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## What Works

### Managing Medusa

**A Hong Kong manufacturer brings business practices to social services in Asia**

By Pamela Yatsko

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## CORPORATE CITIZENSHIP

### Managing Medusa

A Hong Kong manufacturer brings business practices to social services in Asia *by Pamela Yatsko*

When Christina Lee joined Hong Kong-based Wofoo Group almost three years ago, the former management consultant faced some thorny management problems at her family's company. After building a plastics business in Hong Kong and China during the 1980s and 1990s, her father began in the mid-1990s branching the group in a new direction: nonprofit but self-sustaining social services. By the time Lee joined Wofoo in 2002, the group had made significant progress in its new calling, but had grown into a sprawling mishmash of plastics manufacturing, two nursing homes, one primary school, one continuing education school, and three youth centers – all acting independently of one another.

“Units operating in the social services sector didn't immediately see the benefit of working together, let alone with our commercial arm, undermining their effectiveness,” Lee says. “We had to find a way to share and maximize resources and implement coordinated systems to support further growth of the group as a whole.”

Wofoo's solution: building a small resource and corporate planning unit (RCPU) led by Lee to jointly service the company's commercial and social service arms, exploit synergies, and build a corporate culture. It is one of the innovative ways in which Wofoo Group is shaking up Hong Kong's social services sector. “It is very unique for Hong Kong, and Asia in general,” says Daniel Shek, a professor at the Chinese University of Hong Kong. “NGOs can learn from Wofoo's application of business strategies and techniques in welfare service provision, while businesses can learn from its devotion to society and the workable model it provides for them,” Shek explains.

#### Getting in the Business of Social Services

Business traditionally has played little role in supplying social services to the public in Hong Kong and Asia, its part relegated to donating money, setting up foundations to help fund welfare projects, and providing services internally to staff. Nongovernmental organizations since the 1970s have done most of the hands-on work in Hong Kong, with the government providing 90 percent of the funding. But with the authorities now encouraging better accountability and quality, Wofoo has become a trendsetter for NGOs and busi-

nesses alike. It recently won a bid from the Hong Kong government to run a public nursing home – making it the first private provider to do so.

Wofoo's foray into social services started gradually. Joseph Lee, Wofoo's chairman, began manufacturing plastics in Hong Kong in 1980, but developed a taste for public service while actively participating in the Rotary Club starting in 1979. He helped raise money for humanitarian causes, became acquainted with local social-service providers, and participated in the Hong Kong government's advisory structure. He eventually determined that his company, armed with business skills, could supply social services to the city's elderly and youth more efficiently and possibly even more effectively than current providers. And with manufacturing jobs in Hong Kong in the 1990s, including those at Wofoo, moving to lower-cost Mainland China, he needed a new strategic direction for Wofoo in Hong Kong. “Why not get more satisfaction by contributing to society?” the 53-year-old Wofoo chairman asked.

In 1997, he took over management of an elderly care home run by his parents that was losing money and offered mediocre-quality service. He then expanded into youth services, such that today, Wofoo employs 190 people in its nonprofit social services arm. All revenues earned from social service units are poured back into those units to cover their costs. Its plastics division, which does HK\$500 million (\$64 million) in sales annually and employs over 500 people in China and Hong Kong, uses some of its profits to kick-start new social service projects. Wofoo expects to spend roughly HK\$6 million (\$770,000) helping its social service arm cover expenses in 2005.

Wofoo is able to compete against traditional nonprofits that provide social services because of its effective management practices. Grace Nursing Home, operated by Wofoo, for instance, has implemented the 5S standard – a Japanese system for cutting costs, saving time, and improving employee morale by physically organizing an office space in a systematic fashion. “Normally the government fully subsidizes nursing homes so employees spend their entire budget – whether right or wrong. I've learned from the commercial arm that we have to spend reasonably in a cost-effective way,” says Miranda Leung, the home's superintendent. Implement-



ing production and management standards normally reserved for manufacturers and actively tapping synergies among units allows Wofoo to provide social services that are at least as good as nonprofits, at lower cost.

## Winning Internal Cooperation

But Wofoo's opportunistic, pell-mell expansion into social services had its drawbacks. For instance, the group's youth centers operated totally independent of one another. They sometimes held events at the same time, inadvertently competing for the same pool of participants, and they did not share even basic information, like school contact lists. Meanwhile, accounting and finance staff in Wofoo's head office, who traditionally served the company's plastics business, often dragged their feet in servicing the new social service units.

Building a common corporate culture among commercial and disparate social service units takes time, effort, and creativity. With team spirit and mechanisms for tapping synergies throughout the group lacking, the RCPU came into being – albeit cautiously. Christina Lee, who was charged by the chairman's office to lead the RCPU, had to overcome skepticism among manufacturing and social service units that it was necessary. She also needed to get it right. Failure would reflect badly on the chairman's office, tarnish morale, and leave the problems caused by the group's decentralization unresolved.

Lee started out by attending meetings between the chairman's office and individual units to learn about their needs and cultures. She then put into her portfolio tasks that the units were glad to give up: recruitment, training for international standards certification (ISO), writing marketing materials, building a corporate culture, and other functions not directly related to a unit's product or service.

Though frustratingly slow at times, this approach had benefits. It allowed her to get to know underlings within each organization and find out their concerns, like a lack of expertise or reasons for high turnover. According to Lee, while unit heads are an important information source, they tend to gloss over problems and emphasize the positive. And through the process of implementing certain ISO standards, she induced units to provide information, like training evaluations, that they were otherwise reluctant to share. This information then allowed her to introduce common human resource procedures throughout the group.

As the RCPU fulfilled its commitments and gained trust, Lee gradually added personnel: a human resource professional to handle recruitment, training, and new staff programs; two IT experts to service the social service division

rather than each unit underutilizing their own expert; and an environmental science expert to help both its manufacturing and social service units. By the end of 2004, the RCPU consisted of eight staff, usually three years out of university, with a salary of roughly HK\$15,000 a month paid out of manufacturing profits.

The RCPU has enabled different parts of the organization to learn from each other. After Grace Nursing Home implemented the 5S standard, the RCPU is helping to launch the standard throughout the group. With Leung leading the way, even at manufacturing units, the endeavor has boosted corporate cohesiveness. "At first I felt scared because we are not colleagues who meet regularly, except at the annual dinner and Christmas party," recalls Leung, who eventually overcame her sheepishness. "Without this, we would never talk so much."

The central unit has also helped coordinate efforts between the nonprofit and manufacturing units. It scored a victory when Wofoo's Chinese Youth Exchange Center arranged in late 2004 for 2,000 Hong Kong primary school students to visit China for a weekend. By publicizing the event well in advance throughout the group, the RCPU made sure no other Wofoo youth service centers planned events for that same weekend. It also seconded staff from other social service units in Hong Kong and its plastics factory near the event venue to help with logistics. This served the RCPU's twin goals of maximizing resources and familiarizing the group's manufacturing staff with Wofoo's community service-oriented corporate culture.

While delighted with these successes, Lee has been frustrated with how long progress sometimes takes. For instance, Wofoo's chairman last September requested the RCPU conduct a review of Wofoo's youth service units. But when RCPU staff members asked the units to provide a report of their activities, the units did not comply. A RCPU colleague then drew up a reporting template and e-mailed it to the unit heads. Still, they did not fill it out. The colleague then went physically to each unit to help them complete the template. "I expected the unit review to take one week. Instead it took three weeks," Lee remarks, surmising the units were too busy and possibly still wary of being monitored. But by demonstrating both its persistence and helpfulness, the RCPU gained credibility: The units met its next request for information – an update of their programs – within a week. □