists of ongoing, sometimes spontaneous meetings between managers and their employees to discuss the employee’s career goals and development (Gómez-Mejía *et al.*, 2004: 315) and involves a

continual process of learning by doing (Mathis & Jackson, 2002: 84); (3) job rotation, which involves assigning employees to various jobs so that they acquire a wider base of skills (Gómez-Mejía *et al.*, 2004: 316); and (4) tuition assistance programs, which are offered by organizations to support their employees' education and development (Gómez-Mejía *et al.*, 2004: 316).

#### ***B. Concepts of Social Enterprises***

The term 'social enterprise' was developed by Freer Spreckley in 1981 (Spreckley, 2008). He considered that the organization would work on a not-for-profit basis, would operate under democratic principles, and would employ a Social Audit Toolkit to conduct triple bottom, line-style self-analysis:

*"An enterprise that is owned by those who work in it and/or reside in a given locality, is governed by registered social as well as commercial aims and objectives and run co-operatively may be termed a social enterprise. Traditionally, 'capital hires labor' with the overriding emphasis on making a 'profit' over and above any benefit either to the business itself or the workforce. Contrasted to this is the social enterprise where 'labor hires capital' with the emphasis on personal and social benefit"*

Spreckley, 2008.

The Social Business Enterprise (SBE) concept was developed by Nobel Laureate Professor Muhammad Yunus, on the basis of being '*social benefit maximizing kind businesses that are created to do good to people, not paying any attention to making personal gain*' (Yunus, 2008). It is not a charity, and instead aims to use profits for purposes aimed at improving social welfare, broadly defined. Subsequent surpluses may be retained for reinvestment, and the owner does not take the profit out of the business (Yunus, 2008). A social business should maximize its outputs while operating on a sustainable basis. Investors may keep ownership interests to ensure that the business is run on lines deemed appropriate and to ensure that initial investment is returned. The point of the business is not to make money but to achieve various social goals.

SBEs should compete with Profit Maximizing Enterprises (PMEs) and abide by normal business procedure, with the exception that surpluses are made for repayment to investors and with a view to benefiting society as a whole. Reinvestment for future growth and enhanced value-adding activities are considered to be a suitable reason for retaining some part of the surplus.

## METHODOLOGY

The data were collected from both primary (qualitative technique) and secondary data (textbooks, academic journals, reports, databases, search engines) sources.

The primary data were mainly obtained in Phnom Penh, the capital city of Cambodia, in August 2008. Four social enterprises, working in various business activities, restaurants, bag production, data digitalization, a training centre, and a British-based International Non-governmental Organization (INGO) in charge of skill development training provision for social enterprises were selected as key respondents. Face to face interviews with managers and directors of social enterprises were conducted using semi-structured interview techniques, which follow a well-known technique (Cooper & Schindler, 2006: 204). Since this research is a small case study with the constraint of time, the researcher selected one person from each organization for the interview for the convenience of the interviewer and interviewee.

During the course of the interviews, the researcher made notes, observed the interviewees, and recorded the interviews, hence reducing bias while double-checking the understanding of the listener. The English language was used as a medium of communication and it is the second language of the interviewer. Each interview took at least one hour. After the interview, the data were reorganized and rechecked with the recording to make sure that nothing was left out.

As the population sample is small, the content analysis method, which measures semantic content by coding and making inferences (Cooper and Schindler, 2006: 449), was not used to analyze the data collected. Instead, collected data were analyzed in conjunction with the contextual framework and secondary sources from a diverse range of contexts.

The selection of interviewees was guided by access and availability. It was decided that access to an interviewee with whom the researcher could develop a relationship of trust was preferable to more interviews which might have been at a more superficial level (especially given the time and resource constraints in operation). Triangulation was provided through study of secondary data from the organizations concerned, including corporate reports and brochures, as well as close observation of the operations of the NGOs themselves. Comparison with other research reports was used to guide understanding of the transferability of the research findings, although the small size of the sample necessarily required some caution in interpretation and in the creation of recommendations.

