

**CREATIVE CAPITALIM:  
SOCIAL ENTERPRISES AND SOCIAL  
CAPITAL MARKET  
IN KOREA**

**Soo Hyun Ahn**

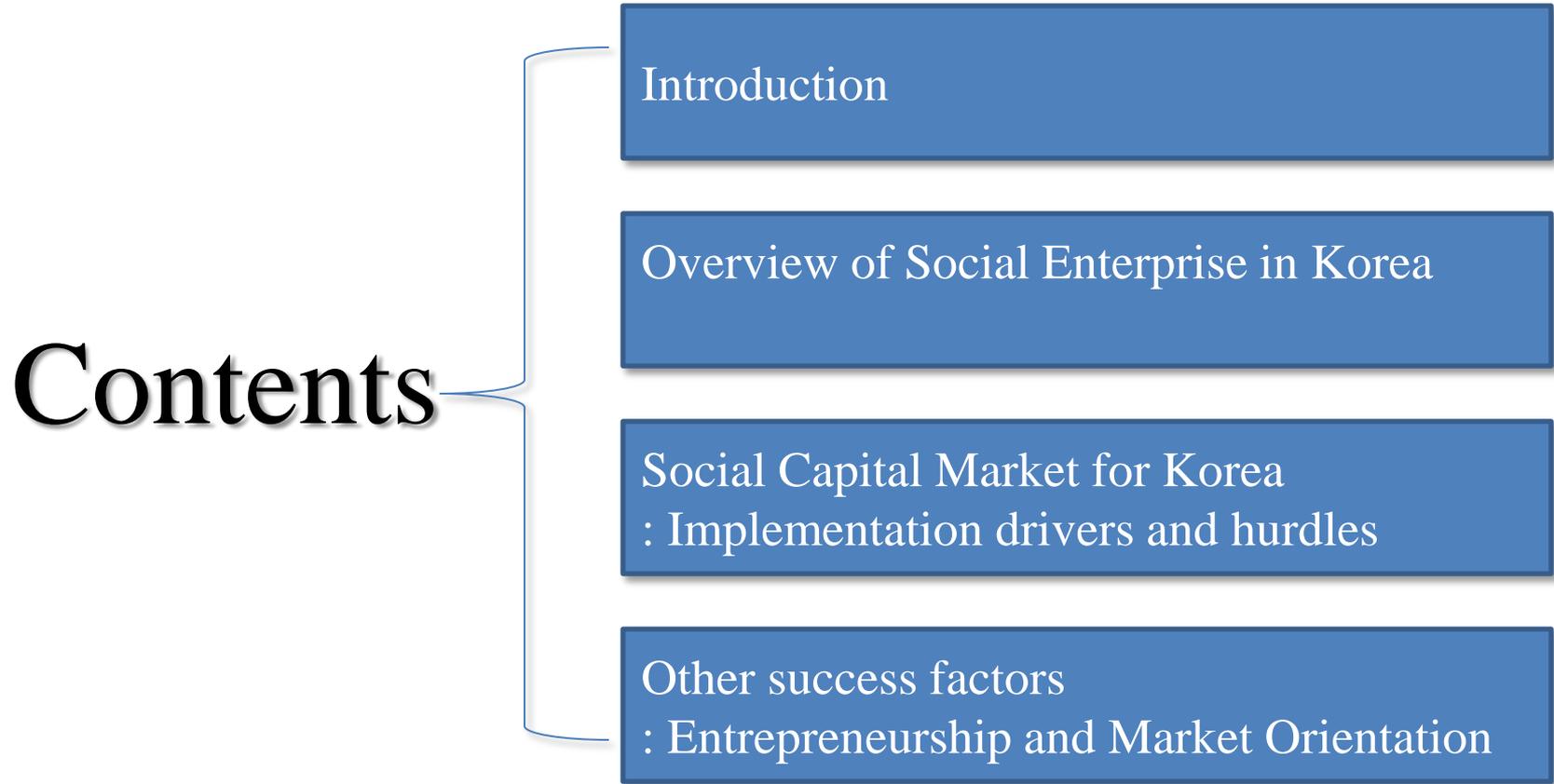
Professor, Hankuk University of Foreign Studies

KCMI Annual Conference

19 September 2012

---

# Contents



Introduction

Overview of Social Enterprise in Korea

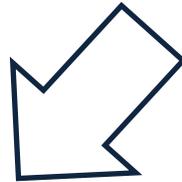
Social Capital Market for Korea  
: Implementation drivers and hurdles

Other success factors  
: Entrepreneurship and Market Orientation

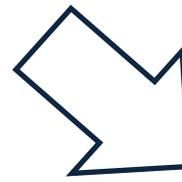
# I. Introduction

## 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

## Social Capital Market

### Supply Side

the sources of finance, which today are public allocation and philanthropic foundation, and in future may also include money form additional investors and 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

## financial intermediaries

**With vigorous assistance of these intermediaries, government could succeed in bringing in new money to the social fields** 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.

