Chapter 6. Description of Case Studies

The cases consist of the Hagar NGO and six businesses used by Hagar over time to employ the graduates from its shelter program. As described in Chapter Five, three of these businesses were founded and owned by Hagar for at least some of period under investigation. A fourth was the result of the sale of one of the Hagar businesses (Hagar on Time) to an external party. The fifth was formed by the final general manager of another of the Hagar businesses (Hagar Soya) after purchasing equipment and employing staff following the failure of Hagar Soya. While there are obviously relationships between some of the case study organisations, the ownership structures and separation from Hagar in the newer businesses make them sufficiently different to be considered distinct organisations for the purposes of this study. The sixth had always been independent of Hagar.

This chapter describes Hagar and each business. Subsequent chapters analyse the specific data collected in the context of the research questions. Appendix Six contains a map of Phnom Penh showing the location of each organisation.

Hagar Cambodia

Hagar International is a Swiss-based NGO founded in 1994 by Swiss national Pierre Tami to work amongst women and children in Cambodia. Hagar Cambodia is the Cambodian subsidiary responsible for implementation of the NGO's program. Hagar International is an umbrella encompassing Hagar Cambodia as well as other developed country fundraising organisations (ABBA in Switzerland, Hagar Australia, Hagar Singapore and Hagar USA). Since 2006, Hagar International has sought to expand their Cambodian work to several other countries such as India, Nepal, Vietnam and Afghanistan (Hagar 2006:15).

The Schwab Foundation for Social Entrepreneurship describes the founding of Hagar:

> Pierre Tami visited Cambodia for the first time in 1990. He had been working in Asia since 1983, but his initial trip to Cambodia changed his life. Deeply moved by the needs of women and children and the potential for making a difference, Tami and his family decided to move to Phnom Penh. They arrived during the first UNTAC peace mission and had to endure the daily challenges of living in a post-war country with a legacy of political instability, violence, corruption and injustice. In 1994, after a year of learning the language and carrying out a needs analysis, Pierre and his wife Simonetta officially founded Hagar, a fast growing organization that engenders transformational

> development through its various projects and businesses. In 2005, Tami became director of Hagar International, and now focuses on replicating Hagar's model in other post-war countries where there is acute suffering, trafficking and abuse of women and children (Schwab Foundation 2008).

Tami's first operation in Cambodia was a shelter for destitute women and children. The original Hagar Shelter Program was established in conjunction with Christian mission organisation Youth With A Mission (YWAM) to meet the needs of women and children living on the streets of Phnom Penh. Tami, also a Christian, was inspired by the Biblical story of Hagar in Genesis 16. In this story, a foreign slave girl is abused and abandoned by her owners. In despair she cried out to God and is rescued. Batstone relates how Tami experienced a strong sense of calling, deriving from his Christian faith, to Cambodia and to the women his shelter would be assisting (Batstone 2007:46).

Over time Hagar has retained its Christian emphasis. A 2001 proposal states that a majority of Hagar staff are Christians and Hagar, to that point at least, had a policy of only employing Christians in senior positions (Hagar 2001:9). However, it offers its services to all in need. It does offer Christian activities such as Bible studies but these are voluntary for its employees. However, the same funding proposal (to a Christian funding NGO) stated that most women were choosing to attend (Hagar 2001:9). In March 2010, the Hagar board accepted identity documents outlining a clear Christian identity and reaffirming the biblical story of Hagar as foundational (Hagar 2010b).

In the 2001 funding proposal it was anticipated that Hagar would move towards localisation (Hagar 2001:1). It was recognized at the time that this would require significant capacity building. However, because of this difficulty or otherwise, localisation (apart from the structural separation of Hagar Cambodia from Hagar International) did not happen. In 2007, Frieson recommended that Hagar commence a ten year project of full localisation (2007:40). As at 2011, the board and senior staff of Hagar Cambodia remain expatriate.

Beginning in 1997, Hagar operated a number of businesses. As discussed in Chapter Eight, these businesses have had various expectations placed upon them but a primary one has always been employment of the program graduates. These businesses are the primary subject of this study and are discussed in more details below.

In Hagar's shelter, families were given essential support for a six-month period of rehabilitation focused activities (Hagar 2001:3). In 1996 a new shelter was constructed with capacity for up to 60 women and their children at any time (ibid.). YWAM remained involved until relinquishing all management responsibilities in January 2002 (Hagar 2002:3).

'All of Hagar's programs target women and children who have escaped from challenging circumstances such as domestic violence, prostitution, rape, trafficking or homelessness' (Hagar 2006:3). Their development strategy includes the four elements of recovery, reintegration, resilience and risk reduction (ibid.) with the end aim being that 'every individual … has the capacity to thrive as a healthy member of society' (ibid.). While it evolved over time (as described below), by 2006 the aim was clearly in line with those of the human development discourse of empowerment and freedom.

