

Social Enterprise and Financial Resource

Han-Kyun Rho (Kookmin University)

Two presentations by Antony Bugg-Levine and Elizabeth Boggs Davidsen have offered several interesting points to the Korean audience.

First, let's think about a social enterprise as a user of financial resource. It can be said that the main concern of Korean social enterprises so far has been human resources rather than financial resources. The focus of a social enterprise has been placed on the quantitative expansion of human resources (that is, increased employment) and capacity-building of such resources. The problem of financial resource has not been considered as seriously as that of human resource.

The 'Master Plan for Promoting a Social Enterprise,' announced by the Korean Ministry of Labor (MOLAB) in 2007, includes 'laying a nurturing foundation of a capital market for a social enterprise' as one of its main tasks, but it doesn't provide a specific way of achieving this task yet, as presented in this session.

It is certain that employment is a crucial solution to a social problem such as poverty and exclusion and that the capacity of the human resources within a social enterprise is a key to the enterprise's success. On the other hand, it is true that financial resource is too critical for a social enterprise to neglect. How have the Korean social enterprises obtained financial resources?

Interest in socially responsible investment (SRI) has increased in Korea, too. However, SRI has a limited impact in providing financial resources to Korean social enterprises, because it has mainly targeted listed companies. In this sense, Korean SRI is somewhat different from Bugg-Levine's 'impact investing.'

A major source of financial resources for a Korean social enterprise has been corporate philanthropy, so-called '*Sahoe Gongheon* (meaning 'social contribution') in Korean. 2007 MOLAB survey showed that 75 percent of the invested capital of the certified social enterprises¹ came directly from legal entities such as a company and a foundation. Money donated by a company as a part of its '*Sahoe Gongheon*' activities has been used to establish its own social enterprise rather than allocated through an intermediary to a social enterprise seeking for an investor.

This type of resource allocation may alleviate the capital burden of the invested enterprise, but does not help so much the new entry of many social enterprises that might have met various social needs.

The second point to consider in this session is the role of a social enterprise as a capital provider. Korea has showed its interest in microfinance since the mid-2000s, but only a few organizations such as Social Solidarity Bank (SSB) have been active in this area. We can rarely see a social enterprise offering microfinance as its main business among the certified enterprises in Korea. Usury has mushroomed recently in Korea to fill the financial gap, which is causing many social problems.

If we expand our scope to the capital provision for overseas development as the Inter-American Development Bank (IDB) did, the role of Korean social enterprises will diminish very much. Korea also has a overseas development agency such as Korea International Cooperation Agency (KOICA), which has done many works. Nonetheless, there is room to advance the facility of providing financial resources to a business meeting human basic needs both domestically and internationally.

Lastly but not least, we should bear in mind that the allocation of financial resources, especially in relation with the social enterprise, is ultimately a process of determining social value that the society should protect. Therefore, the fairness and transparency of the decision-making process is as important as the channel allocating the financial resource, which we have just discussed. This is because the investment decision involving a social enterprise has more nature of social decision making than a private investment decision. This point should be considered explicitly whether the decision in question is related to a direct establishment of a social enterprise, or 'impact investing', or microfinance.

I hope that the speakers, the panelists, and the audience in this session can exchange productive views and experiences on the process of financial resource allocation.

¹ The Korean government requires that only an organization certified by MOLAB can call itself as a 'social enterprise.'

사회적 기업과 금융 자원

노한균 (국민대)

Antony Bugg-Levine과 Elizabeth Boggs Davidsen의 발표는 한국 청중들에게 몇 가지 흥미로운 점을 제공한다.

첫째, 금융 자원의 수요자로서 사회적 기업을 생각해보자. 그동안 한국의 사회적 기업이 주로 관심을 가져왔던 분야는 금융 자원보다는 인적 자원의 분야였다고 할 수 있다. 사회적 기업 인적 자원의 수적 증가 (다시 말해 고용 증가)와 능력 배양에 사회적 기업의 초점이 맞추어졌다. 금융 자원의 문제는 인적 자원만큼 크게 고민되지는 않았다.

노동부가 2007년 발표한 「사회적 기업 육성 기본계획」에서도 사회적 기업의 자본시장 육성 기반 조성이 주요 과제로 들어 있으나, 이 세션 발표만큼 체계적인 접근은 이루어지지 않고 있다.

