

Revitalization of the Korean Social Enterprise Ecosystem and its Policy Implications*

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Social enterprise, a new type of social service agency in Korea, has rapidly emerged in recent years. A social enterprise ecosystem is defined as including both support structures that can develop social enterprises, and a cluster value network between various stakeholders. On this basis, a social enterprise ecosystem can be seen to have two main divisions; capital infrastructure, and the socio-economic and cultural environment. The capital infrastructure provides the resources, including social, political, human, financial, and intellectual capital, that are essential to the success of social enterprise. The socio-economic and cultural environment produces the conditions in which social enterprises and their capital providers operate. This environment includes, but is not limited to social enterprise policy, media relations, and economic and social conditions.

The findings have the following implications. To promote the capital infrastructure, it is necessary to consider the issues of education and training, while building financial capital for social enterprises requires the establishment of both financial support and capital market systems. Policy support is required in order to create a positive perception about social enterprise among citizens, and to establish spaces in which to nurture social enterprise (including free rental space). In addition, a further policy challenge involves the creation of a platform for the active participation of social entrepreneurs, funders, researchers, and ethical consumers. Generally, the challenge for policies relating to social enterprise is to build governance structures and to activate government assistance policies. In order to do this, there is a need to build a consistent support system involving the central government, metropolitan councils, and primary local authorities. At the same time, social enterprise policies should be developed by promoting the social enterprise cooperation town and cluster, and by finding a public purchasing and social service market. Ultimately, finding a way to activate the social enterprise ecosystem has significant political implications for the development of social enterprise.

Key Words: Social enterprise ecosystem, Capital infrastructure, Socio-economic and cultural environment, Ecosystem platform

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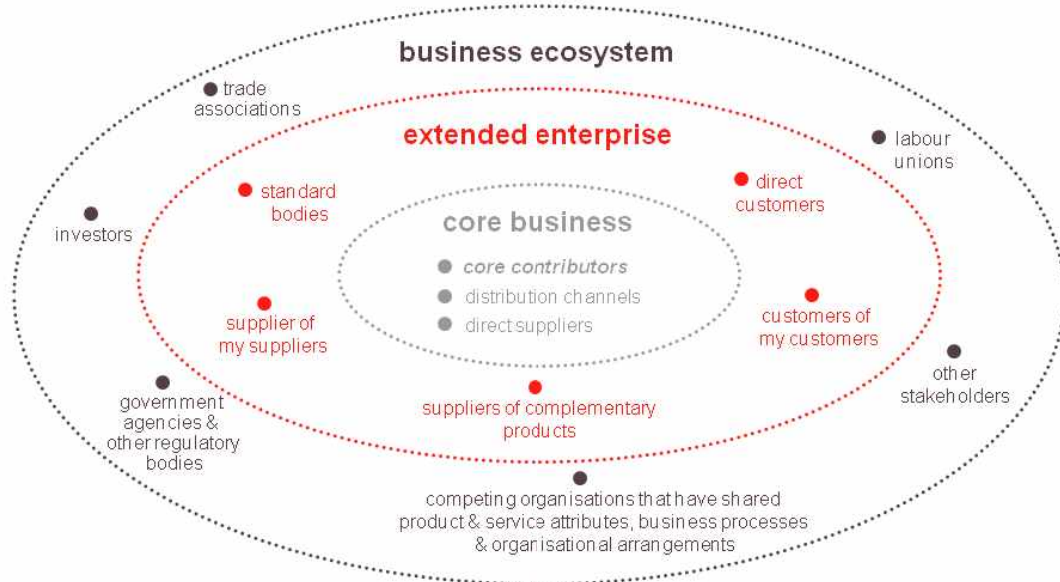
I . Introduction: Advance of Social Enterprise (SE) and Social Entrepreneur Ecosystem (SEE)

Social enterprise (SE), a new type of social service agency in Korea has recently risen rapidly. Attention towards SE has quickly developed to enable economic growth, reduction of poverty and improvement of large-scale social development (Ferri & Urbano, 2011). Especially, the concept of the business ecosystem (BE) in general entrepreneurial SE activities has been prominent. Making strategic choices to battle between and within the ecosystem is now a growing center of attention in the field of SE. This is because understanding the impact of the ecosystem in SE is the same as knowing the reality of the environment in which it operates (Lee, 2009).

The concept of the BE, now widely adopted in the various areas, was started in the early 1990s by James F. Moore(<Figure 1>). Moore (2003) expanded the idea of symbiotic relationships in natural ecosystems into the social scientific perspective. He used several ecological metaphors to describe the business world, suggesting that BE encompasses and interconnects with all resources and assets as well as all participants, such as customers, owners, employees, investors, suppliers, and advocates, etc (Moore, 2003). The BE allows firms to create value from collaborative relationships among vertical channels that promote symbolic synergy for success.

The basic species (members) of the BE consists of market intermediaries, providers, the corporation itself and others associated with them, such as investors, government agencies/regulatory agencies, customers, or organizations representing the interests of suppliers and competitors (Bae & Lee, 2012). While a traditional paradigm for business is to maximize the profit, the perspective of the ecosystem, the latest paradigm, is to highlight the humanistic-based business. Therefore, the major components of the ecosystem in the economy-oriented perspective can be both publicity and profit, but in the BE perspective the components are able to extend to a third sector, such as civil society organizations or non-profit organizations.