Hagar's women's shelter began as a drop-in centre for destitute mothers and children. It has grown into a residential facility, which by 2008 catered for over 130 women and children (Hagar 2008:9). In 1998 Hagar started a foster care home for children, located separately from the women's shelter. Two community-based foster care programs were started in 2007, and cater for approximately 105 and 25 children respectively (ibid:2). In 2005, an aftercare centre was opened for girl victims of trafficking. It catered for girls aged 4-13 on entry and in 2008 had approximately 60 girls in residence (ibid:2,9). Hagar's other program is the House of Smiles, catering for children with disabilities. This began in 2000, and in 2008 catered for approximately ten children (ibid:5)

The initial model was welfare oriented and focused on rehabilitation. This focus was broadened over time. In a 2001 review, Hagar staff revised the mission statement to: 'Through a holistic approach, to enable Cambodian women and children at risk to: overcome vulnerability; realise their full potential; and envisage a meaningful future' (Hagar 2001:3). The specific aim of the shelter at this point was:

> To assist street mothers and children to transform their lives: to counsel mothers to overcome past backgrounds; to empower the mothers with values, skills training and employment so they can go back into the community as independent, productive individuals (ibid.).

Hagar acknowledged that, in order to achieve this, the women needed education, vocational training and assistance in the context of the broader community (Hagar 2001:4). The target groups were:

> mothers living on the streets, with children who are between 6 months and 14 years old; mothers aged 18-45 years, earning less than $1 day, and who live in squatter settlements of Phnom Penh; mothers who were cheated and cannot go back to their villages; mothers who were chased out from the home by their husband after conflicts, or who chose to leave violent homes; mothers and children who were rescued or escaped from prostitution or trafficking; and single women from very poor families with little income (ibid.).

It was recognized that the shelter's early model of rehabilitation was a welfare model and needed to focus more on empowerment of women and aim for greater sustainability (Hagar 2001:8; TEAR 2008). In fact, the project officer of a donor agency noted in 2002 that 'the Shelter does little more than provide respite before they are sent back into the fray again' (TEAR 2002).

In 2008 significant changes were made to the education program in order to take a more consciously developmental approach (TEAR 2008). The new model for women in gender-based violence involved a recovery stage, a rehabilitation stage and a reintegration stage (ibid.). The 2008 evaluation by Erskine-Smith recommended Hagar 'formulate a new goal for women's education that clearly states its purpose: of client-centered learning for the transformation of individual lives so that women can reintegrate successfully into their society' (Erskine-Smith 2008:5). The new paradigm was to see the women as partners in their own development with individual case management (ibid.; TEAR 2008:15).

The recovery involves health treatment, counseling and creative developmental activities. The rehabilitation stage continues counseling and moves onto literacy, numeracy and life skills classes. Once these are completed, Hagar offers a Career Pathways program. This includes continuing literacy, life skills, soft development skills and hard vocational skills (such as sewing or administration). At reintegration the women are helped to return to the community and find employment. They may choose to apply for employment in one of the Hagar social enterprises. Reintegrating women receive individual follow up for up to two years (TEAR 2008:7).

These changes were also influenced by analysis in 2007 that revealed a significant demographic change in the women coming to the Hagar Shelter. Whereas in the early years the women were mostly over 30 years of age, in 2007 over half were between 15 and 25 years of age. It was also noted that more recent admissions had higher levels of formal education (Erskine Smith 2008:3). Although, even with this change, 55% of the women admitted in 2007 had received no formal education. Of the women admitted 40% were victims of sex trafficking, 29% domestic violence, and 17% rape (TEAR 2008:7).

An informal survey found that of 20 reintegrated women employed in Hagar businesses none had received any further education after leaving the shelter (ibid:8). Furthermore, it was observed at Hagar Soya that women who had completed level one or two in the literacy program had forgotten nearly all they had learned (ibid.).

As a result of these reviews, Hagar changed their program to provide for continuing education for reintegrated women at the Hagar businesses. This consists of Post Literacy training in higher level literacy as well as 'strengthening and expanding knowledge and skills for problem solving and critical thinking related to the daily lives of women at Hagar businesses' (ibid:10). It also includes further life skills training that involves values formation, rights awareness and conflict resolution (ibid.).

One of the identified risks of the education program is the support or lack thereof by the Hagar businesses. The project proposal states that the informal survey of the women in the Hagar businesses had been given to general managers of the businesses. It also suggests that the Women's Program staff are in continuing discussions with the business managers in order to create time and systems that support the continuing education and development of the women (ibid:20). In 2007, only Hagar Soya workers attended basic literacy classes. Hagar On Time workers participated in training on AIDS, domestic violence and conflict resolution (Hagar 2007:26).

Regular communication between the businesses and the Women's Program was identified in 2007 and 2008 as a key activity for the ongoing development of the women (ibid.; Hagar 2008:10). In 2008, at the suggestion of the Women's Program, the Hagar businesses started their own savings schemes for the employees (Hagar 2008:11). In 2008 a survey of training needs of women clients in the three Hagar

businesses was conducted and the results given to the general managers. As a result Hagar On Time (one of the social enterprises) agreed to allow women to enrol in continuing education (ibid:15).

It was also noted at that time that an awareness and responsiveness to macro-issues of poverty and justice were needed. Advocacy and engagement with government were suggested as part of ongoing sustainability (Hagar 2001:8). Thus over time, Hagar moved away from a pure welfare based approach to a more holistic and empowering model of intervention. In 2009, a Hagar marketing document states:

> Hagar aspires to provide transformational development opportunities to its beneficiaries through access to appropriate education, training and employment opportunities, which offer employees a fair working wage, equitable working conditions, and prospects for promotion and self-development (Hagar 2009).