## **ANALYSIS OF FINDINGS**

As mentioned above, there are four cases of social enterprises included in this study. Each case will be anonymously diagnosed to protect the privacy of respondents. In the following analysis, they are referred to as case study A, B, C and D.

**Table 1 Summary of Case Study Organizations**

ORGANIZATION	A	B	C	D
Origin	2001	1994	2003	1993
Product/service offered	Digitization services	Food (prepared)	Manufacture of clothing, handbags and household items	Restaurant and boutiques
Purpose	Help disadvantaged people integrating into the labor market	Support, recovery and reintegration into society of disadvantaged and vulnerable people	Training people to enter labor market	Provide assistance to disadvantaged and victimized children

### ***Case Study A***

#### ***Background of Organization A***

Organization A is a social enterprise which has been running since July 2001. Its purpose is to create jobs and educational opportunities in developing countries such as Cambodia and Laos. It does this by providing outsourced data services to local business. In Cambodia, it is an NGO and employs disadvantaged individuals, including people with disabilities, landmine and polio victims, orphans and abused women.

Organization A has a dual mission for both customers and employees:

*“To our customers, we promise to deliver highly accurate, well prices digitization services that meet customer needs at competitive prices.*

*To our employees, we promise to facilitate their human development through providing fair wages, health care, education, and career advancement opportunities.”*

According to the above mission, organization A has two duties: firstly, the business mission aims to provide the best quality services for customers at competitive prices; secondly, the social mission concerns the social needs of its employees. This dual mission is diagnosed in the next section.

Organization A creates low-skill technology jobs and offers basic workplace experience, plus further education and other services, in order to break the cycle of poverty. The program uses a social enterprise model to provide an integrated educational, vocational training, and work program for disadvantaged young adults. Rather than rely indefinitely on grant funding to support a vocational training program, the organization combines the revenue-generation and self-sustaining nature of a business with a focus on the social impact of a non-profit organization.

#### ***Training and Development Process***

Before exploring the Training and Development (T & D) process, it is necessary to know the recruitment conditions of organization A. Every employee must fulfill one of the following conditions: be an orphan, disabled, a vulnerable person, and have no job experience. In term of education requirements, applicants may or may not have obtained a high school degree. According to one interviewee, a Human Resource Manager, “it is important for each individual to have general and basic knowledge in order to integrate into the workplace because it shows that they are ready for the job.” After recruitment, the employees engage in some training.

The employees are divided into two different categories: 1) stepping stone employees and 2) key employees. The first category is for first line staff that perform activities such as scanning, data entry, software design, and others. They cannot stay in the organization more than five years. After that period, the organization will assist them in finding other employment. In some cases, employees wish to open their own business and the organization provides them with some financial aid. The second category is support staff in Human Resources, Finance, Project Management, Information Technology, and Marketing and Sales. About 80% of the key employees are promoted from stepping stone employee status.

The training is mostly completed inside and outside the organizations involved under partnership with local vocational training centers, universities in A's home country and some expatriate volunteers.

Typically, the stepping stone staff have already received training in the English language and computer skills from local NGOs. Staff work on data entry and digitization projects for a half-day, then participate in a subsidized education program of their choice for the rest of the time. While working, program participants receive above average wages plus a range of services, including health care, teambuilding activities, and counseling on their educational and vocational choices. This helps to build confidence and self-esteem. After basic training, employees practice their skills in the organization for a period of time until their performance improves. There is no further condition for this category of employees in terms of how long they should stay in the organization. According to the HR manager, "stepping stone employees can leave anytime." Once they move out, they become "alumni" and help the organization keep track of their subsequent progress. It is considered a good tool to follow up on the progress of the ex-employees of the organization.

Key employees need to follow general management courses, such as leadership, finance and accounting, and operations. This general management program is also known as a “Mini-MBA,” consisting of 12 courses provided by volunteer lecturers from a western partner university. Each course lasts one week. About 30 employees from Cambodian office and from Laos were selected to attend the Mini-MBA courses each time. The training can be conducted in Cambodia or Laos as well as in other countries in Asia where the organization operates. All employees that have taken the Mini-MBA training are required to stay and work for the organization for at least one year before they can move elsewhere.