<Figure 1> Business Ecosystem



Source: 'Death of competition' by James F. Moore (1996)

The purpose of the BE is to provide a 'value complex', which is connected and has a set of products and services to offer value (Kim, 2012). The value complex is a set of products or services to provide value to consumers by connecting and combining with a variety of products, services, and technologies, etc. With this concept, the notion of a 'platform' has emerged. Many successful companies create a platform. The platform is a component-based system, in which the connection of components that share the same value complex occurs. The platform has a role as a mediator. The BE is a systematic structure to build a symbiosis relationship and co-evolution between the companies by sharing the platform in this system (Kim, 2012). To survive in the competitive world, companies must compose a social entrepreneur ecosystem (SEE) that suits them well and they should strive to increase the competitiveness of the entire enterprise ecosystem. The survival for each company depends upon how wisely they utilize the BE.

The development process of the BE can be divided into four steps: (Step 1) period of pioneering - (Step 2) expansion phase - (Step 3) authoritative phase - (step 4) reform / destruction phase. To evolve each step in the BE, there are problems and tasks that should be overcome. The task in step 1 might be related to creating the company's core value, the difficulty in this phase may be related to building collaborative networks; while, the problem in step 3 might be associated with maintaining authoritarian leadership (led co-evolution) and in step 4 it may be

related to improvement of sustainable performance. There is a need to determine which company is in what phase. There is also a need for consideration of how the companies' cooperation and competition are redefined on each occasion that the BE passes through each step.

Therefore, this study has two main objectives. The first aim is to conceptualize SEE in the perspective of external diversity to understand the evolutionary process as a part of SEE. The second aim is to propose political implications to activate the concept of SEE for providing social services. In order to accomplish these purposes, this study was conducted in an explorative manner as a literature review and conceptual analysis.

II. Concepts and characteristics of social entrepreneur ecosystem (SEE)

To understand SEE, there is a need to understand the concept of the BE first. This is because the SEE has been transformed by the concept of the BE. The concept of the BE, now widely adopted in various areas, was started in the early 1990s by James F. Moore. Moore (2003) defines BE as:

“An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world. The economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The member organisms also include suppliers, lead producers, competitors, and other stakeholders. Over time, they co-evolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies. Those companies holding leadership roles may change over time, but the function of ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles (Moore, 1996, p 26).”

With this concept, the BE is joined to a changing environment. It describes its nature as a connection between market economies and individual organizations. In the BE, the organizations can make conscious decisions to create innovations and gain commercial success. The large numbers of interconnected participants through a variety of interactions can lead to co-evolution. BE might be an economic community centered on core business by integrating innovative ideas

among various stakeholders to promote a robust coexistence in all potential ‘spaces’ for business opportunities. The BE has an influence on the creation of each company’s value and is also loosely-connected to networks affected by each element, such as suppliers, distributors, outsourcing companies, producers related to products and services, technology providers, and other organizations. While BE enables a coexistence to develop among stakeholders by promoting a virtuous cycle of investment and profit, the basis of the social ecosystem(SE) is a cooperative and altruistic co-evolution. Thus, the value of SE is a virtuous cycle of coexistence and cooperation.

The basic principle of the SE is the perspective that each element consists of an environment that exists as part of an entire network, and within the entire network. Each element among SE directly and indirectly interacts with and affects the overall function of the environment. In the perspective of the SE, the main concepts of (1) sustainability and (2) social responsibility has emerged. In general, (1) sustainability means one’s ability to maintain a certain process or status. It is a systematic concept related to a continuum on environmental, economic, and social aspects of human society. Considering economic, social, and environmental factors, the definition of sustainability is a developmental concept or approach to maintain the natural environment and to pursue economic prosperity. (2) Social responsibility is to pursue social benefit as a whole by performing environmental, ethical, and social contributions and simultaneously making a decision or action accordingly (Bae & Lee, 2012).

The definition of SEE is an organic environmental system that can develop SE and a cluster value network between various stakeholders. In other words, it is a network system in the available space to produce an innovative value complex and symbiosis to form a virtuous relationship like a BE. According to CASE (2008), SEE has two main divisions, (1) capital infrastructure and (2) socio-economic and cultural environment. (1) The capital infrastructure provides the resources, such as social and political capital, human capital, financial capital, and intellectual capital, that are essential to the success of SE. (2) The socio-economic and cultural environment produces the condition in which the SE and their capital providers operate. It is a concept that encompasses SE policy, media relation, economic and social conditions, and related fields (CASE, 2008).

III. Structures and components of SEE

A purpose of SE is to pursue and create a ‘shared social value’. Shared social value means solving the social problems facing the community by providing social services for vulnerable people. It also facilitates the improvement each region’s economic and social conditions as well as to create new innovative value by increasing the competitiveness of the enterprises. The structure of the ecosystem in which the practice of SE takes place consists of (1) capital infrastructure and (2) socio-economic and cultural environment (CASE, 2008).

1. Capital Infrastructure

1) Human Capital

Human Capital (HC) can be the core subject or network for SE activities when individuals or group networks are innovatively responding to social issues. It includes various types of SE that are already works in the community or are ready to activate, such as township (village) enterprises, cooperatives, self-sufficiency organization, NGOs, volunteer, retiree organizations, and business organizations. Sometimes, HC might include activists who are outside the system. It can involve networks between inter-group SE, public or private actors, and private networks within the local unit or sector. The leader of the SEE must have the role of coordination and integration for each member to mutually support. The leader should concentrate on the investment while being guided by a certain direction and must present the shared vision among major producers, competitors, customers, and investors. Educational infrastructure at the local level is a key factor to promote HC.

Dr. Yunus, who developed the concepts of microcredit, and John Wood, who is the founder of Room to Read, a global non-profit organization focused on literacy education in Asia and Africa, are typical examples of the SEE leader. In Korea, Dr. Koo (Koo, Ja In) who built a village called Jinan village in Jeon-buk could be a classic example. The primary role of the leader in the ecosystem is to train a group of leaders by education. This is a requisite for making a successful village community (Kwon, 2010).

