

SOCIAL ENTERPRISES AND SOCIAL CAPITAL MARKET IN KOREA: TOWARD CREATIVE CAPITALISM

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Contents



Introduction

Overview of Social Enterprise in Korea

Expectation of Social Capital Market for Korea : Implementation drivers and hurdles

Other Success Factors
: Entrepreneurship and Market Orientation

I. Introduction

New emerging trends in Korea for the last 10 years

Movement
for Change
of
capitalism

1

Setting up social enterprise became a trend

2

National Pension Fund had invested in the “SRI(social responsible investment Fund)”

3

Having interests with Impact investment in the business sector

4

Growing demand for CSR(Corporate social responsibility)

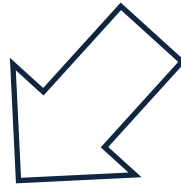


Try to Establish Social Economic System

I. Introduction

To nurture the Impact investment

Channeling more money to address social problems by improving the efficiency of financing and by attracting new wealth to investments that have twofold value:



Economic



Social

I. Introduction

Social Capital Market

Supply Side

the sources of finance, which today are public allocation and philanthropic foundation, and in future may also include money from additional investors, institutional and corporate entities.

Demand Side

organizations that contend with the social problems and operate in variety of organizational formats

I. Introduction

financial intermediaries

the role of **financial intermediaries** is absent in the social capital market



In the social capital market, these intermediaries are necessary in the sense that they combine professional management knowledge with an understanding of the economic needs of the social organizations for addressing social challenges.

Social Capital Market

I. Introduction

financial intermediaries

With vigorous assistance of these intermediaries, social fields could succeed in raising new money with less burden by developing innovative method of financing and diverse financial tools.

Social Capital Market

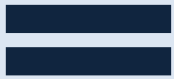
I. Introduction

Government

As a invaluable player, government should

View the social organization as direct partners in contending with the social problems.

Initiate, facilitate and enhance supports and remove regulatory obstacles and barriers.



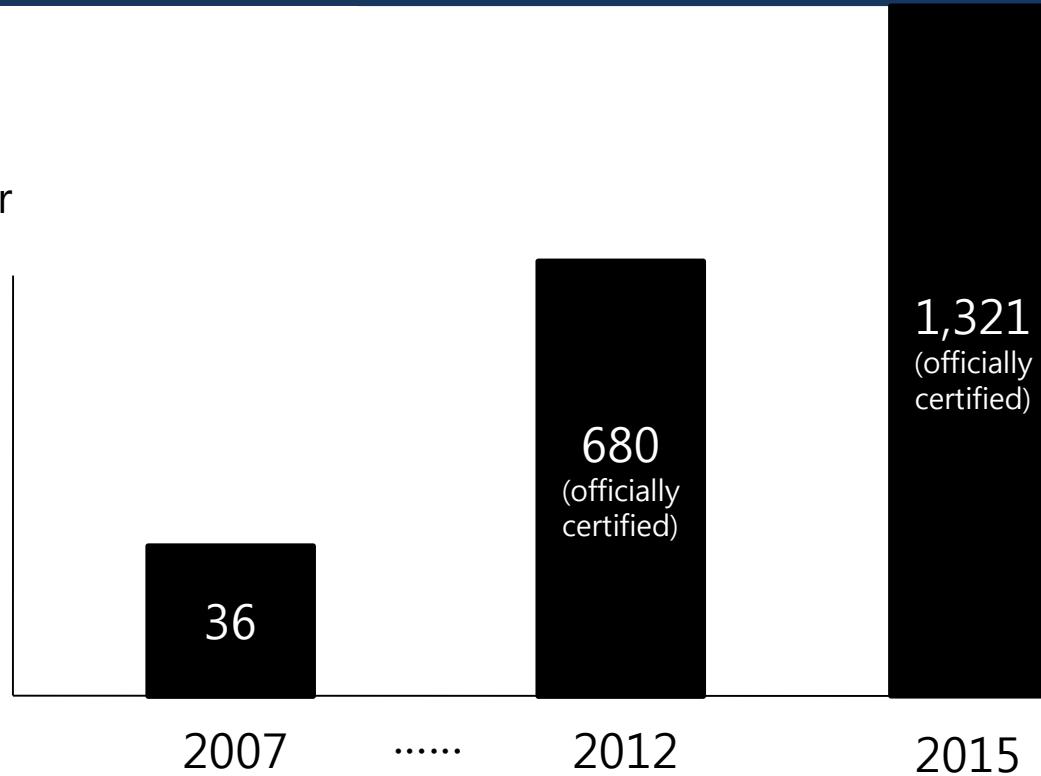
Government should take action to develop an innovative view of financing efforts to address social challenges, and to ensure the strength and prosperity for the social organizations that serve as the implementers of its social policy.