For staff capacity building or development, each year the organization selects potential employees, particularly from among the key employees, to attend training locally or internationally. Once they complete the training course, they must report on their learning and share their experience with other employees in the organization. Furthermore, the employees may have the chance to obtain a scholarship without any pay-back conditions. According to an interviewee, the organization provides a scholarship for 70% of the total tuition fee.

#### ***Impacts of Training and Development on Individual and Organizational Performance***

The combination of paid work experience, health services, and further education prepares participants for higher-paying skilled work opportunities. According to the interviewee, “staff turnover rates are approximately 20%, which is very high for a normal organization but not considered so for the case of organization A.” This can be explained by the policy of the organization. According to the interviewee, the policy of the program is to move the employees out of the organization after one year to other employment and education opportunities. As he stated, “the organization is not afraid of the staff leaving early but it is afraid when its employees stay longer than expected.” In general, organization A serves as a bridging training centre by transforming people from unskilled to skilled worker and reintegrating them into the workplace.

When asked about the impact of training and development on organizational performance, the interviewee positively answered that it really has a strong impact. He said that at the beginning the organization was unable to generate income to pay the employees' salary because the training was not conducted effectively. In fact, when the director placed more importance on training and viewed training as an investment rather than as a "sunk cost", the employees' performance increased considerably. This can be proved by the revenue generated by the organization, which can now cover salaries, some operating costs, and still contribute to a reserve for other necessary usages. Note that the scholarship, health insurance, rental fee, and some other sunk costs are met by using funds from donors. Organization A has to think about how to be independent from donations and donors.

At the same time, the productivity of employees also improved. The HR manager mentioned that training is important but capacity building or ongoing development is more important because a classroom type of training is not as effective as practical training. The more experience employees have, the more their productivity increases.

### ***Sustainability and Future Plans***

In three years, organization A has earned more than \$450,000 in revenue and paid out over \$200,000 in compensation to more than 170 local staff, rapidly becoming a financially sustainable enterprise (Digital Devide Data, 2008). So far, it has achieved financial sustainability, where the operational and social mission expenses are covered entirely by revenue generated. In December 2004, the organization reached a major sustainable milestone (Sustainability, 2008).

The goal of organization A is to enlarge its offices in the next two years by employing 500 individuals. This will generate annual sales of approximately \$2 million per year. This sales amount will allow the organization to fund fully ongoing operations from income earning. It expects to establish data service enterprises in developing countries by partnering with existing local NGOs that can provide technical assistance volunteers with business skills.

**Case Study B**

***Background of Organization B***

Organization B is an extension project of a *Swiss-based Christian development organization*, founded in 1994 in Cambodia as a local NGO to help Cambodia's disadvantaged women and children who are dealing with serious crises in their lives. B has four main models (Hagar 4R Model, 2008): (1) risk reduction; (2) recovery; (3) reintegration; and (4) resilience. Risk reduction provides educational support, awareness-raising, and community development initiatives. Recovery is a process of recovery from abuse through psychosocial support and vocational skill development in a residential environment. Reintegration is a mechanism to reintegrate vulnerable people into the community by facilitating successful transitions to independent community-based living. The last model, resilience, promotes long-term plans to integrate social and economic initiatives. Organization B started its business operation in 2003 with 30 employees. This organization works to provide meal catering services to the employees of several five-star hotels and garment factory workers, and it has also launched a facility management service for industrial cleaning and laundry management. Its mission aims to serve both customers and employees in the best way possible.

*Supplying good quality and affordable food while providing employment opportunities for disadvantaged Cambodian people and building a successful business.*

Every month, about 85 to 1000 meals were delivered throughout the city. In November 2006, a restaurant started its operation and has become popular lately.

***Training and Development Process***

Most of the staff were recruited from various churches, through various programs of its own NGOs, such as the Aftercare Program, the Shelter Program, the Women Trafficking Program, and other NGOs working to help victims of sex abuse, domestic violence, and landmines. B employed both vulnerable women and men.