2) Social/Political Capital (SPC)

According to Park, et al.(2008), social capital is defined as “capabilities of individuals, groups, and communities that can mobilize the resources from social relations, including networks, trust, and norms of reciprocity.” While HC is to links between SE and their networks, SPC refers to both tangible and intangible social and political infrastructure. Thus, the on- and off-line SE advocacy organizations, supporting spaces for SE (including free rental space), and a positive perception of SE for citizens can be fine examples. The presence of a platform involved with social entrepreneurs, funders, researchers, and ethical consumers is an active indicator. Typical examples for social and political capital are various ‘think tanks’ in universities, consulting firms, and professional associations as well as Silicon Valley in the U.S. and Daejeon Daedeok research complex in Korea.

Ferri (2011) found that there was a positive influence on social attitudes about SE activities, which means social attitudes are positively affected to SE activities if the organization’s activities are invigorated by social objectives. Therefore, it is necessary to create the platform on which the organization’s activities operate and to reflect the desire of the people who want to alter their reality.

3) Financial Capital (FC)

FC is the core capital for a start-up business. Unlike general corporate, social investment for SE is considered to be both social impact (outcome) and economic outcome. The factors of FC include scale of target capital market, a number of management consulting and assistant agencies as well as the number of assistant personnel, the volume of social investment, and supply and demand structure. The level of social impact outcome (the number of jobs, degree of provided social services, degree of social innovation, and how well the township develops) is one of the FC factors. Since there are various types of SE, application of the various types of indicators that measure the outcomes should be in a flexible manner. If SE aims to offer jobs for vulnerable groups, various types of SE such as labor-retained model, self-oriented model, or venture model can be measured in an appropriate manner (Lee, 2010).

4) Intellectual Capital (IC)

IC refers to the infrastructure in the knowledge dimension to help SE activities provided by external social entrepreneurs such as sharing know-how and success cases for operating SE. IC involves organizational actions such as SE education, research, consulting, support, and evaluation as well as a number of key programs to support SE organizations. The performance indicators for IC can be whether there are any success stories that positively stimulate a prep entrepreneur with a calling to become a SE entrepreneur or whether there is a case that shows how ordinary people can succeed through entrepreneurship.

2. Socio-economic and cultural environment

1) Public Policy

Public policy refers to the central and local government's policies, such as employment, financial, or tax policies, which affect SE activities. It also includes the level of awareness in politicians and government officials and various assistant policies such as income tax credit, preferential purchasing system, and encouragement of social entrepreneurs. To have sufficient public policies for SE, the government should perform mediatory and cooperative roles to support the participations in the ecosystem.

According to the results from recent studies, SE activities are not always activated when government policy capabilities are enforced. In other words, a relationship between the governance's effectiveness and SE activities is negatively associated (Mair & Marti, 2009; Ferri, 2011). However, expanding social services is heavily reliant on government spending in Korea.

2) Economic, social, and cultural conditions

Economic, social, and cultural conditions in the places where SE activities happen can be an important aspect of the SEE. In order to identify economic, social, and cultural conditions, there are various considerations: first, conditions that are necessary to identify the demand of the community for products or SE. More specifically, there should be checks about whether there are qualitative and quantitative differences between the number of real-operated SE and the number of objectively required SE. This is because the chance of success would be higher when SE

activities are based on the need or demand of the community. If the balance between supply and demand is unbalanced, it is crucial to identify which element in the ecosystem is underestimated or exceeded. Ways to active the ecosystem can be identified based on this analysis.

Second, the preferences of the community related to activities of social solidarity including ethnical consumption, volunteering, and donating. In order to do so, it is required to spread out SE activities, introduce success stories, and have the SE activities recognized by the media or journalists. Factors such as the company's social and environmental impact, morality, and quality of the production process, as well as the price of the production should be considered for ethical consumption. In addition, ethical consumption includes eco-friendly consumption, fair trade, and local food. The activities in ethical consumption involve the purchasing activities, boycotts, sufficient verification, relational purchase activities, anti-consumerism, and sustainable consumption activities, etc.

Thirdly, the economic, social, and cultural conditions may include the volume of the reciprocal market at the community level as well as the volume of internal trading.

3) Related fields

Related fields identify how many organizations or agencies cooperate with and understand SE activities in SE related areas, such as welfare, health, education, employment, and culture in the community. This includes the level of awareness about journalists and public relations. Social responsibility in general companies and the degree they assist SE operations are related to relevant fields.

The example of co-evolution between general companies and SE is easy to find in Korea as well as in the Third World. The case of 'Big Brother Small Brother', in the Philippines, is a good example. It means that large corporations (big) provide education and training services for local organizations (small) to help participate in production activities. In the first five regions, a furniture production association and the local government are cooperating with small companies to educate them about bamboo processing techniques as community-based training on entrepreneurial development (CBTED). Consequently, the small companies became subcontractors of the large companies (Dacanay, 2004). A similar example in Korea is 'Easy-move', which was established with cooperation by Hyundai and Kia Motors.

IV. Challenges for promoting SEE

To promote SEE, the plan for SEE must be based on the sustainability of SE and the developmental challenges should be presented according to the stage of SE development. For sustainability, it must be required to provide a discipline mechanism that is stimulated through continuous innovation and efficient improvement. If this mechanism is inadequate, it may result in adverse selection and moral hazards. Accordingly, it would be difficult for SE to expect support from the public and civil society.