The Hagar Businesses

The Hagar social enterprises grew out of income generation activities undertaken by the women in the shelter. Early in the life of the shelter, Tami created a job placement agency to assist women in reintegrating. However, shortage of jobs and the challenges of placing women who had suffered significant trauma meant that this was not successful in achieving its aims. Tami realized that the best way to ensure employment was to create the jobs himself (Batstone 2007:68). Tami's other motivation was to achieve self-sufficiency for Hagar's operations. Thus, 'He dreamed to create a range of Hagar enterprises that one day could underwrite a healthy slice of the agency's social services budget' (ibid:69). In the 2005 Annual Review, Talmage Payne, CEO of Hagar Cambodia, referred to seeking to grow both the programs and the businesses across Cambodia (quoted in Frieson 2007:15). As described in Chapter Five, Hagar has received considerable recognition for the innovations of these enterprises.

In a 2009 document seeking new financial partners, Hagar referred to the reputation they had gained from these enterprises, 'Hagar is known to be one of the few organisations in Cambodia that has successfully combined social development activities with effective business enterprise' (Hagar 2009). This same document describes the development rationale for these enterprises,

> Hagar's business initiatives adhere to following overarching mission: to create safe, meaningful employment opportunities with a decent wage for the most vulnerable

> women. Our businesses seek to employ the unemployable and help them to become viable participants in the external job market. This substantially reduces the risk that women will return to a high-risk situation and allows them to develop transferable skills and opportunities for job advancement. As well, the sustainable income stream and support programs (i.e. daycare) have a positive spillover effect on their respective families (ibid.).

From 2007, Hagar has sought to replicate this model in their expansion countries. However, rather than fully owned enterprises they have pursued partnerships with existing social enterprises. As of 2011, the only one of these in place is the Joma bakery in Vietnam (Hagar 2008b; T. Rann, pers. com., July 20, 2011).

In addition to placing graduates with the Hagar owned businesses, Career Pathways also entered into partnerships with other Phnom Penh businesses in order to place graduates in employment. The 2008 Hagar Annual Report lists a number of these: Café Living Room, Foreign Correspondents Club, Parkway Salon, The Boddhi Tree (restaurant), Good Shepherd Orphanage, Nata Spa, Jars of Clay (restaurant), Gech's Dressmaking Shop, Digital Data Divide (data entry), Yejj (restaurant) and Elim Baby Care Centre (Hagar 2008a:18). This allowed for placement and training in a greater variety of industries and thus gave the graduates greater choice (A. Davies, pers. com., August 25, 2009).

In summary, Hagar reflects the generalisations ascribed to NGOs in Cambodia as described in Chapter Five. It was pragmatic, operated largely independently from government and other NGOs for most of its history and was not integrated into a larger set of partnerships or plan of aid and development work.

Hagar On Time

The first of Hagar's enterprises, which became known as Hagar On Time (HOT), began as Hagar Crafts in 1996 (Hagar 2008a:5). It was commercialised in 2001 with the assistance of the Mekong Private Sector Development Facility (MPDF), an International Finance Corporation (IFC) initiative, to create Hagar Design Limited (HDL). The MPDF 2000 Annual Report describes the Hagar project as 'one of Cambodia's most effective poverty-fighting initiatives' (MPDF 2000:11). HDL targeted the high quality export market (HOT 2009:3).

This small-scale handicraft business initially employed 23 women. In 2006, HDL was renamed HOT as part of a concentration 'on core competence of contract

manufacturing' (HOT 2009:3). By 2008, it was described thus, 'HOT has now become a manufacturing company focused on midsize orders of garments and accessories' (Hagar 2008a:21), and 'In 2007, HOT employed 131 people with 54 of the women coming from Hagar programs. Its gross revenue for 2007 was nearly $300,000' (ibid.). HOT is a member of the International Fair Trade Association (IFAT).

HOT was located in the old Nestle factory (see Figure 6.1 below), on Highway 5, just north of the Phnom Penh central business district. This was a riverside location and in many ways prime real estate. HOT's location there was opportunistic due to the Nestle gift (this gift of the building is described below under Hagar Soya). It was not conveniently located for staff to access. In fact, comments in focus groups indicated it was quite inconvenient. One comment was, "I was interviewed here at catering but I was sent to work far away (at Nestle) … It's a dread to go to work everyday because I have to travel very far" (ex-employees focus group, pers. com., October 17, 2009).

Figure 6.1. The former Nestle factory overlaid with an artists impression of Hagar Soya signage.

The initial products of HOT were silk bags. However, the market in silk products became very competitive in Cambodia, and there were also difficulties defining the

ethical supply chain of the silk. This was important due to the Fair Trade certification carried by the factory. This led to a change in focus to accessories made from recycled rice bags. The market for the products was almost entirely overseas, in the US and Europe.

According to the HOT business plan, 'HOT continues to train its workers to enable them to enter and compete in the open labor market or start their own businesses' (HOT 2009:3). However, as noted in the reports from the Hagar women's programs, this may not always have been happening in practice. This three-year business plan (amended in March 2009) recalls Tami's original aims by stating that the businesses aim to become funders of the broader Hagar programs (ibid:8).

HOT aims to provide long term employment for disadvantaged women otherwise considered unemployable. They aim to increase the skills of the employees to a level where they can voluntarily seek outside employment. This creates the turnover necessary to assist more graduates. Target turnover is 15% per annum (ibid:16), although there is no evidence this was ever implemented through specific policies.