Social Capital Market

II. Overview of Social Enterprise in Korea

1. Number of Social Enterprise

The number
of social
enterprise



<http://www.socialenterprise.or.kr/kosea/company.do>

= **social enterprise boom** in recent days.

II. Overview of Social Enterprise in Korea

1. Number of Social Enterprise

explicit advantage of certification

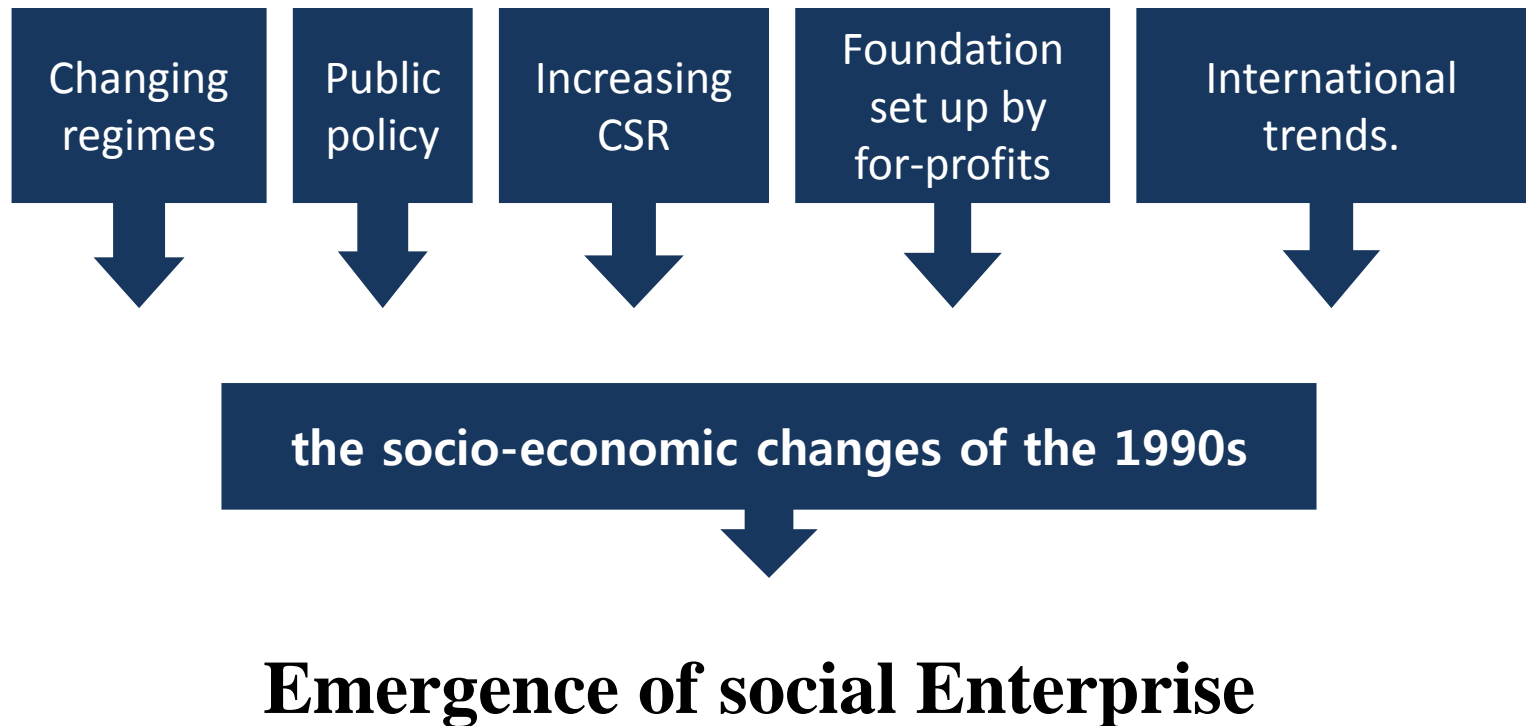


subsidy
for additional workers

Social job creating program

II. Overview of Social Enterprise in Korea