고용은 빈곤이나 소외와 같은 사회문제의 중요한 해결방안이며, 사회적 기업 구성원의 능력이 사회적 기업의 성과를 좌우하는 중요한 열쇠임에는 틀림없다. 그러나 금융 자원도 사회적 기업이 무시하기엔 너무도 중요하다는 것도 사실이다. 그렇다면 한국의 사회적 기업은 어떻게 금융자원을 조달해왔을까?

한국에서도 사회책임투자에 대한 관심은 조금씩 늘어 왔다. 그러나 한국의 사회책임투자는 상장기업을 주대상으로 하고 있어 사회적 기업에게 금융 자원을 제공하는 역할은 하기에는 제약이 있다. 이런 측면에서 한국의 사회책임투자는 Bugg-Levine이 소개한 ‘impact investing’과는 다소 차이가 있다.

한국 사회적 기업의 금융 자원 출처의 주된 형태로는 이른바 기업의 사회공헌활동이 있다. 노동부의 2007년 조사결과를 보면 기업이나 재단 같은 법인출자액이 전체의 75%를 차지했다. 기업이 사회공헌활동의 일환으로 기부한 금액이 중간매개과정을 거쳐 이를 필요로 하는 사회적 기업으로 전달되기 보다는 직접 사회적 기업을 설립하는 형태를 취하고 있다.

이런 형태의 자본 조달은 이미 설립된 사회적 기업이 자본 조달에 고민할 필요는 덜어줄 수 있지만, 다양한 사회욕구를 충족시킬 많은 새로운 사회적 기업의 등장을 촉진시키는 데에는 도움이 되지 않을 수 있다.

이번 발표를 통해 두번째 고려할 수 있는 사항은 자본의 수요자로서의 사회적 기업이 아닌 자본의 제공자로서의 사회적 기업이다. 한국에서는 2000년대 중반부터 마이크로파이낸스에 대한 관심이 나타났으나 실제로 활동하는 곳은 사회연대은행 (Social Solidarity Bank) 등 몇 곳에 지나지 않는다. 현재 노동부의 인증을 받은 사회적 기업 중에서 사회 취약 계층이나 사회사업에 소규모 자본을 제공하는 것을 주사업으로 하는 기업은 거의 없다. 한국에서는 이런 금융접근의 공백이 고리대부업에 의해 채워지면서 많은 사회문제를 낳고 있다.

Inter-American Development Bank의 경우와 같은, 해외개발원조를 위한 자본 제공으로 확대해 본다면 한국의 사회적 기업 역할은 더욱더 줄어들 것이다. 물론 한국에서도 한국국제협력단 (Korea International Cooperation Agency, KOICA)와 같은 국제개발원조기관과 연계된 활동이 전개되고 있다. 그러나 국내외에서 인간의 기본 욕구를 보장하는 사업에 대한 금융 자원 제공은 아직 개발의 여지가 크다고 할 것이다.

끝으로, 특히 사회적 기업과 관련된 금융자원의 배분은 그 사회가 보장할 사회가치를 결정하는 과정임에 주의해야 한다. 따라서 앞서 논의된 금융자원의 배분채널 못지 않게 자원 배분에 관한 의사결정체계의 공정성과 투명성이 중요하다. 사회적 기업과 관련된 투자결정은 다른 투자결정보다 더욱 더 사회적 의사결정의 특성을 갖기 때문이다. 이 특성은 기업이 직접 투자를 하여 사회적 기업을 설립하던, ‘impact investing’을 통해 다양한 사회적 기업에 금융자원을 제공하던, 아니면 소액 금융을 제공하는 사회적 기업으로 활동하던 관계 없이 고려되어야 할 사항이다.

이번 세션을 통해 이 부분에 관한 발표자와 패널토론자의 경험과 의견을 들을 기회가 있기를 바란다.

Compassionate Enterprise

Sangdal Shim

KDI

For Panel Discussion

International Conference on SE

March 12 2009

To Establish an Inclusive Society

Key

- Increase the number and efficiency of Social Entrepreneur (David Born Stein)
- Search for persons with good potential and support them (Bill Draton)
- Use Market Forces



Promotion of Compassionate Enterprise
(Sangdal Shim)

What is Compassionate Enterprise (CE) ?