Furthermore, HOT guarantees sustainable wages of not less than twice per capita income as well as education allowances, health support and maternity leave (ibid:12). According to HOT documentation, 'Hagar On Time workers will earn an average of $102.02 per month versus a minimum per industry of $54 and an average of $70' (ibid.; ILO 2005:11). However, it is clear from interviews with management that this represents the average salary across a range of employees. Many HOT employees actually earned between $60 and $70 per month (D. Smith, pers. com., October 12, 2009). Salaries at HOT are discussed further in Chapter Eight.

HOT claim better working conditions, due to modern technology employed, as well as a safer and cleaner environment (HOT 2009:3.). HOT also provide the following benefits: medical insurance, 24-hour accident insurance cover, and daycare facilities for worker's children. In 2009, there was an intention to provide, in 2010, provident fund benefits (6% of salary) for all employees, which are not typically bestowed in the garment industry; free transportation to and from the factory; and free lunches (ibid:16).

Apart from these social costs of higher wages and better conditions, HOT states it does not contribute to the programs of Hagar Cambodia other than through dividends

paid from profit. Conversely, HOT states that Hagar Cambodia does not contribute to the operating costs of HOT other than through provision of capital that is used for expansion (not working capital) (HOT 2009:19). In its days as HDL, HOT received five industrial sewing machines funded by the US Department of Labor as well as a further donation from the US government of $35,000 for other factory equipment (Frieson 2007:4-5).

In late 2008 and early 2009, the garment manufacturing industry in Cambodia faced a significant drop in demand. In 2008, 62% of exports were to the US and a further 20% to the European Union (Chun & Hor 2009). As a result of the 2008/09 Global Financial Crisis (GFC) exports in January 2009 were down to one third of the value of one year earlier (ibid.). Revenues dropped from $250 million in January 2008 to $70 million in January 2009 (ibid.). As a result an estimated 100,000 garment factory workers were laid off (T. Rann, pers. com., March 13, 2009; Chun & Hor 2009).

This downturn in the industry also affected HOT. Sales dropped considerably in the fourth quarter of 2008 and the first quarter of 2009. Sales in 2008 were $289,484 but the final three months produced sales of only $33,690, $11,014 and $7,591 for October, November and December respectively. Sales data for the first quarter of 2009 were not available but David Smith[12], the general manager at the time, says there were "no orders" over those months, putting them in a "precarious position" (D. Smith, pers. com., October 12, 2009).

As a result, HOT management made the decision to lay off nearly half of its production staff in early March 2009 (T. Rann, pers. com., March 13, 2009). In keeping with their social mission and in contrast to industry practice, HOT gave notice, attempted to find other jobs for staff, and forwarded one month's salary to employees as a severance package (ibid.). According to Tim Rann, HOT hoped to employ these workers again when sales improved (ibid.). In this, there was no discrimination, positive or negative, towards Hagar graduates.

In 2008, HOT made an operating loss of $44,297 on sales of $289,484. The final net loss was $39,647. As at December 2008, HOT had negative net assets of $15,357. Liabilities include long term and short term loans from Hagar Cambodia totaling

[12] Not his real name.

$157,773. The profit and loss account for 2008 records no interest payable on these loans. More details on the finances are discussed in Chapter Eight.

Wages and salaries for office staff totalled $55,717 for the 2008 year. Staffing numbers at the end of 2008 were 71, of which 64 were women; 30 of these were from Hagar's programs (HOT 2009:8).

StopStart Enterprises

In 2009, Hagar sold HOT to StopStart Enterprises (SSE) for a negligible sum (less than $10,000) (D. Batstone, pers. com., July 11, 2010; T. Rann, pers. com., July 20 2011). SSE is a partner organisation of Australian anti-trafficking NGO StopStart Global. At the time of purchase, capital of $35,000 was contributed in equal shares by SSE and Right Reality, a US investment organisation headed by the Not For Sale campaign founder, David Batstone. It is Batstone's opinion that the business had failed and was handed to SSE as a face-saving measure that ensured the continuing employment of the then staff (D. Batstone, pers. com., July 11, 2010). As described above, it had negative net assets and was in need of capital.

At the time of the hand-over, the sole products being manufactured were bags and baggage tags made from recycled rice bags. These were predominantly for export to the US and Europe. Since that time, SSE has been diversifying into clothing for the US market. Much of the new capital has been invested in machinery appropriate to these products.

In early 2010 David Smith left SSE and was replaced by Mark Dennert as General Manager (three days per week). Dennert is also an Australian who had previous associated with the new owners of the business. He related three key performance indicators given to him by the new board:

> Number 1: to get the business profitable and into some form of sustainable position; 2: to bring about a cultural change to move from the NGO mindset and culture into a for-profit culture and; 3: to develop the capacity of the Khmer management and senior leadership so I can be replaceable basically by a Khmer GM (M. Dennert, pers. com., 23 March, 2010).

Since arriving, he has overseen some restructuring that has involved re-assignment of staff (but no further redundancies), aiming to grow sales and enter into more committed relationships with customers as a key aspect of both profitability and

sustainability. According to Batstone, the aim is to break even in year one (2010), and make a modest profit in year two (D. Batstone, pers. com., July 11 2010). Dennert was originally on a one-year contract but expected that to be extended to two years at which time he would be replaced by a Khmer general manager as part of the planned localisation of the business.

