

## Chapter 3

# Social Entrepreneurship in the Global Marketplace: The Korean Experience

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### ABSTRACT

*The scope of the research will be analysis of the development of the regulatory and institutional framework for social enterprises in Republic of Korea, the macroeconomic, institutional, and microeconomic factors shaping the “ecosystem” for the performance of their operations. The research period will be 2013-2015 in the development of the sector of SEs in Republic of Korea in background terms, in order to establish trends, to outline the challenges and the potential for increasing the effectiveness of the market and institutional mechanisms for boosting the social entrepreneurship and innovation potential of this particular subset of enterprises. The objectives of the research chapter are (1) analysis of the institutional and regulatory framework supporting the activities of SEs in Republic of Korea, including their social responsibility; (2) analyzing the macroeconomic, institutional, and microeconomic driving forces and challenges in SEs development in Republic of Korea; (3) analyzing the framework of social impact measurement mechanisms in Republic of Korea.*

### INTRODUCTION

Framework conditions for the development of social entrepreneurship include the presence of highly qualified human resources, beneficial and conducive legal and institutional environment<sup>1</sup>, stable political context and socially inclusive system. The present chapter has the objective of researching social entrepreneurship in the Republic of Korea from two main aspects: supply and demand side factors.

On the supply side, social entrepreneurship is driven by the following factors:

- Financial support in the form of grants for early stage development, prizes for social innovations, debt and equity instruments, “patient” capital, crowdfunding, social impact bonds and venture philanthropy.

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- Business networks such as the development of social incubators, accelerator programs, mentoring, coaching and professional services (*e.g.*, legal, marketing, fiscal, accounting, governance and human resources).
- Development of skills for social entrepreneurship and innovation through courses such as training for social entrepreneurs, university programmes, and mobility schemes.

On the demand side, social entrepreneurship is influenced by the following factors:

- Public procurement and commissioning of socially innovative goods and services.
- Supporting private demand through tax incentives and subsidies.
- Development of the national knowledge base and the measuring of social impact and outcomes.
- Implementation of national cluster policies and support for R&D cooperation in the social sphere.

The social mission of these entities is interrelated with sustainable and inclusive development and intended to address social challenges. SE operate in areas such as the protection of the environment, education, healthcare, bio-products, fair trade, and provision of goods and services to socially excluded sectors of the population. These entities are extremely versatile and constantly innovate their products and services, undertaking alternative ways of generating income, thus bringing entrepreneurial and commercial dimension to the provision of general interest services. SEs foster entrepreneurship along several lines: 1) they bring about economic activity to areas neglected due to their low profitability potential; 2) they offer an alternative model of economic growth based on social inclusion, 3) they produce social innovations by identifying and addressing social needs.

SE operations align to entrepreneurial, social and governance dimensions. Typical SE elements include a) a primary social mission advanced through reinvestment of their surplus for the promotion of social aims and b) an inclusive and participative manner of governance involving employees, consumers and stakeholders. SEs adopt a coordination mechanism based on cooperation, reciprocity and democratic governance that ensures the active participation of all interested stakeholders in their operations. These organizations cultivate “social capital” as their activities require active collaboration and civic engagement. SEs work to achieve systemic change by introducing new business models, improving value chains and exploring unused resources in the provision of public and general interest goods.

## **BACKGROUND**

Social enterprises produce both economic and social outcomes thus contributing to improving market competitiveness, increasing consumer choice and broadening opportunities for skill development and innovation. With respect to impact measurement, a lack of standardized metrics persists, with the majority of SEs relying on their own measurement practices or not measuring social outcomes through a formal evaluation process. These inconsistent practices lead to difficulty in comparability and standardization at both the enterprise and investment level. On the demand side, the lack of diverse sources of financing increases the cost of capital and limits resources for generating social change.

This research utilizes two main approaches:

1. Regulatory and institutional framework analysis of social enterprises (SEs) in Republic of Korea.

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