To promote SE, the organization needs an internal mutual control system and conflict resolution mechanism. The spirit of democracy that SE pursues requires new environmental and labor conditions that are different from general profit corporations. It is advantageous that these different conditions and environment may reveal human autonomy and creativeness. Despite these positive characteristics of SE, negative impacts may occur. For example, the cooperative's unions, in which the union members have a high tendency to cohere, may have difficulty in identifying reasonable responsibility, and as a result, the organization's mission might be in jeopardy. In other words, if elements are not able to take responsibility, a destructive element might be encouraged that neutralizes the positive effects of SE.

SE, therefore, needs a mutual control system that allows a worker to do his/her best endeavors based on the principles of democracy. At the same time, a mechanism of conflict resolution should exist, as conflicts always arise in the organization process. Therefore, the organization must be equipped with a mechanism for resolving the conflict as well as internal control systems. Negotiating conflicts and the healing process are part of developing the human relationship within the community (Lee, 2006). A variety of policy issues in the major components of the ecosystem structure to promote SEE is also needed. In the following section, we will cover various policy issues for encouraging SEE.

1. Promoting HC

In order to promote HC, it is necessary to consider some critical factors that are related to the vision, subject, and issues in education and training. The most important factor to promote HC is the issues in education and training. Education and training sessions for the SE executive must

have a perspective that SE activities can ultimately change the participants as a subject in their lives. A SE activity begins from the realization of the social value. The key identity in SE activities, hence, must include community integration and empowerment at the same time. A SE activity should start from the point that the activity is ultimately provided to support or help people live independently even in the cases of providing jobs or social services for socially disadvantaged people (Lee, 2010).

In South Korea, a variety of attempts to cultivate human capital has brought a certain degree of achievement since 2007, the time of the institutionalization of SE. However, HC, which has its obvious social identity, fostering innovative social entrepreneurship, has not been fully developed since the focus has been on the quantitative goals of SE. For that reason, it is the time to discover and encourage innovative entrepreneurs based on the perspective of SEE. A fine example for promoting SE can be the Ashoka Foundation's HC model. The model supported by Ashoka Foundation focuses on supporting businessman of SE and cultivating SE groups as well as constructing social infrastructure for an appropriate period. South Korea can benchmark this successful case of leading HC.

A way to improve the fields of education and training for HC is first to diversify the types of programs and training needed. Particularly, educational goals and educational programs should be varied according to the forms of organization and the level of the worker's career experience. For example, educational training should be offered by the growth phase of SE. When SE obtains certification, the education for the social mission of SE should be highlighted to promote SE. The vision for social purposes or ethics, capability of communication, and humanity-sensitive education should be covered at the beginning.

Secondly, there is a need to strengthen on-site training and mentor training to inspire the spirit of social entrepreneurship in the growth phase. To do this, the case from the U.S. where entrepreneurs take the lead for SE activities and publish a practical guidebook based on the successful experience of the SE activities should be consulted (Lynch & Walls, 2009). In the future, a number of successful entrepreneurs will be producing advanced activities for SE, so that they will be able to serve others as a flourishing model in Korea (Kwon, 2010). For example, a recent educational program from the Hyundai-Kia foundation is being expanded to cultivate young entrepreneurs. Thus, infrastructure for education and training to encourage and support innovative entrepreneurial activities for young people is needed in both public and private sectors.

The main task for invigorating the SE and social economy is to train young entrepreneurs who are able to challenge the innovative SE start-up. In order to do this, a number of training programs for young entrepreneurs will be planned and implemented at local levels and in industrial units. To foster social economic leaders, the advantages of university business courses, academic cooperation and business start-up assistance programs are needed.

The training courses from SE, in the growth phase, can provide the accumulated know-how that is needed for diverse purposes (the style of local social contributions, style of public innovative service, and style of social innovation), by various fields (various types of industries), and by different phase levels (business start-up, beginning phase, growth phase, and maturation phase). The new workplace learning is balanced by the internal competitiveness of the SE. The education for SE practitioners should be focused on stressing the practitioner's capacity, not based on theory-based training. This education is provided to strengthen the practitioner's empowerment as a middle manager and other professions in finance, administration, and so on.

Thirdly, the education should be differentiated by educational subject or target. The contents of the training programs provided from the Department of Labor or the Korea SE Promotion agency need to have a higher level of authority and excellence than the programs provided by civil society. The systematic education or training for young entrepreneurs and creating innovative SE projects or activities, such as academy sessions for young entrepreneurs or social venture contests, must be needed. An excellent example of innovative education is the 'Ashoka fellow program' provided from the Ashoka Foundation in the U.S. Another example is tailored education focused on on-site training in the United Kingdom. Like a 'youth SE internship (aged 15 to 24)', a new type of program needs to be created in the previous step of fostering SE business. Before a young person starts his or her businesses, this kind of internship program can support future SE start-ups and give time to prepare the SE business well. For promoting senior entrepreneurs, the training programs should be classified into two types, (1) economic survival and (2) social need. For senior entrepreneurs in the economic survival type, the educational programs should be planned by inducing new SE set-up and employment. For seniors in the social need type, the training programs must be focused on respecting their talent and experience, and providing various role models. To realize this, volunteer activities or pro-bono activities may be a way to link the youth and senior generations.