In early 2010 SSE implemented a 30% minimum on the percentage of NGO graduates employed. Dennert expects this ratio to range between 30 and 40%. Dennert spends his other two days per week in an NGO called Future Now that focuses on mentoring Cambodian entrepreneurs. His passion is to see Cambodians developing to the point of starting their own substantial businesses that employ the poor (M. Dennert, pers. com., March 23, 2010).

The owners of the business both hope and expect that it will make a profit. They see profits being split between staff in the form of an employee share scheme, retained earnings for investment and distribution to the owners. One of the investors is proposing to guarantee a 5.25% return for a pool of social enterprises that includes the SSE investment. Batstone therefore estimates that this enterprise needs to return about 10% in total. He hopes for this by year three (2012) (D. Batstone, pers. com., July 11 2010).

In addition to Mark Dennert, the two directors and co-owners, David Batstone and Hugh Marquis, have taken a significant role in business development for SSE. Batstone is the high profile founder of the Not For Sale anti-trafficking campaign and a former investment banker. Batstone highlights considerable synergies for the business that come from these associations.

As of July 2010, SSE was preparing to employ a further 15 staff to add the approximately 50 it had at that time. According to Batstone, SSE has found it difficult to source trafficked women for employment (partly because the Hagar shelter closed for some time due to lack of funds) and therefore reached out to several other shelters such as NYEMO and Somaly Mam. Batstone's NGO, Not For Sale, is assisting in paying the co-payment for trainees who commence with SSE.

SSE has remained in the ex-Nestle factory (as at November 2011). However, Marquis envisages a move in the near future because of steep rent increases by the current owners.

Hagar Catering and Facilities Management

Hagar established Hagar Catering and Facilities management (HCFM) in 1998 as a further income generation project (Hagar 2008a:21). HCFM had its genesis in the cooking skills program at the Hagar Shelter. Initially women operated push-carts with cooking equipment on the streets of Phnom Penh but Tami saw the need to consolidate the customer base. Visiting a garment factory employing 700 workers, he persuaded the factory manager to hire his team to cook the midday meal for the employees (Batstone 2007:70).

From that beginning HCFM developed into a catering business servicing staff canteens at hotels, factories and other Phnom Penh organisations. After initial struggles, the appointment of an Australian expatriate manager (Gordon Simpson[13]) signaled a rise in its fortunes (H. Collins, pers. com., June 2007). As of 2009, HCFM was operating in 18 locations in Phnom Penh and serviced clients including several five-star hotels. In November 2006, following a $15,000 donation, HCFM opened a restaurant particularly targeting NGO clientele (Hagar Catering Factsheet; H. Collins, pers. com., June 2007). More recently, HCFM diversified into facilities management and cleaning (H. Collins, pers. com., June 2007).

In 2006, HCFM achieved sales of $532,247 and the following year "employed 148 workers with 67 of the women coming from Hagar programs." (Hagar 2008a:21). In 2005 it returned a dividend of $20,000 to Hagar Cambodia (ibid.). In 2007, gross revenue was over $800,000 (ibid.) and over $1,000,000 in 2008. HCFM recorded a profit of $18,415 in 2005, a loss of $1,261 in 2006, a profit of $7,400 in 2007 and a profit of $23,606 in 2008.

The December 2008 balance sheet for HCFM reveals total assets of $246,000, including fixed assets of just under $100,000. Other significant assets are receivables at $72,000 and cash at $44,000. Liabilities include both long- and short-term loans from Hagar Cambodia and Hagar International. Net assets are $33,000. The profit and loss accounts show no interest paid on these loans. These financial results are discussed further in Chapter Eight.

According to the HCFM 2009 financial results and commentary, employment as at February 2009 was 139 plus twelve in administration. Of these, 52 were women from

[13] Not his real name.

the Hagar program. The stated average income is $102.70 per month (ibid.). As with HOT, many employees earn less than this average, including approximately twenty staff at $55 per month (S. Jackson, pers. com., October 14, 2009). Of these staff, approximately 40% have come from the Hagar shelter and 20% from other shelters. Hagar is always a first port of call in recruitment for junior positions.

At the time of data collection in late 2009 and early 2010, HCFM was managed by a US national, Stephen Jackson. In April 2009 Jackson replaced an Australian, Gordon Simpson, who had run the business for a number of years (S. Jackson, pers. com., October 14, 2009).

HCFM operates a restaurant catering to Westerners (see Figure 6.2 below), mainly tourists and missionaries, and a bistro that is attached to the Hagar Shelter and caters for a Khmer clientele. Its catering and facilities management includes contracts with the Intercontinental and Raffles Hotels, the US embassy, four factory canteens and some school delivery services (ibid.). The restaurant is located at No. 44 Street 310, Beoung Keng Kang 1, Phnom Penh. This is close the NGO and tourist precinct and well located to attract the NGO, mission and tourist clientele. The bistro (The Chegann restaurant) is located at No.9 Street 163 Phnom Penh, Cambodia (see Figure 5.1). This is attached to the current women's shelter and is primarily for training and for providing inexpensive meals.