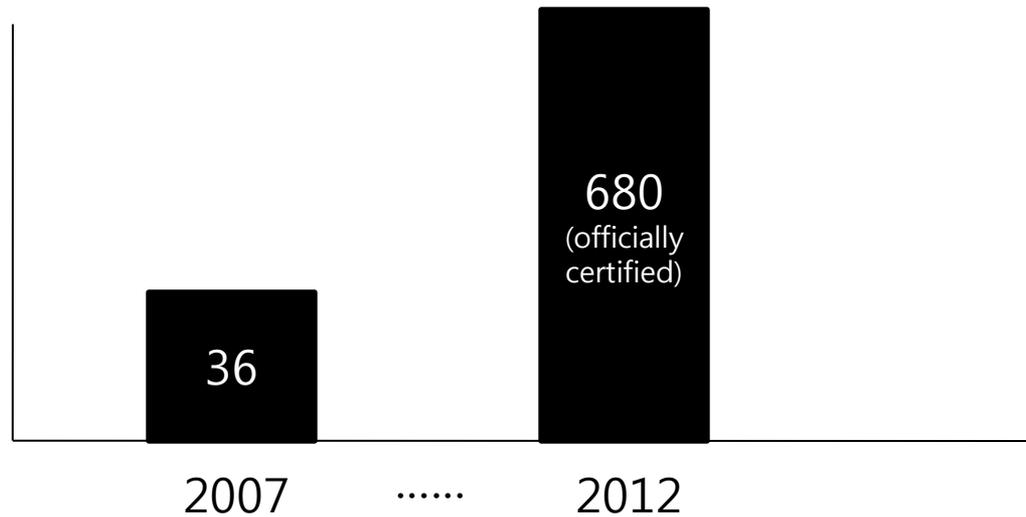
Government should take action to develop an innovative view of financing efforts to address social challenges, and to ensure the strength and prosperity for the social organizations that serve as the implementers of its social policy.