2. Promoting FC

Another crucial challenge for establishing well-organized SEE is FC. Recently, the Korean government has supported the path of FC to expand SE. The government tried to enlarge the volume of funding and the scale of Smile Microcredit Bank loans for increasing the pathway of capital-financial support. The government is also included medium or small businesses as a target group in the Dream Loan, which is a financial assistance program. Furthermore, the government makes it possible to form SE investment funds through the investment Fund of Funds and to enlarge credit guarantees. A type of non-profit SE comes to obtain financial support from the government as one of the small and medium businesses. However, a SE that receives this kind of financial assistance is very limited in the real field. To survive without governmental financial support in the long term, a social capital ecosystem should be created. The social capital ecosystem needs to include various stakeholders, such as Social Mission Foundation, social investors, retail investors, and the government as capital consumers or capital providers. In South Korea, numerous elements of the social capital ecosystem are missing. In other words, the existing support for SE is very limited. Support for SE from various stakeholders is provided for a limited time in the form of the government funds, loans, or private donation, so that the effect of supporting SE and practical support are insignificant. Therefore, the funds supplied by various funding entities working in the social capital market need to develop in the long term.

To build efficient financial capital for SE, the following items need to be considered: first, it is required to create 'patient capital' in the long term because about 60% of the total workforce in SE is a vulnerable group in South Korea, thus, building efficient financial capital for SE requires time for success. In Korea, social mission investment is restricted since private foundations are mostly company-based foundations and there are strong links between companies and private foundations. Thus, private or large companies directly support SE with financial capital. In addition, the two fundraising channels for promoting SE funds are limited. (1) The social welfare related funds are forged by the Community Chest of Korea and (2) micro-credit for the low income is constructed by the central foundation of the Smile Micro Bank. The ecosystem for a social capital market is absent. The Korean government needs to establish separate funds like Britain's Future Builders Fund (BFBF) and the size of the funds in Korea need to be larger than the BFBF. Currently, the government formed a 100 billion won Fund of Funds for SE. To

effectively use this fund, the government needs to operate this fund as grants as much as possible and increase the resources for funding through the matching of funds. Accordingly, the government tries to have the leverage effect by employing private capital.

Secondly, to activate social investors in Korea, intermediate institutions such as micro-financing institutions, regional development banks, and credit unions must have their role as mediators (Moon, et al., 2011), since social investors like the Calvert Foundation, Acumen Fund, and Accion Group are very restricted. The formation of the investment ecosystem is possible only when the expertise in social investment needs to separate financing and investment, but the expertise of social investors in Korea has not yet developed.

Thirdly, donations for SE need to expand. Today, SE donations from for profit corporations in Korea are not able to receive tax deduction. Some major companies which build public utility foundations have a structure to support SE by expanding SE funds after they do the primary donation for the designated contribution deduction. Other companies that do not build their public utility foundations prefer other donations that can receive tax benefits, so that they are passive about donating to SE. Only a few social contribution funds from some of the major companies have emerged for SE through a partnership between intermediate support organizations and some major companies with the nature of the non-profit corporation. Recently, some businesses, to raise SE support funds, have sought to develop a joint program or partnership between legal donation organizations and intermediate support organizations based in various areas. In addition, the environment in which SE can be extended to support by developing cooperative programs with large nonprofit public utility foundations and public utility foundations based on areas needs to be created.

Fourthly, it is necessary to review the ways to make full use of the various techniques, which can induce public investment and interests for SE. An alternative approach about the role of finance in the SE ecosystem has started recently. A new system for performing multiple objectives, including from traditional finances (charity and finance) to recent innovative finances (associative finance, patient capital, and stratified charitable trusts), economic benefits, social returns, and environmental revenues, has emerged. Innovative finance for supporting SE has sought various alternatives, such as ethical investment, socially responsible investment, community-based investment, program-based investment, economically targeted investment, mission investment, and strategic charitable investments, etc. The latest trends in the social

investment market are more likely to transit from ethical investment (a passive investment if the standards of human rights and environment are met) to conscious investment (an active investment which contributes to the public interests). In 2006, the scale of ethical investment in the U.S reached 3 trillion dollars and 11.6 billion pounds in the U.K (Mendell & Nogales, 2009).

3. Utilization of SPC and IC

According to the results of the ‘1st five-year policy evaluation for promoting SE (2008-2012)’, in the area of SE activities it is insufficient to create a SE-friendly culture and environment. The level of understanding and pro-social, economic, and cultural expansion related to SE is not enough when compared to the level of the quantitative expansion of SE. Social capital, which is based on the private autonomous capability, has multidimensional impacts on SEE and SE development. In particular, the active network between private and public, and the community activities among SE leaders should be noted in social capital.

The SPC cannot be formed in a short period of time. It is because the community network, through meeting several times, plays an important role under the region’s historical and cultural background. Therefore, policy support to expand a positive perception for citizens about SE is required for the on- and off-line SE advocacy organizations and supporting spaces (including free rental space). Also creating a platform which social entrepreneurs, funders, researchers, and ethical consumers could actively participated in becomes an important policy challenge. To increase the public awareness about SE, such as the activities of ethical consumption, volunteering, donations, and introducing and propagating SE success stories, as a representative model is also needed for the spreading of SE activities. To sum up, the activation policy for the region’s community network in the SEE government’s policy needs to be treated as an imperative area and a drastic assistance policy needs to be implemented. The intermediate support organizations proposed as an alternative for SE assistance face various challenges now. These institutions are flooded and show a lack of expertise and continuity so they struggle to accumulate the know-how over the implementation stage of five years. The support center at the primary local government level lacks special knowledge and it shows the inefficient structure of scarce connection with the metropolitan council. The integrated support center focuses on the business and administrative support for primary local government rather than field-based-support. The

center is deficient in experience and competence for SE and it lacks an aggressive linkage with the community in the course of operation. These problems are the reality of the intermediate support organizations in the primary local government.