While the business as a whole has been profitable, these profits are due to the catering and facilities management. Neither the restaurant nor the bistro has been profitable. Jackson has identified some refurbishments, requiring outside capital, necessary to bring the restaurants to profitability.

In February 2010, an overture was made to Hagar: 'ADEN Services, a multinational food services and facilities management company based in Hong Kong, approached HSEG with a joint venture proposal' (Hagar 2010). While this proposal did not come to fruition, a second approach in July 2010, by Alain Dupuis, 'a prominent businessman and philanthropist in Cambodia' (ibid.) resulted in a formal agreement on October 8, 2010 with Alain Dupuis and his business partner Philippe Adam. According to the Hagar letter to stakeholders,

> Mr. Dupuis has over thirty years of experience in international food services and restaurant development and Mr. Adam is a partner in a thriving high-end food services

business in Switzerland and brings decades of experience in international food services. Both individuals proposed to form an equity partnership with HCFM (ibid.).

Figure 6.2. Hagar Restaurant.

The terms of the deal include Messrs Dupuis and Adam holding 80% of the equity in the business, with Hagar having two directors (one non-voting from the social programs side of Hagar) and 10% non-dilutable founders equity (Hagar 2010a). Under the deal, HCFM will repay debts to Hagar (approximately $66,000), pay 10% of profits to Hagar annually as a donation and continue the social mission of HCFM (ibid.).

At the time of this deal, HCFM was expecting $1.1-1.2 million in sales for 2010 and $85,000 - $90,000 in profit for the year, broadly in line with 2009. Employment had risen to 133 people and salaries and benefits had been increased significantly (T. Rann, pers. com., November 29, 2010). A new managing director, a Cambodian women with over fifteen years of business experience in Cambodia and France, was appointed by the new board although Stephen Jackson remained as General Manager of Operations until early 2011 (ibid; T. Rann, pers. com., July 20 2011). Jackson's replacement was also Cambodian. The deal has resulted in HCFM being partnered

with a number of other businesses in Cambodia (owned by Messrs Dupuis and Adam) allowing for staff transfer and promotion.

Hagar Soya

Hagar Soya Limited (HSL) began in 1998 as a small-scale income generation project at the Hagar Shelter. Initially, the women would sell soya milk from carts on the street. The market was limited to Phnom Penh because of the short shelf life of the product. In 2003, with assistance from the MPDF, HSL raised $1.3 million to build a factory and become Cambodia's first and only large-scale soya milk producer. This funding included $450,000 directly from the IFC. HSL was also to have received continuing advice from the IFC's Grassroots Business Initiative (GBI).

As a result of the IFC finances, HSL was able to use Ultra High Temperature (UHT) technology and Tetra Pak packaging to create a product with a long shelf life enabling them to reach more distant markets outside Phnom Penh. The factory built in 2003 gave HSL the capacity to produce 12,000 litres of soya milk per day. HSL also diversified into children's products, reduced sugar milk, green tea and fresh juices. Sales in 2005 were $203,999. HSL has received ISO 9001-2000 certification for quality management (Hagar Soya Factsheet).

However, despite the sales, the operation was not efficient and was still operating at a loss. This was due in part to high wastage rates (H. Collins, pers. com., February 15, 2009) and an inefficient sales strategy (T. Rann, pers. com., April 2, 2009). While the IFC, via the MPDF, had provided capital, the ongoing management advice and business assistance promised had not been forthcoming (ibid. H. Collins, pers. com., February 15, 2009) and in 2007 Hagar became aware that the rent was about to double (T. Rann, pers. com., April 2, 2009).

The 2003 factory, due to poor advice at the time of establishment, had not been set up appropriately for dairy production ('dairy' is the term used by Graham Taylor, former manager of Hagar Soya). Consequently, although it was producing significant quantities of long-life product, production losses were consequently high at 15% (G. Taylor, pers. com., October 9, 2009). While some improvement was made following advice from Graham Taylor (who subsequently became general manager), it was recognised that the factory was not a sustainable location for the business.

It was at this point that Tami met with the Nestle President at a Skoll Foundation event (see Figure 6.1 above). Nestle had a factory in Cambodia but had abandoned local manufacture in 2002. They were looking to 'do good' with the factory and offered the $2.7 million factory to Hagar as a donation (T. Rann, pers. com., April 2, 2009; Hagar 2008a; Nestle 2007). Tami, in keeping with his opportunism, accepted the offer and HSL moved into the new premises.

As stated above, the ex-Nestle factory is located on the riverfront, on the Highway 5, just north of the Phnom Penh central business district. As such, it is a prime location (albeit expensive if commercial rents were involved) for many purposes. However, Hagar Soya's location there is purely opportunistic due to the Nestle donation.

Nestle described this transaction as part of a strategic relationship between Nestle and Hagar that involved technical assistance and access to Nestle research on nutrition (Nestle 2007). However, it is not clear that technical assistance ever eventuated. This factory included high technology Ultra Heat Treatment and Tetra Pak equipment. It needed to be run at high volume to cover the fixed costs of this equipment. However, HSL lacked the capital to re-commission the factory and so have never operated the high technology equipment (T. Rann, pers. com., April 2, 2009).