After recruitment, employees were sent to training programs in the hospitality industry, such as food service, preparing the table, and cooking, laundry, and housekeeping. Some of the staff, which were recruited through the programs of NGOs, had already gone through vocational training programs in cooking, sewing, housekeeping, hairdressing, English language class, and some other basic skills to prepare them for integration into the workplace. In the case of external recruitment, each individual has to attend training which lasts from 6 to 12 months, depending on the individual. All the staff have to accept responsibility and work very hard in the training. They will be taught how to do the jobs correctly.

As mentioned earlier, each individual participates in training in hospitality services; thus they need to identify themselves on the job, meaning that they have to observe themselves and to find out in which services that they are willing to work and they can work independently. Training would not be an end to the learning process. All the staff were provided with ongoing capacity building and development.

Moreover, organization B provides scholarships for employees as well as for the children of employees who are unable to send their children to school. The organization identifies some individuals that are hungry for and committed to learning. According to the interviewee, some staff were sent to attend human resources, information sciences, and accounting courses at local universities and internships in catering companies in Australia. It is important to know that there is no pay-back or any other kind of condition for any staff receiving these scholarships. The only condition is that they need to have a strong commitment to learning and to perform well at the universities, vocational training centers, or at the companies where they were accepted for training.

After graduating from university or vocational school, the organization expects the staff to stay and practice their skills because, according to the Director of organization C, it takes them some time to apply what they have learned to practice. He normally recommended

that staff stay a few months before leaving. In general, if the staff are sure about their performance, they could leave any time another job opportunity was offered. One of the organization's objectives is to move people out of the organization to take up other opportunities because it will help to develop their skills, improve their income, and provide them with more chances to meet and socialize with other people from different social and familial backgrounds. In this way, the organization can help more people. Some employees that left the organization owned a small business, some worked for other businesses, and some of these wished to return to B.

***Impacts of Training and Development on Individual and Organizational Performance***

According to the interviewee, “training and development are very important because people need to be trained when they have accepted responsibility and accountability for their position.” Then, they are empowered by being in a position to make choices in their life without relying on handouts or NGO assistance or the government, which is unable to deliver social services. So, employees are the ones that could decide and take control of their own destiny or the journey of their life.

The social enterprise tends to help and empower people. “To be empowered means that the individual should have finance to support their life and children so that the children will not suffer because of the parents’ situation,” as mentioned by the interviewee. Training and development have a strong impact on the individual in terms of knowledge and skills, attitude and behavior, and also improves income opportunities.

In terms of impacts on organizational performance, it takes time to prove that organizational performance has positively changed because it is not an instant change. But one issue that can be viewed is the attitude and behavior changes of the individual after training. They gave more importance on education and the team work spirit was stronger. To put the skills into practice is a challenge because each individual has a different level of understanding.

In terms of organizational growth, the number of employees increased from 30 in 2003 to 180 direct employees and 260 indirect or seasonal employees. Productivity increased from \$71,000 in revenue to more than \$600,000 in 2007. Statistics showed that organization B generates profits of 3-5% per month. When asked about the profit's destination, the director mentioned that at the end of the year, there will be a board meeting to decide on which program B wishes to fund. At the board meeting, two delegates from each project of the main NGOs will attend and they will transfer the messages from the board meeting to the employees and vice-versa. Organization B used the employees' involvement mechanism to make decisions on where the money should be used (e.g. education centre or school building, and some other priority needs occurring at that time).

### ***Sustainability and Future Plans***

In order to assure that organization B retains a sustainable status, the Director gave importance to the employees. He said that "skilled employees are an asset for the organization; thus training and development are viewed as an investment despite the 3% turnover rate each year." He believed that "doing what we do, doing it well and not saying that we can do what we cannot do, and investing more in training and development" would be the key factors in keeping the organization sustainable.

The growth plan of organization B is to move beyond Cambodia. Recently, some representative offices have been opened in India, Vietnam and Laos.