1. Number of Social Enterprise



II. Overview of Social Enterprise in Korea

2. Organization Form of Social Enterprise

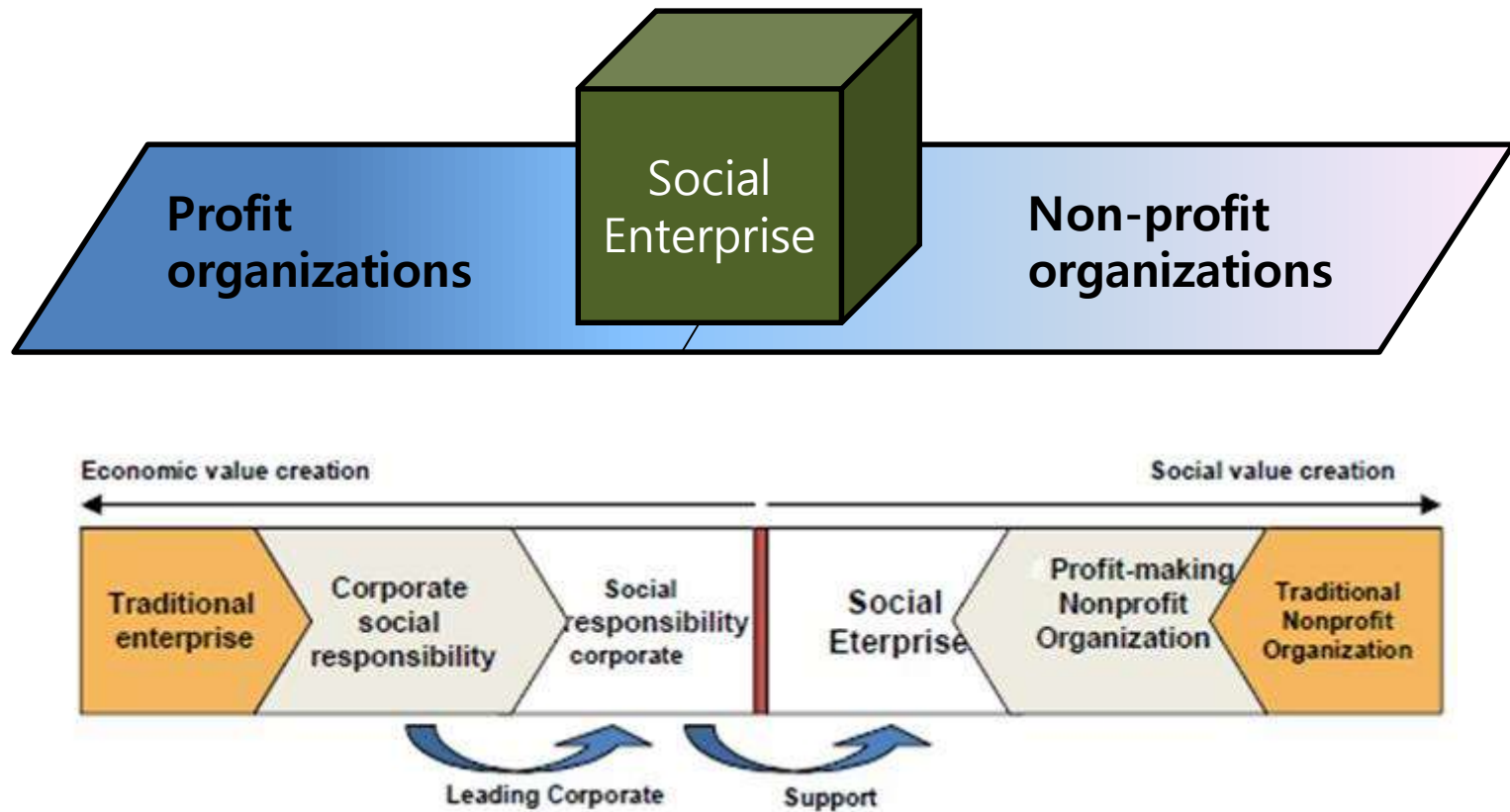
More than half of the enterprise are in the form of companies under Commercial Act (54.1%)

voluntary associations (9.0%), social welfare corporations (8.0%), agricultural cooperative (4.0%), agricultural corporations (2.3%), other entities or associations (1.2%), social cooperatives (1.2%), and general cooperatives (0.9%)