- Creates profit to donate for social purpose largely for charity
- Compassion and Entrepreneurship
- Focusing on making earning is easier than pursuing social and economic value together

Merits of Compassionate Enterprise

- CEs connect those excluded from the market to the center of Markets
- Convenient location and Easy accessibility
- Provide social jobs/sell products of SE
- Focusing on profit making and collaborating with other organizations for service delivery produce efficiency and synergy
- Can experiment various market tools for non-profits

Red Campaign for profit Business CE

- Started by Bono (U2)
- Use red color and label to indicate part of the revenue will be used to save lives
- Transformed Corporate contribution into a broad frame work of compassionate enterprise



BUY (RED) SAVE LIVES

HOME //

- HOME
- LEARN
- SHOP
- TAKE ACTION
- NEWS
- (RED) BLOG
- (RED)WIRE

BE PART OF THE SOLUTION

JOIN (RED) NOW

SIGN UP



Be Part Of The Solution



(PRODUCT) RED™

There are hundreds of ways to support the elimination of AIDS in Africa

shop (RED) ▶

MAKE A DIFFERENCE IN AFRICA

Join us now and help eliminate AIDS in Africa. You will be the first to receive updates on (RED) products, receive special offers only available to members and learn about all the ways your purchases are making an impact. (RED) is working because of your support.

join now ▶

search here

- join (RED)
- friends
- contact
- RSS
- FAQs
- media room
- privacy
- terms of use

NEWS view more ▶



2 March 2009
Gap's Patrick Robinson Names The Global Fund

read the story



19 February 2009
Bono's Letter in Elle Magazine

read the story

A typical example of CE

Loving Line :

- Started as a mobile charity shop selling recycled clothes to help a Swiss philanthropist who had compassion for the cold of North Korea in 2002
- Motto:
 - Warm North Korea !
 - Bright Africa
 - Hope to the Neighbors
- Opened 18 fixed shops from 2003 till now, with 8 shops operating now.
- Seobingo LL shop opened in 2005 established a model for compassionate enterprise.

Net Profit of Soebingo LLshop

(unit: million won)

	Net Operating Profit	Shop Operation Type	
2005	75	Only voluntary workers	
2006	62	1 paid manager	Authority of manager Restricted
2007	109	2 paid managers	Incentive system
2008	126	2 paid managers	Incentive system
2009	?	2 Paid manager	Hire Basic Salary with No incentive

Factors for Success of LL

1. Focus on earning profits, letting other organizations deliver necessary services
2. Setting a specific purpose for the earnings, the Loving Line Shop provides participants with a motive.
3. Each shop has autonomy for setting objective and operation (decentralized)
4. Continuous Innovation

Overhauling of Stereotyped Idea about Charity Shop

1. Sells only used or old items,
not expensive ones



1. New and expensive items can
be sold at a charity shop

2. Should sell only donated items



2. Can sell purchased item
for margins

3. Employees should be satisfied
with low payroll



3. Incentives or fringe benefit
motivates the staff of CE

Continuous Innovation

- Key Factor for Success of L L

- Starting from selling only donated or recycled items
- Now selling purchased stocks for margins
- An outlet with Value for Money
- Increase high-quality brand items on sale
 - Max and Spence, Samsonite
- Upgraded the shop interior not like a charity

Will Good Purpose clash with making Profits ?

- *The Theory of Moral Sentiments* by Adam Smith:
even the most selfish man is made to be mindful of others
 - Sympathy of impartial Spectator with his motive
- A good objective of CE
 - Motivates employee into hard work
 - Moves consumers into buying
 - Facilitates hiring good employee and networking
 - Attracts investors ?

Goodness of Objective and Earnings for Donation :Seobinggo shop:
Jan. 2005 – Sept. 2008

Objective		Donation amount (thousand \)	Donating frequency	Monthly average (thousand \)
Service delivery by	Internal organization	99,800	15	6,653
	Outside NGO	170,258	23	7,403
Potential beneficiaries	Koreans	70,760	13	5,443
	Foreigners	199,298	25	7,972
Giving Back campaign		61,903	6	10,317

Challenges

- Finding a good purpose to spend business profits
 - Transparency and Publicity Promotion
 - Capital for scaling up the operation
 - Social Venture Capital is needed
- Great Potential for Spreading CE

Compassionate Creative Capitalist Network: Giving Back

- Promoting Compassionate Enterprises
- Human Bank
 - Compassionate Entrepreneur
 - Compassionate Specialist and Volunteers
- Search for New Ideas
 - Compassionate Creative Capitalist Competition
- Support them :
 - Start CE with an objective to support CCCN
 - Connect them to Social Venture Capital