### ***Case Study C***

#### ***Background of Organization C***

Organization C is in the same position as organization B in that it is an extension program of a Swiss Christian organization. It is a professional social enterprise committed to providing employment opportunities in fair working conditions with economically sustainable wages. It produces a range of products such as handbags, uniforms, T-shirts, and home

accessories. It started its business operations in 2003 and employs 47 people. The organization is a member of the international Fair-trade association (IFAT), guaranteeing fair wages and good working conditions. It is committed to facilitating career training and providing excellence in work quality.

#### ***Training and Development Process***

About 30 to 45% of the employees entering the career pathway were selected from the Shelter Program of the Swiss Christian-based NGO and the rest are recruited from other NGOs and walk-in applicants that are considered to be disadvantaged people. So far, organization C employs 10 disabled people that have hearing and speaking disabilities. The staff are sent directly from the Shelter Program and are trained in sewing, quality control and soft skills such as hygiene, daycare training and ongoing education training.

After recruitment, the employees are obliged to undergo a sewing test for one week to see whether they can perform their task properly. If the staffs are unable to perform well in sewing, they will be trained in other tasks such as quality control.

Organization C looks like a basic garment factory at an initial stage and, therefore, the training and development activities are not the core activities of the organization. The staff do not get any scholarships to pursue their formal studies in school but their children do receive scholarships to go to school up to the high school level.

#### ***Impacts of Training and Development on Individual and Organizational Performance***

According to the interviewed director, “training and development have a strong impact on organizational performance.” As mentioned above, organization C is part of a Swiss Christian NGO and all of the staff members are requested to attend one to three bible study sessions every week, but it is not compulsory. This study caused loss of time to perform job and

resulted in some attitude and behavioral changes. Some staff were converted to Christianity and, apparently, behaved better than when they joined the organization. The interviewee focused on the importance of “good attitude and behavior in the workplace” because it is the source of a peaceful and friendly workplace environment.

The interviewee viewed training and development as “investment” and simultaneously as “cost” because of the time consumed. He mentioned that once the staff went for training, productivity declined and the organization had to pay overtime for other members that had replaced those that attended the training. All of the training sessions were provided without any conditions.

After training, the productivity of each employee increased, which is proved by a 28% revenue generation during the first semester of 2008, including a 9% income and lunch preparation fee. Note that as inflation was increasing aggressively since the beginning of the year, organization C decided to provide one free meal per day for the employees in order to compensate the high living costs.

### ***Sustainability and Future Plans***

In order to remain sustainable, the director suggested that “the organization should employ a good attitude and qualified employees to work in the factory.” The organization should keep production competitive and follow up the market, especially European markets, where most of the products were exported to. Moreover, it is necessary to build a good relationship and to have a long-term contract with raw material suppliers because inflation strongly affects operation costs, and this result in higher sale prices. On the other hand, the organization plans to become involved in free trade, but this seems difficult to achieve: corruption and lack of assistance from the government in terms of paperwork are the main obstacles.

### ***Case Study D***

#### ***Background of Organization D***

Organization D is an NGO created in 1993 by a French couple. The objective of the organization is to provide assistance to disadvantaged and non-educated children, especially to street and waste picking children living in the Stung Meanchey area in the Phnom Penh municipality. The organization began to provide formal education in 1996 and vocational training in 2002.

Apart from providing information, organization D set up a restaurant in 2002 and a boutique selling souvenirs and handicrafts made by the students. All of the students were sent to practice what they had learned from the vocational training centre in real workplaces such as hotels, restaurants, and beauty salons.

#### ***Training and Development Process***

As previously mentioned, organization D provides both formal education from grade 1 up to grade 12 (12 years), and vocational training. After high school, the students that can pass the entrance exam to government universities can pursue their study with the support of the NGOs. It is important to know that some students had already passed the average age for formal classes and were requested to attend two classes at the same time; for example, they would join a grade 5 class in the morning and a grade 6 class in the afternoon.