II. Overview of Social Enterprise in Korea

3. Concept of Social Enterprise in Korea

(1) Positioning of Social Enterprise

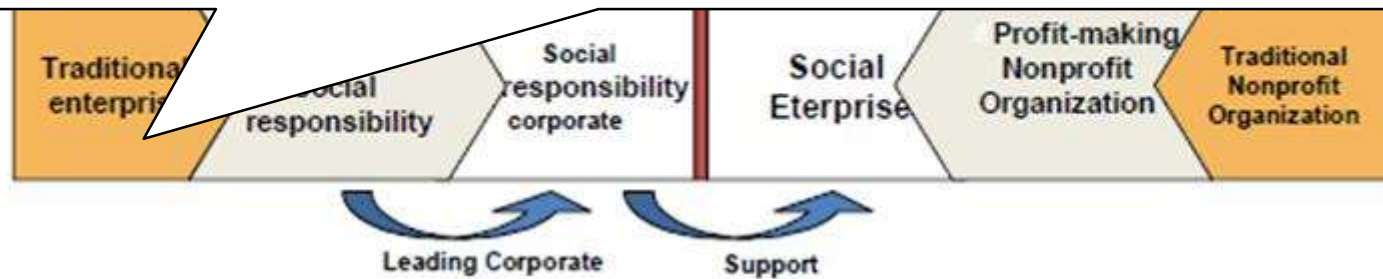


II. Overview of Social Enterprise in Korea

3. The Concept of Social Enterprise in Korea

(1) Positioning of Social Enterprise

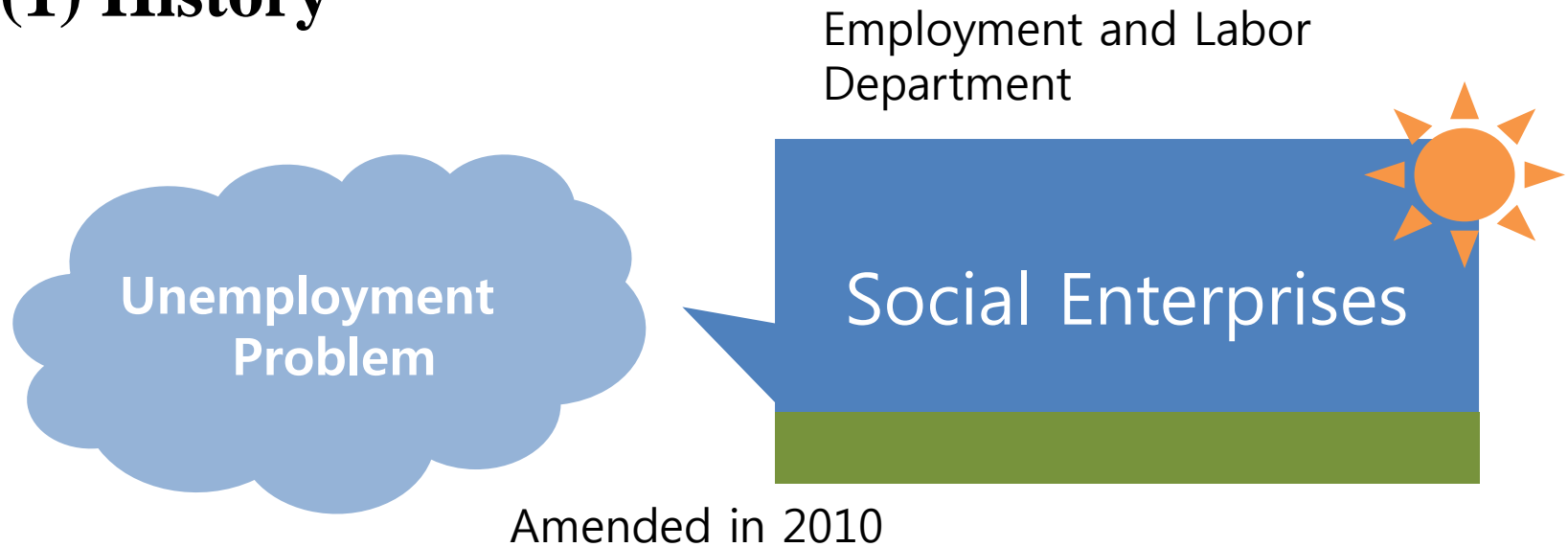
**In the context of Korea,
it is recognized only social enterprise certified
By Ministry of Employment and Labor**



II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(1) History



This interest shows that social enterprise is not mere a fashionable discourse but rather an important response from civil society and public authority embedded in structural social change resulting in new needs.

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(2) Government Acknowledgement towards the Specific Type of Enterprise

The Act prohibits other organizations from using the name 'social enterprise'.

An official use of the term of social enterprise refers only to those certified social enterprises.