In order to solve the problems that intermediate support organizations face, it is possible to install a ‘social economy support center’ that helps social economy activities, including SE at the primary local government level, thus, the social economy support center is able to assist preliminary SE, self-supporting business, self-supporting enterprise, cooperative unions, and township enterprises (Lee, et al., 2011). In this regard, the Seoul Metropolitan government has promoted a ‘project of developing social-economic-regional ecosystem’. In the project, the social economic support center is established at the level of the primary local government to encourage the development of the social economic model and local community capacity. The Seoul project aims to foster a social economic ecosystem based on the community’s public and private governance, it does not aim at individual support for SE. With this project, the virtuous outcome, development of the local economy though social economic outcomes, can be expected.

Careful considerations should be given to the issues that intermediate support organizations encounter. First, the professionalism of the immediate support organization should be enhanced. To do this, training courses for the organizations’ workers are required. Especially, the SE authentication service should only be carried out by qualified consultants who are trained by authorized institutions. The examples of (1) Social Enterprise London (SEL), which performs the role of SE platform and cooperates with the primary local government, and (2) Social Venture Partners International (SVPI), which funds non-profit organizations, education, entrepreneurship support, and provides professional consultations, can be superior for fostering professional intermediate support organizations (Bae, et al., 2012).

Second, there are two policy proposals to solve the problem that the intermediate support organizations are not organized. The first policy proposal is to strengthen links and coordination with intermediate support organizations. With this, it is possible to enhance the links among intermediate support organizations and to simplify administrative support services. To minimize the confusion caused by different ‘local-rules’ by ministers, regions, and perform-bases, standardization of work within the intermediate support organization is also required. The second policy proposal is to plan to operate a specific-styled-organization with integrated intermediate support organizations. Within this plan, it is possible for the social economic organizations such

as SE, township enterprises, and cooperation to grow together. It can create external effects among various social economic organizations through escalation of community enterprise activation and mutual beneficial social consumer market, and it can be a foundation to grow the scale of the social economy.

4. Challenges facing public policy and its corresponding strategies

The challenges with public policies related to SE are (1) to build governance and (2) to activate government assistance policies. The following is detail information about the challenges to public policies and the corresponding strategies.

1) Building governance to assist SE

After the Social Enterprise Promotion Act was enacted in 2007, specific support in a number of Ministries and various municipalities has been expanded to support SE: this is in addition to the Ministry of Employment and Labor. As competitive support services have been provided by various ministries and municipalities, the issue of duplicated services has been recognized. In other words, similar enterprises are proceeding without any coordination (for example, community business enterprise from the Ministry of Knowledge Economy; energy-related enterprise from the Ministry of Environment; self-supporting enterprise from the Ministry of Health and Human Services; rural communities enterprise from the Ministry of Food, Agriculture, Forestry and Fisheries; migrant women supporting enterprise from the Ministry of Gender Equality and Family; and enterprises for the field of art and culture from the Ministry of Culture, Sports and Tourism). As the Social Enterprise Promotion Act has been amended (emphasizing mandatory promotion planning by the local government head), the executive authority on the SE assistance policy became local governments. However, municipalities' SE development system is currently insufficient. Thus, reorganization of the governance system has become an important mission for promoting SE.

Now is the time to build a consistent support system from the central government, metropolitan councils, and primary local authorities. In order to achieve this, 1) it is necessary to enact the Fundamentals of Social and Economic Law, then a social economic committee should be formed with the membership composed of public and private individuals and organizations

under the President. 2) It is required to install an integrated administrative support organization, to be able to perform the role of cooperation and coordination between the relevant ministries. Through this, various Ministries should have a role to expand a variety of social economy organizations and related support. The integrated administrative support organization must support a number of social economy organizations in a group.

2) Ways to vitalize government's SE policy

There are two ways to vitalize the government's SE policy by (1) promoting the SE cooperation town and cluster and (2) by finding a public purchasing and social service market. The following is detailed information about these strategies:

(1) Promoting SE cooperation-town and cluster

The business for fostering the SE cooperation-town and cluster can expect various policy effects. It means that the greatest issue facing SE is to improve productivity and quality through market expansion. A number of policy supports are needed. For example, it is necessary to establish co-marketing strategies and to co-produce between the homogeneous sectors. Other public support such as a synergy through the promotion for developing a joint business, distribution innovation and logistics system, and for activities, which promote the material foundation of the co-activation and the formation of SE internal transactions between the SEs, are also needed. Especially, the cluster, which is a proven business model and formed in the center of a growing stage of SE, will be able to reduce the trial-and-error by supporting peer mentoring and consulting for new SE in the early stages of SEs. Thus, cluster formation for SE between homologous or cross-sector businesses is the core composition element for SEE (Kim, 2011).

A strategy for building the internal market between SEs might be needed for growing the government's SE policy. For example, it is possible to perform joint marketing and to develop alternative products in the market of a junior school trip. This kind of market forms a small group by developing convergence services between SEs related to education, the arts, and culture.

(2) Finding a public purchasing and social service market

Governments try to cultivate new markets for SEs by adopting the preferential purchasing system in public institutions (SE Promotion Act, article 12). However, the purchasing

performance of public institutions and the participation rate of SEs are still not enough. This is because social enterprises do not have sufficient goods, services, and competitiveness in the market. The purchasing personnel in public agencies do not have ample access to information on the SE products and they have a low-level of awareness about the SE products, which is challenging. In addition, SE also lacks knowledge about public bidding and winning contracts. If social enterprises participate in bidding, they are able to get extra points, but it is still difficult to find other benefits, except limited competitive bidding and negotiated contract in reality. In other words, competitiveness of SE in general bidding, which takes advantage of the lowest bid system, is deficient.