Students older than 17 that attend the class of grade 5 till 12 can choose to join the vocational training course, which will take them from 2 to 3 years to complete. The process of the vocational training is as follows:

- During the first stage, students have to attend pre-class to study foreign languages (French and English), Khmer, mathematics, morals, basic economics, enterprise, company behavior and attitude at workplace for one year

- During the second stage, they join the training centre, which provides seven different courses, such as hospitality and restaurant, secretary and administration, hairdresser, beauty and spa, garden and maintenance of green space, maternity assistance, and mechanics. The students have to attend one of these courses. At this stage, students receive 40% theory and 60% practice. Those that choose the hospitality and restaurant course are sent to practice at a restaurant owned by the NGO without getting any salary for 6 months.

- During the third stage, students return to the centre for six months in order to complete the training course and to prepare to find a job.

- After graduation, all of the students are requested to join the alumni association in order to keep in contact with each other as well as to update their information at the centre.

The training schemes are provided technically and financially under partnership with donors in France and Switzerland according to the following international standards.

#### ***Impacts of Training and Development on Individual and Organizational Performance***

The life of the street children and poor single mothers that relied on recycling waste to survive has been totally changed due to the training and development provided by organization D. In terms of individual performance, each student learns more about the importance of education, which is a good sign for the next generation, particularly with respect to the education of children. In fact, the main problem in Cambodia is that the parents do not see the importance of education. They normally prefer to have their children help at home rather than send them to school, even though they have the ability to pay the tuition fee.

In terms of organizational performance, the HR manager confirmed that “all of the graduating students got a job and most students were booked from the time they went for an internship in some hotel, restaurant or other organization.” This indicates that all of the students are equipped with high competency and ability to improve organizational performance. The NGO is very proud of the success of their students.

### ***Sustainability and Future Plans***

In order to ensure sustainability, the interviewee claimed that “the restaurant and boutique can be run independently without any support from donors because all of the permanent staff are able to manage and generate income to cover expenses due to the quality of services and products.” In the near future, a new restaurant and beauty salon will be opened in order to accommodate more students to practice their work skills.

## **DISCUSSION AND CONCLUSION**

The definition of social enterprises remains problematic because some scholars view private companies that provide social responsibility and development services to the society as social enterprises, while others disagree on definitional and conceptual grounds.

At first glance, it seems that the social enterprise is positioned exactly in the middle of public and private enterprises. However, it cannot be considered as half-half of public and private organization, because in reality it is positioned in between. Some social organizations call themselves private companies and some as NGOs. It is the case of the social enterprises in Cambodia, according to the interviewees, that some organizations are registered as private companies and some as NGOs. The reason is that according to Cambodian law there is no classification for social enterprises. This complicates the rules and regulations used to define the exact number of social enterprises in Cambodia. When discussing this issue with a British-based INGO working to provide training for 40 social enterprises in Cambodia, the researcher

found that the interviewee classified social enterprises as small and medium enterprises (SMEs). This illustrates that SMEs could be purely private and also social enterprises. The interviewee defined the difference between the social and private enterprises in terms of the receipt of donations. Social enterprises rely on donors as financial sources, whereas private organizations have to generate income to run their operation.

The discussion above indicates that the social enterprise is more or less like the private enterprise despite the double mission of the social enterprise to serve in the best way both customers and employees. Does the social enterprise possess the same characteristics as the NGO? The short answer is “Yes,” it does have about 90 percents of the characteristics. There is only one point that is considered to differentiate the two organizations: business activities. The NGO has as its aim to help to improve the situation of the vulnerable and least favored people in society. This organization provides humanitarian aid and does not perform any business activities, whereas the social enterprise runs the business in order to generate profit with same intention as the NGO: to improve and solve social problems.

Before starting to discuss training and development in social enterprises, a question was posed to the interviewee from British-based NGO as to why social enterprises exist. The simple reason for the existence of social enterprises is to solve social problems through profit generation by the social businesses. One interviewee mentioned that the social enterprise is a social component that helps disadvantaged people and it is a mix of “business rights and social component rights” in helping disadvantaged people. The organization needs to run a good business in order to create employment so that people can be paid; however, at the same time, it needs to provide good quality services and products for the customers. The problem is that all of the social enterprises have a dual mission: to serve and benefit both customers and employees. It is a real challenge for one organization to serve two groups of people at the same time. Acting as a private company requires serving only customers—some organizations could not perform well in both functions.