As of March 2009, HSL was still not operating its high technology equipment and remained in a mode of unsustainable small-scale production:

> HSL is continuing small-scale production of fresh soya milk while awaiting an investor. Production output is an average of 400-500L per day (3 days per week), below long-term breakeven levels. HSL and HSEG are currently in talks with two investors to renovate the current factory, re-commission existing Nestle equipment, and establish a high volume beverage manufacturing facility (T. Rann, pers. com., March 13, 2009).

In March 2006, HSL employed 83 staff, of whom 54 were women and 46% were Hagar graduates (Hagar Soya Factsheet; Hagar 2006:12). Employment peaked in early 2007 when HSL employed 112 staff, with 51 people coming from Hagar programs (Hagar 2008a:21). However, since the move into the ex-Nestle factory, production has slowed to small-scale production of fresh soya milk only. As of December 2008, this amounted to 300-400 litres per day (Hagar Soya 2008).

As a result staff levels dropped. The process of staff reduction was gradual due to the significant stock levels of long-life product remaining at the time its production

ceased (T. Rann, pers. com., April 2, 2009). Management reports reveal that by September 2007, employment was down to 73, with 36 coming from Hagar programs. By late 2008, this was down to 39 employees, 24 of whom were women and 17 being Hagar placed employees (HOT 2009:8).

The staff reductions were carried out in 2007 and 2008, a time of high economic growth in Cambodia and so the general employment environment was strong. The process involved seeking voluntary redundancies, identifying those staff who were valuable to HSL keep, and identifying those staff who could be found alternative employment, including at other Hagar social enterprises (T. Rann, pers. com., April 2, 2009).

HSL has never been profitable, and has recorded significant loses in each of the past six years. The largest loss was $467,000 in 2004 and the smallest loss was $182,000 in 2008. This was achieved on sales of $200,000 and a gross profit of $113,000.

HSL was significantly more capital intensive than Hagar's other enterprises. Total assets as at December 2008 were $821,000, of which $711,000 represented fixed assets. This is after considerable write-downs and debt forgiveness (Hagar Soya 2008). HSL's liabilities included a bank loan as well as loans from Hagar Cambodia. Financial details are discussed further in Chapter Eight.

Lack of capital to re-commission the factory along with growing interest payments and tax liabilities resulted in a decision to close the factory in early 2009 (G. Taylor, pers. com., October 9, 2009; Taylor 2009:3). A joint venture partner was sought to assist with recapitalisation and technical assistance but no deal was able to be made by Hagar imposed deadlines.

During the peak production period, the market for the soya milk was a combination of the social sector (NGOs) and what is described as the 'modern trade':

> Prior to November 2007, and the shift to the Nestle factory, the existing Hagar Soya Markets were Social Sector, (NGO's Hospitals, Relieve Organizations etc) and Modern Trade outlets (Super Markets and Petrol Service Centers). Hagar Soya averaged production levels of around 10,000 litres per day, eight days a month (80,000 litres per month). Sales to the Social Sector were about 60%, while Modern Trade sales accounted for the remainder 40% (Taylor 2009:4-5).

There was no trade in the informal sector, that is, street carts and community markets.

So! Nutritious Co. Ltd

The final general manager of HSL, Graham Taylor, registered a new company, So! Nutritious Co Ltd 'to continue to produce fresh Pasteurized Soya Milk and Spirulina' under the 'So! Soya' brand (Taylor 2009:4). The initial plan was to continue

> Fresh Pasteurized milk production to a level of 2000 Liters per day and Production of Spirulina to a volume up to 5 Kg's per day. The Fresh milk will be sold locally initially within Phnom Penh via a multi marketing strategy to various target market segments, while the spirulina will be sold to both Social Sector and Commercial Markets around Cambodia (ibid.).

So! Nutritious moved out of the ex-Nestle facility and in October 2009 established new premises in a strategic location close to major transport routes through Phnom Penh (see Figure 6.3 below). It is close to the intersection of Highways 1 and 2. This new location is No. 101C, St. 656, Prek Pra, Khan Meanchey, 12358, Phnom Penh. This is not only strategically located for transport but is in a 'slum' type area close to the homes of potential employees and much of the target market. Initial capital for the move and commencement of operations came from Graham Taylor's church in New Zealand as well as from his personal savings (G. Taylor, pers. com., October 9, 2009).

So! Nutritious's mission goes beyond the provision of employment for marginalised and poverty stricken women although they do intend to continue to employ women from Hagar's programs. According to its mission statement, 'we exist to create sustainable employment for women and youth from Hagar's Social Programs and other NGO programs who have completed Career Pathways Training' (Taylor 2009:3). It extends to choosing local raw materials and the provision of nutritious food: the mission statement continues, 'to manufacture, provide and market soy Health Beverages and specialist high protein supplement foods for malnourished communities in Cambodia' (ibid:6).

This involves the Phnom Penh street market as the primary marketplace for the product although in addition to this base market So! Nutritious will also target both a standard market (the social sector and restaurants) and a premium market (or modern trade as described above).

Figure 6.3. So! Nutritious premises.

It is also intended to make 'Investment in development of strong local human resources, sending talented locals to train in production and quality management systems in advanced production operations in Australasia' (ibid.). According to Graham Taylor, 'I'm here to train Khmer staff as managers. Secondly, we will take ex-beneficiaries who have gone through the process with Hagar and provide jobs for people who will not otherwise get jobs' (G. Taylor, pers. com., October 9, 2009).