In order to find a public purchasing and social service market, expansion of the procurement market, which links through public institutions and large companies, are also discussed (Lee, 2012). Seoul city, the capital and largest metropolis of Korea, adopts a Procurement Target System (PTS), which is the public purchase, with total sales of more than 20% in the corresponding quantity through SE and tries to expand this strategy to other metropolitan councils and local governments. It will be able to help the fulfillment of the social purpose of SE when public institutions and large companies primarily perform this ‘social responsibility’.

To expand the public purchasing and social service market, the following strategies should be considered: first, there is a need for social enterprises to develop a public bidding link service to provide information about public bidding in advance and easily access the public purchasing markets. The British government utilizes the ‘business link service’ to take advantage of small business services and major initiatives for SE. To ensure easy access to information about public procurement, various distribution channels must be combined with a portal function. Second, there is a need to examine the bidding contract system based on best value. A bidding contract system that is based on best value means it gives a higher probability when SE is considered to ensure the quality of jobs and to hire unemployed workers. The best value bidding contract system has replaced the system of the lowest bid and spread out as an alternative bidding method in the U.S.A.

Third, improvement of the assessment indicators for public agencies must be considered. The current evaluation method, which uses a purchase ratio, may be inadequate at the present time when it is in the active phase of SE. Thus, a new evaluation indicator, which is able to measure the total amount of purchases, regardless of the size of the institutions, must be added in the phase

of activating public purchasing. Fourth, a cooperative system between social enterprises needs to be considered and established. There are a number of policy supports that must be promoted, such as for cross linking of social enterprises, for SE mergers and supporting internal markets, for small business networks to form a consortium of small social enterprises, for additional points when the consortium is in the bidding process, and for introduction of agencies to the contract.

Fifth, fostering social enterprises for provision of social services should be considered. The linkages with government jobs, businesses and social services by taking advantage of the SE scheme need to be considered for promoting SE. For example, government voucher schemes, such as nursing care, are able to link with related SE. Lastly, the establishment of a public enterprise must be carefully considered. The development of SE that links to resources and purchasing of SE products for public enterprises should be considered. In addition, a transition to SE from a publicly held company can be examined for establishing public enterprises.

5. Practical use of cooperation institutions: public-private cooperation plans

Recently, large corporations such as Kyobo Life Insurance, POSCO, SK, Hyundai, and Samsung have actively established SE as a form of subsidiaries. Establishing SE in the large companies is understood as a corporate social responsibility (CSR). Many large corporations, such as sharing happiness, in SK Foundation, the Hyundai-Kia Automotive Group of fostering young social entrepreneurs, Hanwha Group's eco-friendly social enterprise assistance as well as Easy Move in the Hyundai Kia Automotive Group, have participated in and supported activities of SE. Especially the SK Group has a plan to create a world social enterprise platform (Global Action Hub) with the UN by taking advantage of information technology (IT). SK group has arranged the foundation around the various discourses about networking and information exchanges generated by social entrepreneurs, experts, and investors, etc. If a social enterprise platform is built from a SEE perspective, this platform can contribute to the development activities of social enterprises in Korea. SE in Korea can also expect significant synergies. However, it is a fact that large companies' social enterprise activities can be a factor that hinders autonomous development of private organizations rooted in the local grassroots environment. SE suffers from a number of difficulties, such as the lack of SE business models, insufficient market

demand, and the lack of business capacity, as a result of SE policy that is focused on quantitative performance over a short period of time. Nevertheless, it is possible to make SE competitive through the development of adequate SEE in advance.

To fulfill the plan for public and private cooperation, large corporations need to transit to supporting SEE rather than establishing SE as a direct form of subsidiary to spread and develop SE. To do this, two methods can be considered: first, the government can limit the subsidiary social enterprises' role to only employment for the vulnerable and innovative models. Second, if SE is directly established by large corporations and applies for government funding, it may be considered that this kind of SE might be deferral for a period of time. Above all, a change of awareness among executives of large corporations is needed. Continuing education and publicity about the perception that SE is not a social contribution marketing strategy for large corporations are needed, but it is a partner for accompanying growth of business, are needed.

To encourage SEE by large companies, several strategies may be considered. The first strategy might give various roles to large companies. It can be realized that large companies can establish and operate the intermediate professional organizations for SE support, support the existing private intermediate agencies, assist SE in the growth phase, help young social entrepreneurs, support SE curriculum at universities or graduate school, assist SE social franchising, and large companies can form and operate social and financial capital. Second, large companies can expand SE supports toward trade unions or universities. After-school education centers established by the media or universities and technical guidance for masters-level team leaders in LG Electronic would be exemplary cases. It is possible to develop the projects to progress SE with partnerships with the local civic groups and local governments and to ensure trade unions participate in developing SE.

Third, companies can assist the SE movement in the private sector. To enable SE movement in the private sector, large companies must have a partnership with the private sector, such as the Council for Social Enterprise in Korea or Local Self-Support Association Centers in Korea. Fourth, large firms are able to use public-private partnerships. There is a need to consider the form of cooperate with stakeholders as far as the local economy is concerned by utilizing the resources and the industries in the region, in a way to link one company to one item. Through this, it can help ensure the sustainability of SE and relieve the limits on capital and skills of SE by using all the infrastructure and resources in the regions (Shin, et al., 2011).

V. Policy Implications for Social Services and SEE

In a nutshell, the definition of SEE is a network system in the available space to produce an innovative value complex and symbiosis to form a virtuous relationship like a BE. SEE has two main structures including (1) capital infrastructure and (2) socio-economic and cultural environment. (1) The capital infrastructure provides the resources, such as (i) human capital(HC), (ii) social and political capital, (iii) financial capital(FC), and (iv) intellectual capital(IC), that are essential to the success of SE and (2) The socio-economic and cultural environment produces the condition in which the SE and their capital providers operate. It encompasses (i) public policy, (ii) economic, social, and cultural conditions, and (iii) related fields(CASE, 2008).