Social Capital Market

## II. Overview of Social Enterprise in Korea

### 1. Number of Social Enterprise

The number  
of social  
enterprise  
In Korea



<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

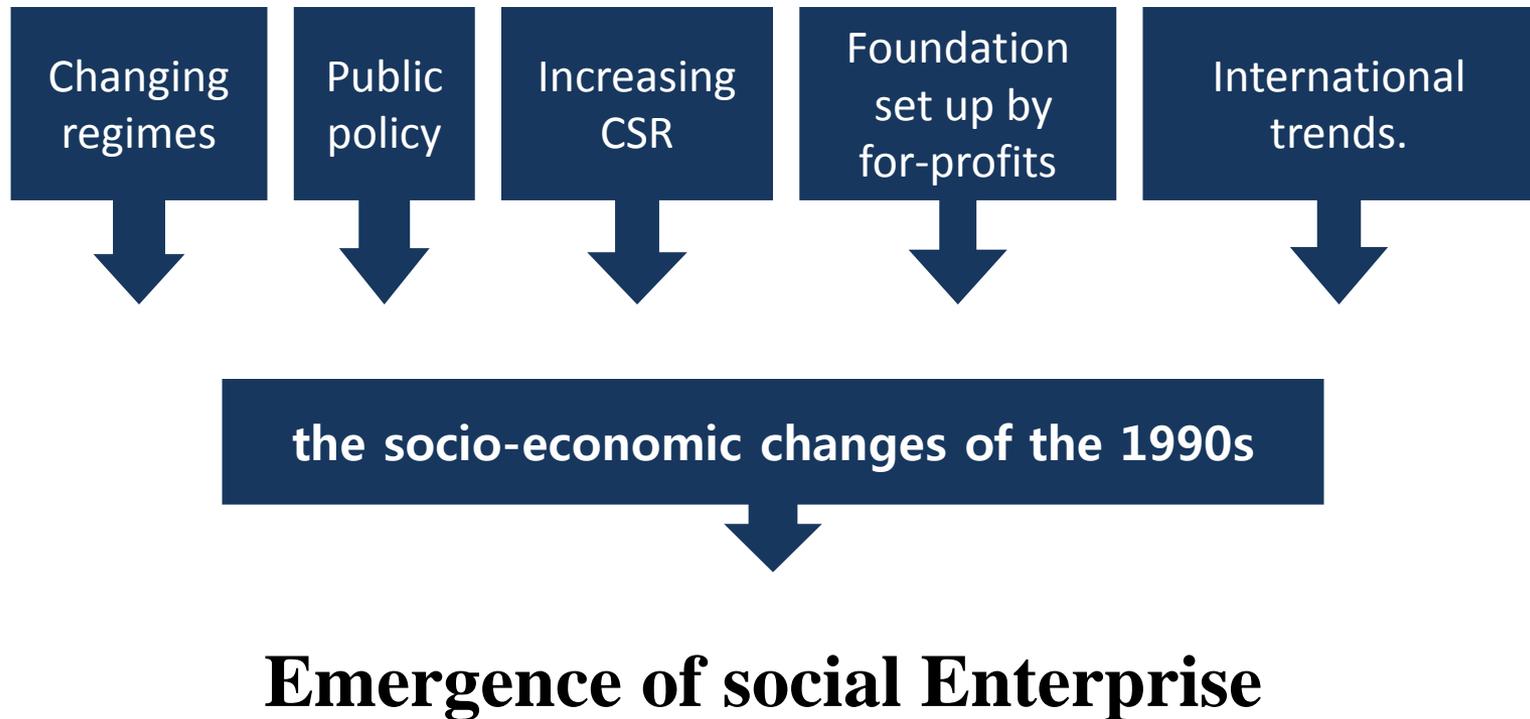


**subsidy**  
for additional workers

Social job creating program

## II. Overview of Social Enterprise in Korea

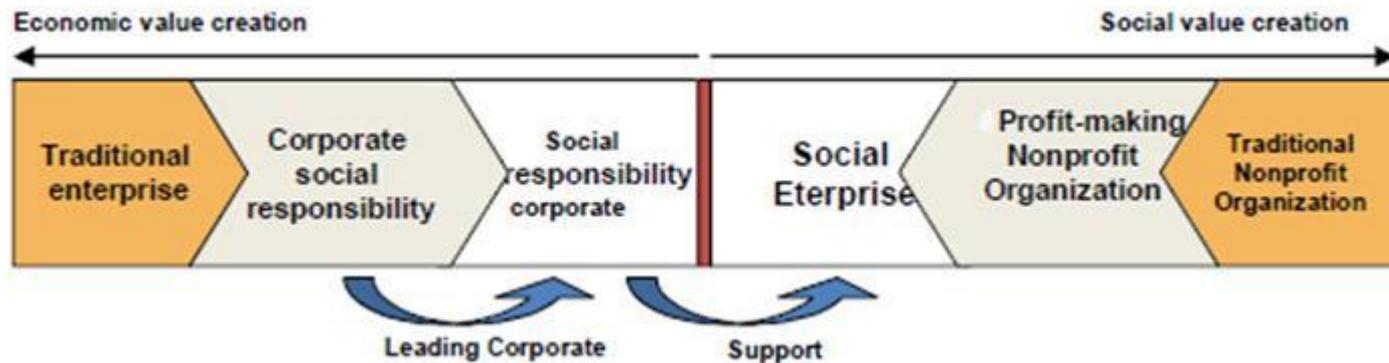
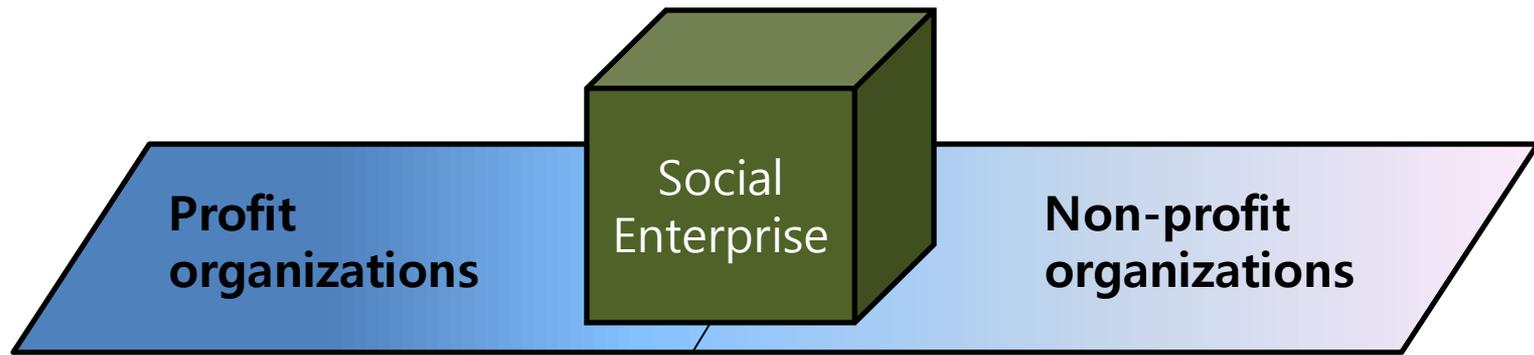
### 1. Number of Social Enterprise