Within this 'street trade' there is competition although So! Nutritious sees some product differentiation:

> Our product is seen as being more expensive than other Soy milk at street level, which is produced by individual family units. They tend to add preservative and chemicals to kill bacteria ensuring that they lengthen the shelf life of their soy milk product. We add value to all our soya milk by pasteurizing the milk to kill bacteria, but then add additional value by mixing in Vitamins and minerals (Taylor 2009:7).

In October 2009, So! Nutritious had just moved from the Nestle facility and production was still at a low level. The following table shows target growth from this point forward:

Table 6.1 Target Soya Milk Production

Date	Monthly Volume (l)	Production days/month	Sales	Margin
September 09	11,200	16	$9,600	12%
December 09	14,400	18	$12,350	16%
December 10	26,400	24	$22,600	31%
December 11	40,500	30	$34,700	42%
December 12	60,000	30	$51,500	47%

These targets are predicated upon capital of approximately $70,000. This capital is required for production equipment but particularly for sales infrastructure (Taylor 2009:12-15). So! Nutritious aims to achieve these sales by franchising hand-cart vendors. This has the added advantage of providing additional low-skilled people with business opportunities.

Salaries in So! Nutritious (and HSL) were quite low, starting at $60 per month in 2009. While So! Nutritious was too small to provide institutional child care it did provide some informal child care arrangements for those needing them. Taylor rented small premises and paid care-givers during work hours, 'I'm paying $80 towards rent for a house and I've got two other salaries looking after the babies' (G. Taylor, pers. com., October 9, 2009).

Living Room

The information on Living Room was sourced from an interview carried out with Cameron Ryall on 12 January 2010 (C. Ryall, pers. com., January 12, 2010). Café Living Room is a restaurant located at No. 9, Street 306, Phnom Penh, Cambodia. This location is close the many NGO offices and a number of city blocks from major tourist areas. The business describes itself thus, 'Café Living Room is a social enterprise that aims to offer employment, skills development and fair working conditions to Cambodians graduating from NGOs working with vulnerable and at risk groups' (Living Room facebook page).

It is owned by Australians Cameron and Chanel Ryall, who took over the business in mid 2008. The previous owner (identified as Meg in the 2008 Hagar annual report),

another expatriate who had worked in the NGO sector in Cambodia, had established the business in July 2007 explicitly to employ staff from NGOs such as Hagar, Mith Samlanh (a local NGO whose name means 'Friends', which focuses on street children and operates a restaurant) or PSE (a French NGO - Pour un Sourire d'Enfant, meaning 'For a Child's Smile' - also operating a restaurant). In addition to the café, Living Room also operates a small clothing shop from above its restaurant.

The Ryalls are the only expatriates working in the business; all other staff are Khmer nationals. According to Cameron Ryall, the business operates with a loose structure in which he draws upon five or six more senior staff as a broad management team. The Ryall's philosophy is to share management amongst this group with the aim of eventually equipping them to run the business. There were 30 staff in total in January 2010; Living Room targets a ratio of 50% of staff from NGO shelters.

Figure 6.4. Café Living Room.

The customers of Living Room are mostly expatriate residents of Phnom Penh. According to Ryall, the café is not well located to attract the tourist market (as above, it is a number of city blocks from the key tourist precinct) and its Western menu is not attractive to Cambodians. However, it does have a growing Khmer clientele. It does not widely advertise its social mission, although this seems to be by accident or

neglect, rather than strategy, thus, 'the idea is at some point to have a few more details on our website. We … I really don't do it to any great length. Maybe I could take more advantage of it' (C. Ryall, pers. com., January 12, 2010). Ryall certainly gave the impression that although the social mission was key to his motivations, he always saw the business as standing on its merits and not trading on this mission.

According to Cameron Ryall, Living Room attracts its customers through its good and consistent food and appealing atmosphere. It is also one of very few cafes serving local coffee. According to Ryall, this not only supports local industry, but is also much cheaper to buy than imported coffee.

The social mission actually has two components. In addition to the employment of NGO graduates, Living Room also tries to serve its customer base by hosting educational events. This derives from Ryall's background in education and his continuing passion in that area.

In addition to targeting 50% of staff from NGOs, Living Room also participates in Hagar Career Pathways exposure visits program and takes on trainees from various NGOs. These traineeships are somewhat ad-hoc but usually involve a short-term placement at a reduced salary.

While the business has a positive cash flow, that is only because Cameron Ryall does not draw a salary. To date, any surplus has been reinvested. However Ryall is confident that a return from the business is possible and he is certainly aiming to run a profitable business. Knowing that the extent of his own stay in Cambodia is limited, he is aiming to hand the business over to staff at some point and his strong desire is to build the capacity of the local staff.

Summary

This chapter has described Hagar the NGO and the businesses that will be examined in the study. These organisations do form a simple set with the businesses undergoing a number of changes over the study period. While these changes did force some changes in the research, they ultimately led to a richer study that allowed for comparisons between different business models.

The following chapter discusses the data from the employees of the businesses with a view to understanding the impact of employment on the target group of Hagar

graduates. Chapters Eight and Nine then return to the businesses themselves and build upon the background data set out in this chapter. They discuss the interview data gathered from the business managers and owners as well as documentary data relating to the businesses with a view to understanding their sustainability along a range of dimensions.