The major objective of all of the social enterprises is to solve social problems, but social problems are very complex. There is never one single cause of a social problem but rather an interconnected network of different factors that give rise to a social condition. Consequently, finding solutions for social problems is not straight-forward and requires network building and partner finding. The government sector will almost certainly be required as well in one form or another, and this can also be problematic.

Measuring performance is another difficult area. As Mair and Marti (2006) point out, it is almost impossible to quantify socio-economic, environmental, and social effects. As a result, it is much more difficult to determine whether a social entrepreneur is creating sufficient social value to justify the resources used. The calculations are not only difficult, complicated and judgmental; they are also contentious. The notion of 'social value' is highly subjective and has initiated a great deal of debate within social circles. Even when improvements can be measured, it is often difficult to attribute an improvement to a specific intervention due to the complexity of the problems. Consequently, it is difficult to be sure about the extent to which the organizations studied here have made genuine improvements through their interventions, since counter-factual data are not available.

The discussion on the impact of training and development on organizational performance remains unresolved. All of the social enterprises selected for this study claimed that training and development are very important for both organizational growth and individual development. This indicates that once employees receive either internal or external training (web-based training is not popular in Cambodia because of limited resources), their job performance improves, resulting in greater sales and income generation. Simultaneously, employees that are mostly disadvantaged change their behavior and attitude in the workplace as well as in the community. Many of the people involved had previously had little if any idea about the discipline and skills required to hold down a regular job. However, perhaps the most important change is the mindset about education. The employees mentioned that knowledge and

skills are very important in life. They became determined to send their children to school to obtain education, which in turn help them to escape from illiteracy, poverty, and ignorance. This illustrates that training and development can be used as a tool to empower people to be good members of the community. Consequently, they can then take good care of their own children, who will not be so much at risk because of the parents' attitudes or circumstances.

All of the interviewees viewed training and development as an investment rather than as a cost because their objective is to help people to become employed. It is like the Khmer (and international) proverb that says that it is better to "teach people to fish rather than give them the fish," meaning that NGOs or social enterprises should provide training and development to the disadvantaged and vulnerable people rather than giving them money because in this way they are permanently endowed. The difference between social enterprises and private enterprises in terms of training and development is that social enterprises provide them for free without condition, in contrast to private companies that wish to retain employees in order to "paid-back" the expense of the training and development.

In a larger view, social enterprises have a very important role in the economic development in Cambodia. A social enterprise is a place where people obtain know-how, specific content, and obtain a vision for the future. Each individual develops skills to live and learn how and why to be a good person in society. Their belief system can totally change after receiving training and development. Social enterprises can help the government to solve social problems, particularly regarding unemployment. Most of the disadvantaged people employed by social enterprises rely upon them because the government is unable to help them out of their situation. At the micro-level, a small percentage of poor people can live just above the poverty line of one dollar per day, while the others struggle. At the macro-level, social enterprises help to reduce the poverty rate and increase employment and the literacy rate. Socially, disadvantaged people are able to reintegrate themselves into society more

easily once they have a job. Consequently, the sustainability of social enterprises remains a priority that has to be considered with some urgency.

## RECOMMENDATIONS

In order to keep the social enterprise sustainable, Cambodian government agencies and political leaders need to learn that the existence and effectiveness of social entrepreneurship are of significant strategic interest to them and to the execution of their responsibilities. The services provided by social enterprises are complementary to the public service delivery system instead of in competition with it. More research is required in order to establish the degree to which this is true and the areas in which adjustment of service provision is required. There are clear advantages to the government in understanding in what complementary areas social enterprises might deliver services and, in this way, enable the government to concentrate on areas in which it has greater levels of efficiency.

The Royal Government of Cambodia has to assist social enterprises in terms of setting rules and regulations in order to facilitate operations, especially in the area of import and export tax exemptions for social enterprises that wish to import raw materials and export finished products. Corruption remains a significant obstacle for the sustainability of the organizations. At the same time, the government should help the training and development programs of social enterprises through, for example, providing formal education outside work hours and creating more vocational training centers for the least favored people of society.

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