# II. Overview of Social Enterprise in Korea

## 2. The Concept of Social Enterprise in Korea

### (1) Positioning of Social Enterprise

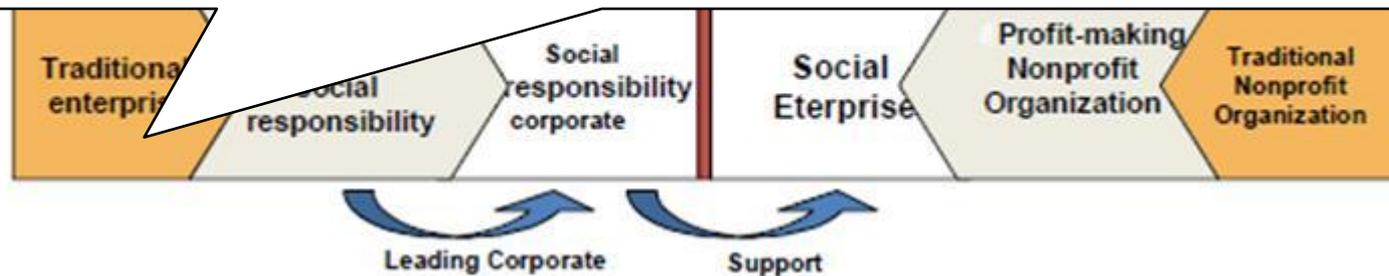


## II. Overview of Social Enterprise in Korea

### 2. 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

### 3. Social Enterprise Promotion Act enacted in 2006

#### (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

### 3. Social Enterprise Promotion Act enacted in 2006

#### **(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)

## II. Overview of Social Enterprise in Korea

### 3. Social Enterprise Promotion Act enacted in 2006

#### **(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

### 3. Social Enterprise Promotion Act enacted in 2006

#### **(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

### 3. Social Enterprise Promotion Act enacted in 2006

#### (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

### 3. Social Enterprise Promotion Act enacted in 2006

#### **(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

### 3. Social Enterprise Promotion Act enacted in 2006

#### (4) Social Purposes

## Social Enterprises

#### 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

## II. Overview of Social Enterprise in Korea

### 3. Social Enterprise Promotion Act enacted in 2006

**(5) Decision making structures  
: Participation of stakeholders**

**(6) In case of corporation,  
more than 2/3 of profits for social purpose**

**(7) Others**

# 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

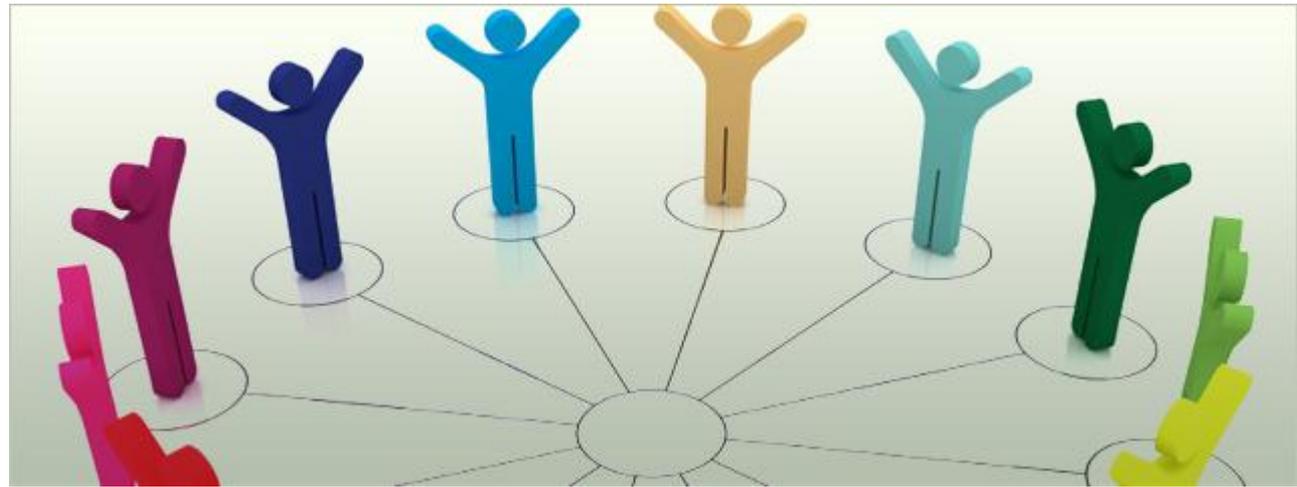
take risks and to be progressive and innovative

Entrepreneurship

respond better to the market needs than their competitors do

Market Orientation

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



Thank you