To promote the capital infrastructure, it is necessary to consider the issues in education and training. One way to improve the fields of education and training is first to diversify the types of programs and training needed. Another way to promote HC is to strengthen on-site training and mentor training to inspire the spirit of social entrepreneurship in the growth phase. To build efficient financial capital for SE, financial support and capital market system should be established. Policy support to expand a positive perception for citizens about SE is required for the on- and off-line SE advocacy organizations and supporting spaces (including free rental space) to promote SPC and IC. Also creating a platform which social entrepreneurs, funders, researchers, and ethical consumers could be actively participated in becomes an important policy challenge. The challenges with public policies related to SE are required (1) to build governance and (2) to activate government assistance polices. In order to do this, it is a need to build a consistent support system from the central government, metropolitan councils, and primary local authorities. Simultaneously, the government's SE policy should be developed by (i) promoting the SE cooperation town and cluster and (ii) by finding a public purchasing and social service market. To fulfill the plan for public and private cooperation, large corporations needs to transit to supporting SEE rather than establishing SE as a direct form of subsidiary to spread and develop SE.

Ultimately, finding a way to activate SEE has significant political implications in the development of SE. Conflicts surrounding the provision of social services between the traditional non-profit SE organizations and emerging SE businesses has increased through the development phase of the social service. In reality, the two opinions are pitted against each other. The original perspective still believes that the role of the non-profit organizations in SE prefers to pursue

publicity rather than to seek profit like in a field of caring or personal services. The other perspective has an emphasis on competition and innovation in the social services because its target populations are more often than not the middle class.

As mentioned above, one of the clear solutions to solve these conflicting perspectives is to create and develop efficient SEE that pursues both publicity and innovation. To survive in the rapidly changing this world, creating or developing suitable SEE by solving the issues that face the challenges in the structures of SEE will strive to increase the competitiveness of providing social services. To provide successful social services in South Korea, creating adequate SEE should be seriously considered.

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사회적기업 생태계 활성화 방안과 정책적 함의

이인재·황주희

사회서비스 제공의 새로운 주체로 사회적기업의 활동이 확대되고 있으며, 그 활성화 방안으로 생태계가 주목받고 있다. 사회적기업 생태계란 사회적기업이 성장할 수 있는 유기적 환경체계로 사회적기업을 중심으로 다양한 이해당사자간의 네트워크 체계를 의미한다. 즉 모든 사업가능 공간에서 혁신적 가치 복합체를 생산하기 위하여 다양한 이해관계자들이 공생과 공존의 선순환 관계를 형성하는 네트워크 체계로 볼 수 있다. 사회적기업 생태계란 사회적기업의 성공을 돕는 (1) 자본 인프라와 (2) 사회·경제·문화적 환경으로 구성된다. 자본 인프라는 (i) 인적자본, (ii) 사회정치자본, (iii) 금융자본, (iv) 지식자본 등을 의미하며, 환경 요인은 (i) 사회적기업 정책, (ii) 언론 홍보와 문화적 인지도, (iii) 경제사회적 조건 그리고 (iv) 유관분야를 포괄하는 개념이다.

사회적기업 생태계를 육성하기 위해 현행 제도 내에서 해결하여야 할 과제로는, 인적자본육성을 위하여 교육훈련 분야의 개선이 선행되어야 하겠고, 이를 위한 개선방안은 교육유형 및 프로그램 다양화, 성장기 사회적기업 등 현장 중심의 실전형 교육과 사회적기업가 정신을 고취하는 성공한 사회적기업가들의 멘토형 교육훈련 강화, 교육주체별/대상별로 차별화된 교육이 이루어져야 한다. 금융자본 육성을 위해서는 사회적기업 금융지원과 자본시장 시스템을 구축해야 한다. 사회적기업 전문재단설립과 민간 기금 조성, 모태펀드를 활용한 사회적 자본시장 활성화, 기업 사회공헌 기금의 활용, 사회적기업의 모금 역량 강화 등 많은 세부 과제들이 존재한다. 사회정치자본과 지식자본의 확대를 위해서는 사회적기업 온 오프라인 옹호조직, 사회적기업을 위한 지원 공간(무상임대 공간 포함), 사회적기업에 대한 시민들의 긍정적 인식 확산을 위한 정책적 지원이 요구된다. 지역사회에서 사회적기업가, 자금 제공자, 연구자, 윤리적 소비자 등이 참여하는 플랫폼을 만드는 것도 중요한 정책과제가 된다.

사회적기업 생태계 육성을 위한 환경분야 정책과제로서는 먼저, 공공정책 분야의 사회적기업 거버넌스 구축과 사회적기업 정책의 보완이 필요하다. 거버넌스와 관련해서는 사회적기업을 포함한 사회적경제 육성차원의 재편이 필요하다. 중앙 단위부터 광역, 기초단위까지 일관된 지원체계 구축이 이루어져야 한다. 또한 사회적 기업정책 관련해서는 사회적기업 협동화단지 및 클러스터 육성과 공공구매 시장 및 사회서비스 시장 확산이 필요하다. 민관협력 활성화 방안으로는 대기업의 경우 사회적기업의 발전 및 확산을 위해서는 대기업 자회사 형태로 직접 설립보다는 생태계 지원으로 전환이 필요하다.

주제어: 사회적기업 생태계, 생태계 자본인프라, 사회·경제·문화적 환경, 생태계 플랫폼