Definition; social enterprise

an organization which is engaged in business activities of producing and selling goods and services while pursuing a social purpose of enhancing the quality of local residents' life by means of providing social services and creating jobs for the disadvantaged, as an enterprise certified (article 2)

The Structure of Social Enterprise Promotion Act

Category	Articles	Description
Purpose and definitions	Article 1 to 3	Legal philosophy for social enterprises and their concept
Administrative structure	Article 4 to 6	Roles and responsibilities of parties involved
Certification	Articles 7 to 8	Certification of social enterprises
Governance and organization	Article 9	Governance through articles of incorporation
Support system	Article 10 to 16.2	Support for social enterprises regarding operation, finance, taxation and affiliates
Duties of social enterprises	Articles 17 to 19	Disclosure for visibility into their responsibilities and operation
Supportive organizations and entrust	Articles 20 to 21	Korea Institute for Promotion of Social Enterprises Entrust with local governments and cooperation
Penalty	Articles 22 to 23	Penalties due to faults

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(2) Government Acknowledgement towards the Specific Type of Enterprise

Requirements for Certification

- (1) an associative corporation registered under the Civil law,**
- (2) a company registered under the Commercial Act,**
- (3) a non-profit private organization, consumer cooperative,
a welfare association registered under respective
concerning laws**

article 8(1)

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(2) Government Acknowledgement towards the Specific Type of Enterprise

Procedural process

make the **proof** of the relationship between their activities
and the disadvantaged profiting from these activities.

(1) submit an application to the Ministry of Employment and Labor (Article 7)

**(2) deliberation of the Social Enterprise Support Committee
under the authority of the Ministry of Employment and Labor (Article 4)**

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(2) Government Acknowledgement towards the Specific Type of Enterprise



Illustrates the important change of relations and role among civil society, state and market in Korea.

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(3) Organizational Forms of Social Enterprise

; Public foundation, Association, Corporation,
Non-profit organizations

Problem?

a terminological confusion to the concept of
social enterprise in practice.

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(4) Social Purposes

Social Enterprises



```
graph LR; A[Social Enterprises] --- B[Type 1  
Job Offer type for the disadvantaged]; A --- C[Type 2  
Social Service type for the disadvantaged like care services for elderly and disabled]; A --- D[Type 3  
Mixed Model : Both Job and Social Services]; A --- E[Other Social Purpose];
```

Type 1

Job Offer type for the disadvantaged

Type 2

Social Service type for the disadvantaged like care services for elderly and disabled

Type 3

Mixed Model : Both Job and Social Services

Other Social Purpose

Social Enterprise Industry Survey

Job creation is the predominant mission(68.7)

Followed by offering of social services(4.9%),
contribution to local community (1.8%)

Hybrid (12.4%)

Others (11.7%)

Social
Mission

A blue rectangular box labeled "Social Mission" is positioned to the right of the mission categories. Two blue arrows point from this box to the two dark blue rounded rectangular boxes containing the mission categories: "Job creation is the predominant mission(68.7)" and the list of other missions.

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(5) Decision making structures

: Participation of stakeholders should be guaranteed

(6) In case of corporation,

more than 2/3 of profits for social purpose

: apply to corporations and cooperatives under the Corporation Act

(7) Others : upon resolution or liquidation, at least 2/3 of its residual property, if any, must be donated to another social enterprise or a public fund

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(6) Effect : provide supportive mechanism

- Management Support given**
- Purchase Support – Preferential Purchase by Public Organizations**
- Financial Support given**

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(7) Follow-up and Supervision

- **Disclosure for business transparency**
- **Guidance and Supervision**

(8) Others

- **Activities of affiliated entities**
- **Setting up social cooperative**
- **Access the financing by using of social crowdfunding**

II. Overview of Social Enterprise in Korea

4. Social Enterprise Promotion Act enacted in 2007

(9) Prospects and Challenges

- Especially concern over self-sufficiency after expirations of government support**
- Substantiated Support should be considered**

III. Social Capital Market for Korea : Implementation drivers and hurdles

Internationally,
social enterprises abroad relies on **market mechanisms**

market mechanism for social enterprise has not yet
developed in Korea

Challenges and Barrier

design of social stock exchange

Crowd funding regulation

nominated impact advisor

IV. Other Success Factors for Social Capital Market : Entrepreneurship and Market Orientation

Today's Business Environment

shortened life cycles of products and services
+ increasing uncertainty of future profits

take risks and to be progressive and innovative

respond better to the market needs than their competitors do

accurately forecast the market changes and provide the best values to their customers.

Entrepreneurship

Market Orientation



Thank you